

TUESDAY 21 JULY 2009

Present

Dykes, L.
Hannay of Chiswick, L.
Howarth of Breckland, B.
Jopling, L.
Kerr of Kinlochard, L.
Mance, L.
Paul, L.
Plumb, L.
Richard, L.
Roper, L. (Chairman)
Sewel, L.
Symons of Vernham Dean, B.
Trimble, L.

Witnesses: **HE Mr Staffan Carlsson**, Swedish Ambassador, and **Ms Ami Larsson Jain**,
First Secretary, examined.

Q1 Chairman: Ambassador, we are very pleased to see you this afternoon, together with Ami Larsson Jain from your embassy. This session will be on the record and will be webcast, so people may be looking at us. You will receive a transcript of what is said and will have an opportunity to propose corrections. Any Members here who have any relevant interests should declare them. I think that you might like to make a short introductory statement, Ambassador, before we move on to questions.

Mr Carlsson: Thank you very much, my Lord Chairman. Let me say I welcome this opportunity to discuss the plans of the Swedish Presidency with the Committee. I have always believed that we need open and informed discussions about matters European and over the years this Committee has contributed to this discussion in a very important way. I should add that its reports are read not only by embassies here in London but also in capitals, and certainly in Stockholm. I discovered that when I was preparing myself for this session. I

shall use the few minutes I have for my introduction to share with the Committee my views on where we are politically as we begin the second Swedish EU Presidency. I shall also say one or two words about our priorities. Those who would like a somewhat longer and perhaps more informative presentation of the Swedish Presidency priorities I would like to refer to the Presidency website. First, a few words about my own country. Sweden is sometimes referred to as euro-sceptic. I do not believe euro-scepticism ever was as deep in Sweden as it is here in this country and certainly today it is wrong to think of Sweden as euro-sceptic. Ten years ago one in three Swedes thought membership of the EU was good for Sweden and one in three thought it was bad. Today, almost two in three Swedes think that EU membership is good for Sweden. Participation in the European elections increased in Sweden this year by eight per cent. Two parties did particularly well in these elections, one on the right and one on the left. They both focused on European, not national issues in their campaigns. One of them, the Green Party of Sweden, earlier advocated withdrawal from the Union but it has now abandoned this stance in favour of a policy of engagement with Europe. It would take me more time than I have to discuss why this change in Swedish perceptions came about, suffice it to say that my personal view is that at the heart of this transformation is the realisation that there are matters that we cannot deal with only at the national level. If we want to fight climate change, to improve the environment, to supervise financial institutions, to fight organised crime, we have to go European. Our two key Presidency priorities are the economy and climate change. What Europe needs in the short-term are active labour market policies, policies of the kind that my Prime Minister saw when he visited Jobcentre Plus in Marylebone three weeks ago. In the long-term we need a greener European economy and a strategy for sustainable growth and employment, and we need better supervision of the financial sector. We shall work during our six months on all these fronts. We need to fight climate change by reaching an international agreement at the Copenhagen negotiations in December. The EU

has displayed leadership on the issue of climate change, but the work is not done, we must step up our preparations for the negotiations in Copenhagen. I would be less than honest if I did not say a few words about how difficult our Presidency will be. Expectations are high but the obstacles we need to overcome are many. I need hardly remind this Committee that we are in the midst of the worst financial and economic crisis since the 1930s and we face an employment crisis that is likely to deepen as we go into the autumn. Two of the key achievements of the Union essential to the economic prosperity and political stability we have enjoyed for so long, the Single Market and the accession of new Member States, are under strain, partly as a result of economic conditions in Europe. As if this was not enough we are dealing with a new European Parliament and with a transition from one Commission to another. We operate under one Treaty but will, we hope, operate under another as we conclude our Presidency. This matter is wholly in the hands of the people of Ireland and of the three other Member States that have not yet ratified the Lisbon Treaty. We have our work cut out for us. My Prime Minister has made it clear that we are prepared to take on the challenges that will confront us. Whether we shall succeed in transforming these challenges into opportunities for the future will depend in these very difficult times more than ever on the support and cooperation of all the other Member States, for in the end the question will be are we, the Union and its Member States, prepared to brave the political and economic climate and take some tough decisions on the economy, on climate change and other matters. Thank you very much, my Lord Chairman.

Q2 Chairman: Thank you very much indeed, Ambassador. I wonder if I could begin by asking you a question about institutional developments. What work is being undertaken by the Presidency to ensure that if the referendum in Ireland and the ratification in the three other Member States occurs the Lisbon Treaty can come into force swiftly and smoothly when it has been ratified?

Mr Carlsson: The first thing I would like to say is that on the part of the Presidency there has to be a deep respect for the democratic process in the Member States that have not yet ratified, and they are four. No decisions will be taken before ratification. What will happen in the next few months is that we will do some contingency planning of a technical and practical nature. Useful work was carried out during the Slovenian Presidency in 2008 and we will build on that work. Once the Treaty is ratified, of course, then we are in a completely different situation and we will proceed as quickly as possible. The purpose of that technical and practical work that we will undertake before that is to put us in a position where we will be able to do that. That is briefly how we see things.

Chairman: Thank you very much indeed.

Q3 Lord Trimble: Could I turn to the Directive on Alternative Investment Fund Managers and ask what progress has been made in the Council towards the adoption of a General Approach to that Directive?

Mr Carlsson: Lord Trimble, these are early days when it comes to this Directive. Work started in May, I believe, during the Czech Presidency. There have been four Council working group meetings on the Directive and the first reading has been completed. As holder of the Presidency, we will look for a solution that reflects the interests of all Member States and we hope to achieve a balanced solution. It is one of our highest priorities on the economic and financial side. We are talking about a heterogeneous group of funds so we will have to look very carefully at the proposed Directive and how it would affect various categories of funds. There are a lot of technical details here.

Q4 Lord Trimble: Indeed.

Mr Carlsson: We will also work with the European Parliament because there is a co-decision procedure here. A lot of work remains to be done.

Q5 Lord Trimble: When the Directive was first produced the impression we had was that there was a desire to rush this through as quickly as possible. Do I take from what you have said that things will now proceed in a more deliberate manner?

Mr Carlsson: We will proceed very carefully on this. As you know, there are very divergent and strong views. There is clear agreement on some things. I think there is a sense that we need to do something about the systemic risks involved here. As we see it, there is a need for regulation. The outcome has to be balanced and we have to take into account the interests of all Member States.

Q6 Lord Trimble: If I might say parenthetically there is quite a question about whether there are any systemic risks in this area because there is consensus that these funds played no part in the creation of the present economic crisis, but that is by way of an observation. In settling the proposals I wonder to what extent you will be taking account not just of the opposition within the industry but also proposals outside the European Community as this is very much a global issue and probably needs a global approach.

Mr Carlsson: We have to be aware that there is a need to deal with these issues not only at the European level but also at the global level and that is an even more difficult process. We will do our best to take into account the different views here, particularly the views from Member States.

Q7 Lord Kerr of Kinlochard: Ambassador, the European Council in June supported the creation of a systemic risk board and recommended the creation of a European system of financial supervisors who should have binding and proportionate decision-making powers. Do you think that agreement on the powers, binding and proportionate, of these two bodies can be achieved in the Swedish Presidency?

Mr Carlsson: We hope to make progress on this. It is a key priority of our Presidency on the economic and financial side. While I cannot prejudge anything here, we would hope to have agreement by December on this matter. As we know, there are different views here, which is not so strange. We have our different systems in Member States' financial markets and financial regulation and supervision structures. The somewhat more interesting thing here is that there has been a narrowing of views when it comes to financial supervision, certainly at the macro prudential level and also at the micro prudential level. We had the decision by the European Council in June which provides a framework and gives us a solid basis for doing further work. The Commission will have to come up with a legislative proposal and until we have that proposal we cannot do very much, but we expect to have it in the latter half of September. Then negotiations will begin in the Council working group with the objective of reaching agreement by the end of our Presidency.

Q8 Lord Kerr of Kinlochard: The European Council text is quite Delphic, is it not? It is a carefully balanced text with something for everybody.

Mr Carlsson: Absolutely, and you know better than anybody, Lord Kerr, how a balanced text looks.

Q9 Lord Kerr of Kinlochard: They do agree though, and I think everybody agrees with them, that there is a real problem of systemic risk when we are talking about banks. I rather agree with Lord Trimble that it is less clear to see that there is a systemic risk problem to be tackled when we are talking about alternative investment funds. Banks are an area where there is no doubt about the problem and the difficulty is just agreeing on the solution. I have to say I agree with Lord Trimble, I am not so sure about the definition of the problem in the area that he was asking about.

Mr Carlsson: Lord Kerr, with all due respect, I beg to disagree. First, hedge funds are only one part of the Directive that Lord Trimble raised. Second, there is confusion here. The first question is were the hedge funds responsible for the disaster that struck us, and they were not, I agree with that. Could there potentially be a problem with hedge funds, that is another question and it does not, at least in my view, have the same clear answer as the first question.

Q10 Lord Richard: I am afraid I would like to ask an economic question, but not on the subject Lord Kerr has raised, and that is unemployment. The unemployment figures in Europe are now quite appalling. In the EU area unemployment is now 9.2 per cent and in the EU-27 unemployment is now at 8.6 per cent. We have heard that the Presidency intends to provide a steer to the Commission and the Parliament on what policies should be pursued to try and bring these unemployment rates down. I wonder if you can tell us anything about that.

Mr Carlsson: Lord Richard, unemployment is, of course, the major problem that governments face at the moment in Europe. There will be a focus during our Presidency on this. However, we have to realise that it is basically national policies, proactive labour market policies, that are at the heart of dealing with the emergency situation. We need to discuss not only the short-term perspective here but also the longer term perspective and what we need to do in the longer term to create the best possible opportunities on the employment front in Europe. During our Presidency we will start discussions on the follow-up to the Lisbon Strategy and we believe part of the answer here is a greening of the European economy. There are a lot of other aspects to that as well, but that is part of the answer. We hope to be able to give a little bit of a steer when it comes to the further work that has to be done on the follow-up to the Lisbon Strategy during the Spanish Presidency that will follow our Presidency.

Q11 Lord Richard: Could I just follow that up with one question. Do you see a role for the Commission in trying to deal with unemployment? We have the Social Fund and in my day we tried to administer it in the direction of job creation. Would the Presidency favour an increase in the size of the Social Fund?

Mr Carlsson: We have the European Recovery Programme, of course, that was adopted in the autumn and during our Presidency we will have to follow up on the implementation of that programme. There is, of course, not only a national part, there is also a Community or Commission part there.

Q12 Lord Mance: Ambassador, the question you have been given identifies three areas of interest: proposals on procedural rights; a proposal to enable a citizen suspected of a crime in one Member State to be tried in another; and then proposals for some harmonisation of substantive law in respect of serious cross-border offences. Can I just ask you, these seem to be Member State initiatives, at least as regards the first two, is that right?

Mr Carlsson: As regards the first two, yes.

Q13 Lord Mance: On the second one, a trial in one country when you have been arrested in another, looking at the work programme may I suggest that perhaps a little further thought is needed on this. It seems to be modelled on the idea of civil law, that you proceed against someone in their domicile or where they are being tried for other offences, but the normal criminal basis of jurisdiction, the normal sensible jurisdiction, is the place where the crime is committed. The work programme idea does not seem to fit with the other European measures, such as the European Arrest Warrant for taking someone to the place where the crime was committed, the provisions for serving bail in your home country or the provisions for serving a prison sentence in your own country, they all postulate you being tried where the crime is committed. I just suggest that it may need a bit more thought.

Mr Carlsson: I am sure you have given this much more thought than I have ever been able to do. When it comes to the transfer of proceedings, and I do not know if this answers your question, this would depend on cooperation between the judicial authorities on both sides. There would also be a right of refusal as far as I understand.

Q14 Lord Mance: I think maybe it is something which needs to be identified as a real problem before it deserves priority. Can I just say very briefly on procedural rights, and you will be glad to hear, that this Committee issued a report recently and we thoroughly support what the Swedish Presidency is proposing, all the ideas, translation, legal aid advice, review of detention. We would encourage, and I am sure you have this in mind, a step-by-step process and go even further.

Mr Carlsson: We tried a more comprehensive approach some years back and it did not work. That is why we have now decided to go for this step-by-step approach. The beginning might be modest - translation and interpretation - but we hope we will be able to establish a roadmap and that this will only be the first step and that there will be further steps down the line.

Q15 Lord Mance: We are very glad to hear that. The only other general point is that these are sensitive areas of criminal law. Is the Swedish Presidency proposing to take any steps to avoid individual national hostility to ensure that if there is harmonisation it is limited to more serious cross-border crimes?

Mr Carlsson: We are aware of the sensitivities in this respect in different Member States. Ultimately, I suppose each Member State will have to safeguard its own interests here and other Member States will have to take those interests into account. The Presidency has to have a readiness to listen to what the concerns are in different Member States, and we intend to do that.

Q16 Lord Jopling: Ambassador, when one looks at the Commission's proposals for the Stockholm programme they highlight four key priorities: promoting citizens' rights; making life easier, which is mainly access to the courts; protecting citizens; and promoting a more integrated society. Reading that, it does seem that there has been a pretty major shift in political priorities because in the past there was a strong focus on security and justice accessible to all. To what extent do you think there has been this political shift which seems quite clear? Where has this come from? Has it come from the Council, the Commission, the Parliament or the Presidency? Where has it come from and how do you expect the Parliament to effect those discussions within the next few months?

Mr Carlsson: Lord Jopling, there is a shift in emphasis here, yes. Perhaps I should say there is a different balance. I can speak here only for the Presidency, of course. We think there is a need for a better balance. In the previous five-year programme there was an emphasis on security and physical protection and so forth, and this programme was adopted, if I remember correctly, more or less immediately after the terrible events in Madrid in the spring of 2004. Of course we will continue to combat terrorism, it goes without saying, but we also have to have a better balance in relation to civil liberties so the rights of citizens have to be protected, the rights of defendants in criminal cases for example. We think there is also a need for a balance not only when it comes to the justice side but also the migration side. On the one hand, we have a need for strengthened border control and, on the other hand, there is a need for easy access to the asylum system. Also, if you look ahead, Europe will have a labour shortage problem and opening up legal channels of immigration is important, so well-managed migration should be the key. There is a different balance but it does not mean that we do not give priority to fighting terrorism.

Q17 Lord Jopling: Why do you not bring us up-to-date? As I understand it there was an informal ministerial JHA meeting in Stockholm last Thursday and Friday. I wonder if you

could bring us up-to-date as to what emerged from that. Continuing on the timetable, I understand that the communication from the Commission suggested that the detail of the work programme should be agreed at the November JHA Council and then agreed at the European Council in December. Do you see any reason why that timetable will not be kept before the Spanish Presidency takes over?

Mr Carlsson: We would hope to be able to stick to that timetable. When it comes to the Justice and Home Affairs Council, I have not had a detailed readout, it was an informal meeting. We are, however, fairly encouraged after the first discussion of these matters in the informal Council and hope to be able to stick to this timetable that you have indicated.

Q18 Lord Dykes: Ambassador, can we turn now to some questions on the internal market and related matters. Can I just refer, first of all, to the enormous amount of work that has gone into the Telecoms Package dealing with the practical points in the marketplace for the providers of those services. The matter has, however, had extra material clamped on to it, which is slightly surprising. The European Parliament has insisted on an amendment to the legislation whereby a mandatory court case would be needed before Internet Service Providers could disconnect users suspected of copyright offences through file sharing. This is a matter also of very great interest in the French National Assembly at the present time. What is the Swedish Presidency's view on the inclusion of the Parliament's amendment in a package which, as I said earlier on, really does only concern mostly market factors?

Mr Carlsson: It seems as if this matter is now going to conciliation and I would be foolish to predict the outcome here. We will make a determined attempt at conciliation. The bigger picture here is, of course, that we think the adoption of this package is needed. It will enhance competition, lower prices and improve services. It will create certainty for investors, which has a link to growth, and we all know how badly we need growth these days. It is an important package and we will make a determined attempt. It will focus on this very Article

that you have mentioned. We would not like to touch the other compromises that we have reached, we will focus solely on Article 138 of the package and hope to be able to achieve a result.

Q19 Lord Dykes: Are you at least reasonably optimistic that the conciliation process will have a happy outcome?

Mr Carlsson: It looks to us like a rather difficult matter. We will make a determined attempt. I would be foolish to say that I am confident that we can bring this off but we will absolutely try.

Q20 Lord Dykes: Do you think that this could run into the next Presidency then?

Mr Carlsson: We hope not.

Q21 Lord Dykes: What action does your Presidency intend to take on the Better Regulation agenda as well?

Mr Carlsson: The Better Regulation agenda is close to our hearts. We have planned to do three things in this area. One is the grinding negotiations that are going on in various Council formations where various legislative proposals are on the table. If I understand this correctly, there are 44 simplification proposals on the table under the Better Regulation agenda and there are also lots of fast-track actions that are part of the picture here with the objective of reducing costs and administrative burdens. We hope to achieve as much as possible on this front. That is the first thing. The second thing I have to say is we hope to be able to work with the new European Parliament and the new Commission so as to get a good understanding of the importance of the Better Regulation agenda on the part of the new European Parliament and the new Commission. The third thing that we plan to do on the Better Regulation front is to adopt some conclusions, both at the Competitiveness Council and

at the Telecom, Transport and Energy Council, and to feed those conclusions into the work on the Lisbon Strategy that will mainly be done during the Spanish Presidency. We think the Better Regulation agenda is an important part of EU work on the follow-up to the Lisbon Strategy.

Q22 Lord Paul: Ambassador, I am delighted to know about the agenda on Better Regulation but every time new regulations come the deletion of the old regulation is just forgotten, so we get into a bit of muddle all the time. What effort is going to be made to delete some of the regulation which is now obsolete or where new ones are coming in in their place?

Mr Carlsson: I do not have a direct answer to that question. I can only assure you that whatever can be done on the Better Regulation front we will try to do during our Presidency. We think this is an extremely important matter; a view that we share with the UK.

Q23 Baroness Howarth of Breckland: Ambassador, as you know the Committee has recently published its report on the Consumer Rights Directive and we noted that your Presidency will be working for an agreement on the dossier. In the course of our inquiry it became clear to us that significant changes will be needed and, in fact, the Committee found the dossier not fit for purpose and made quite a lot of significant recommendations. Could you tell me what changes the Presidency would support before the proposal could be agreed by the European Parliament and the Council? How confident are you that it will be possible to make progress over the next six months?

Mr Carlsson: We live in an imperfect world, I am afraid. The Czechs worked hard on this dossier and we are now continuing that effort. We have had one meeting on the Directive at the working group level and we will have many more meetings. A number of meetings are scheduled in the autumn. We agree there is a need for clarification, for improvement and

there is perhaps also the need for amendment. There are things that have to be looked at carefully: the relationship between this Directive and national legislation and between this Directive and other pieces of European legislation, and also it is a full harmonisation Directive so it has to be absolutely clear what is regulated at the European level. There are Member States that have called for a higher level of protection. There are a lot of things to discuss here and improve. We think we will not be able to conclude this work during our Presidency. Perhaps we could settle on some general principles that we could adopt at the Competitiveness Council in December, but certainly work will have to continue during the Spanish Presidency on this dossier.

Q24 Baroness Howarth of Breckland: I think the Committee might be encouraged by your feeling that you might not be able to get this perfect because although we live in an imperfect world it did seem to our Committee that this was a great opportunity to work on the Consumer Directive acquis as a whole, the whole package, with the additional Directives that had not been included and to get some of the thoughts around contract law. Certainly we are hoping that your Presidency will at least take those steps forward and look at the rather detailed work that our Committee undertook in order to take this forward.

Mr Carlsson: Let me just say one thing. The first thing that I heard when we contacted Stockholm on the consumer rights dossier was that they had read the report of the Committee, so they are aware of the strong views that you have on this Directive.

Q25 Lord Kerr of Kinlochard: Ambassador, the issue of energy security does not feature in the interesting work programme document which we have all been looking at for the Presidency, but I suppose it is possible that there could be another problem in the Ukraine with the gas supply in the coming winter, and I suppose progress on the Nordstream pipeline will still be of interest to a lot of people, perhaps particularly those in the Baltic States

bypassed by it, and we have seen the signature of the Nabucco agreement. What is the plan in the Presidency for handling the energy security dossier?

Mr Carlsson: It is an area to which we might have to pay a lot of attention, I am afraid. How much depends, of course, on developments when it comes to the Ukrainian situation. First, let me say two words about energy efficiency because that is a key thing for our Presidency. The relationship with energy security is not direct but there is an indirect relationship which is very strong and we intend to work very hard on that dossier, for example, when it comes to building performance and energy efficiency in buildings. The second thing I want to mention as an example of work on energy efficiency is that this is one of the areas where the Eastern Partnership could perhaps do some useful work. We are looking at the possibility of doing something on energy efficiency in relation to the Ukraine as part of the Eastern Partnership Project. There has been a recent initiative by the Commission on gas security that was taken last week, a proposal for a revised Gas Security Regulation. It will not be possible to conclude that work during our Presidency, not least because there is a new European Parliament and there is a co-decision procedure here and the European Parliament will have to get to grips with the issue, so we think that work will have to continue during the Spanish Presidency. Then we have the situation with Ukraine and, yes, there are risks here of a new cut-off. It is not an energy supply problem as much as it is a payments problem. We will draw on the Czech experience. The Czechs did a good job on this dossier at the beginning of their Presidency and we will draw on the specific experience of some Czech staff. We think it is important if there is a crisis to keep the Union united, that we speak with one voice, that is key, and we are ready to act. When it comes to the payments issues as such, meetings are going on between the Commission and the Ukrainians and the international financial institutions, and we have also participated in those meetings. There is a link here to the question of reform when it comes to the structure of the gas sector in the Ukraine. This is not

a matter that international financial institutions will be able to resolve very quickly, it will take time. As you know, Lord Kerr, there is a somewhat complicated domestic political situation in the Ukraine and there are problems of transparency. It will take time before we can see the shape of what could be more of a long-term resolution to the payments problem.

Q26 Lord Kerr of Kinlochard: Are you saying, Ambassador, that if it all goes wrong again it will probably go wrong under the next Presidency, not yours?

Mr Carlsson: We are in the middle of summer now and these things tend to be more serious the colder it gets.

Q27 Lord Kerr of Kinlochard: But it is normal practice that summer is in the end followed by winter, and one can plan ahead.

Mr Carlsson: We are prepared and we will deal with this, if it is necessary, during our Presidency.

Q28 Lord Hannay of Chiswick: Without wishing in any way to belittle the Presidency's work on energy efficiency, I would just allow myself the observation that the fruits of it are more likely to be felt in your next Presidency than the present one. They do take a very long time to produce any real market effects. Could you say something about some of the shorter term problems and opportunities? What was the Presidency planning to do now that the Nabucco pipeline agreement has been entered into by the various transit countries and a certain amount of European money has been pledged? Secondly, there was a lot of talk at the time of the March European Council that at last Europe was getting on the road as far as energy security is concerned. Is there anything happening on the interconnectors? Are there more European markets linked with other European markets so that if there is a cut-off next winter, for whatever reason, political, economic or commercial, countries are not left

completely without gas? I was rather disappointed to hear you say that the work on gas security and supply was going to take beyond the time of your Presidency, and you may be right, but it is a pretty urgent issue and trying to improve the arrangements in all Member States for gas storage I would have thought is a pretty high priority. Could you say something about those various issues?

Mr Carlsson: I do agree with you that gas security is a very, very important matter and we have looked very closely at this. The Czechs did excellent work on oil storage and now we have the Gas Security Regulation. Had it been possible we would have done it, but we do not think it will be possible to complete this work during our Presidency for the reasons I have mentioned. We will work hard on the dossier. This does not mean that because we will probably have to carry on that work during the Spanish Presidency that work is not going on at the moment. As you might know, under the Commission there is a Gas Coordination Group and they are working on very concrete things, like reversal of gas flows and regional cooperation. That work is proceeding and we are making some progress there. Although we will not reach as far as one could have hoped, we will reach some way during our Presidency towards improving the gas situation.

Q29 Lord Hannay of Chiswick: And Nabucco?

Mr Carlsson: We are very pleased with the agreement that was concluded, I believe it was last week. We really need diversification when it comes to sources, fuels and routes of supply. It might be that we could do some further work here, but I have no details on that.

Q30 Lord Sewel: Ambassador, I have a whole series of questions on climate change. Your work programme contains the statement: "It is clear that the EU, which accounts for 14 per cent of worldwide emissions, cannot counteract climate change on its own. It is therefore important a new global agreement is put in place", so we are looking at Copenhagen. What

we do know, I think, is that on present projects virtually all the increase in emissions to 2020 and beyond is accounted for by the emerging industrialising countries, the developed countries. However, we also know that some of those countries are hesitant to accept responsibility for reducing emissions. I think the Indian Environment Minister a couple of days ago made a statement to the effect that climate change was not India's problem, it was the West's problem and they were opposed to global targets. That is not a very helpful statement. The first question is are you optimistic or pessimistic, and on what grounds have you to be optimistic or pessimistic, on getting agreement with the developing world on emissions reduction?

Mr Carlsson: I prefer to be a realist. We have clearly not yet reached as far as we would have hoped on the climate change dossier. As I said in my introduction the EU has provided leadership, but there is a need for more leadership on the part of the European Union. It is impossible to isolate one question from the other. We need a more constructive approach on the part of the major emerging economies. My Environment Minister was in China a week ago, so we are working hard on this dossier. We think it is very important that we do our homework, not least when it comes to climate financing. There is also a need for progress on other fronts. While the Obama administration has clearly changed American policy we think there is a need for progress when it comes to mid-term targets, for example. Clearly there is a lot of work to be done and we intend to work intensely on this dossier. It is one of our two major priorities.

Q31 Lord Sewel: Can I now take it step-by-step, and I suppose the first step is to get the agreement of developing countries that there will be the need to make some sort of aid, financial help, available to them. What level of financial assistance do you think the EU should be offering to the developing countries? Secondly, should that assistance take the

form of general development aid or should it be linked specifically to steps that they take to reduce or adapt?

Mr Carlsson: We have not been able to define our position yet on climate financing and this is where we have to work hard in the months to come. We have said that there should be public funding when it comes to adaptation and there will also be private funding when it comes to mitigation, but when it comes to sources and governance issues and levels of support these things are still under discussion. Some proposals have come out and one was put on the table by Prime Minister Brown at the end of June that we think was a very helpful step because it injected a new element into the discussion and also gave a lead in another sense because we think in the end there will be a need for personal involvement of heads of government. We cannot do this work only with environment ministers.

Q32 Lord Sewel: Sensibly, there is a series of Council meetings timetabled in October. Do you see those Council meetings getting a greater degree of certainty on (a) the amount of assistance likely to be made available and (b) the formula for sharing the aid bill between Member States?

Mr Carlsson: Absolutely. Our objective is to agree on a climate financing package by the European Council at the end of October. It will be a European Council that will have a lot of work to do but this is clearly one area where we need to agree. By the end of October we will only be six weeks or so away from the Copenhagen negotiations and there is no way that we will achieve the outcome in Copenhagen we would like to see if we are not able to make a contribution from the EU side when it comes to financing. We need to agree not only on a financing package for the global negotiation but also on the internal aspect of that which has been controversial, as you know.

Q33 Lord Sewel: Do you have a preferred formula?

Mr Carlsson: No. I can only say that we are talking with Member States and we will use all the time that we have from now until October to talk with the Member States and with the Commission. The Commission will put something on the table. I have a hunch that this will be done before the G20 Summit in Pittsburgh. Climate financing will be on the table in that context also. It will also be on the table at the summit meeting during the opening of the General Assembly in New York in September.

Q34 Lord Plumb: Taking Lord Sewel's question one step further, any aid programme to developing countries has always been a bit of a bone of contention between the member countries of the European Union, many countries believing that they can do better alone than they can by subscribing to a general fund. In your opinion, do you think it is probably better and more effective in the long run and would speed up operations in helping in the mitigation of emissions, which is a very major problem that has got to be faced within the next few years, to be more adequately funded through the European Union than, in fact, by each individual nation?

Mr Carlsson: I think we have to work on both of these fronts. Climate change will be an important aspect of our bilateral aid programmes but there will also have to be a European component here.

Q35 Lord Hannay of Chiswick: I very much welcome your sense of urgency about this question of shaping up the European Union's contribution to the aid side because I think they are at risk of leaving it perilously late. Personally, I thought it was wrong to have decided not to do that at the June Council. The argument was that any figure that shaped up then would lead to bidding up by the developing countries, but that will happen anyway. It is a complete illusion to suppose that you can avoid that, it will happen either sooner or later. The longer the debate goes on at the level of ill-informed generality, which is going on at the moment,

the worse the situation is going to get. If the Indian Environment Minister seriously believes we are trying to get the Indians to cut their emissions now he must be living on a different planet. Of course we all realise that Indian emissions are going to carry on going up pretty substantially over the years, the discussion is about whether there should be some limitation on the rate at which they go up, not cutting them back, but he appears not to have taken that on board. I am glad you mentioned the two very important meetings in September, the G20 and the summit at the time of the General Assembly. It surely is really important to change the tone of the public discourse from the generalities which we base ourselves on now and which are showing every sign of getting stuck in a typical developed/developing country rut in which both sides proclaim with enormous self-confidence and huge certainty that they are in the right, a totally contradictory policy view. Is the Presidency going to make a real effort to get an EU position at the two meetings in September which really move things forward in a practical way rather than allowing it to settle into that rut?

Mr Carlsson: As I said, we will work very, very hard. Our clear objective is to agree on something by the October European Council. I understood you referred to the September meetings.

Q36 Lord Hannay of Chiswick: I was simply asking whether you were going to put some effort into changing the tone of the debate in moving it to more practical matters, whether it is aid or technology transfer or, indeed, the way of differentiating the limits on emissions between developed and developing countries, rather than just repeating the discourse which we have all slipped into now which is clearly running out of any utility because it is leading into a Tweedledum and Tweedledee situation with the developing countries.

Mr Carlsson: We are a practical people and would like to achieve results and get away from generalities.

Q37 Baroness Symons of Vernham Dean: Ambassador, just following up on this question of India in particular, as Lord Sewel said, on the contribution India makes to global warming and, as Lord Hannay has rehearsed, nobody expecting immediate results. I notice that you are planning a number of summits and, as we have been informed, out of those seven summits, five of them have as their main item on the agenda issues around energy and climate change but the one on India, however, does not, its main emphasis appears to be on trade and investment. I wonder whether you can assure us that when there is a summit to be held on India that we are not going to be frightened of raising these questions on climate change because it does seem if we are to have such an important meeting, calling it a summit, when you have put climate change to the top of your Presidency agenda it would seem peculiar not to focus on climate change then. As far as I understand it, the indications have been that that will not be the focus of that particular summit and that is hard to understand given the priority that you are giving to climate change.

Mr Carlsson: I have not looked specifically at the agenda for the summit with India. I would fully expect climate change to be one of the issues we would raise in that summit. Generally our plan has been to raise the key priorities of our Presidency in the summits that will take place during our Presidency, not only with India but, of course, with other key partners in the climate change negotiations.

Q38 Baroness Symons of Vernham Dean: Indeed.

Mr Carlsson: We will have a summit with the United States. We do not know yet when that will be, we have suggested the beginning of November and in that case it will be right after the October European Council. We will have summits with China and Brazil and certainly climate change is a key issue that I would expect to be on the agenda at these summits.

Q39 Baroness Symons of Vernham Dean: In view of what we have just discussed about the Indian Environment Minister saying, “Not a matter of us”, we are not going to be in the position of having a summit with India where climate change is not on the agenda?

Mr Carlsson: I have not looked specifically at the agenda for the summit with India but I would expect that climate change would be one of the issues for discussion.

Q40 Chairman: I wonder, Ambassador, whether you might like to write to us about that?

Mr Carlsson: Absolutely, yes.

Q41 Lord Sewel: Can I just cover the EU-US Summit and climate change which I take it will be a significant area on the agenda. You are quite right in saying in one of your answers that President Obama has changed the policy, the agenda, but my minor counter to that is whenever I speak to congressmen or senators I get a little bit pessimistic whether anything that comes out of Copenhagen is likely to stand much of a chance of surviving the Senate.

Mr Carlsson: You are a much better judge of the domestic situation in the United States than I am.

Q42 Lord Sewel: I am sure you are much more.

Mr Carlsson: We would hope, of course, that the change that we see in the policy of the administration will be embraced in the end by the legislative branch in Washington.

Q43 Baroness Symons of Vernham Dean: In the preparatory paper that your government has put out on the programme of the Swedish Presidency, under the areas dealing with the EU’s global role you say that the EU’s role “as an actor in the Middle East needs to be developed”. It is a single sentence. I would be very interested to know how and what particularly you have in mind. One of our Sub-Committees in the last six months prepared a paper over the EU’s role in the Middle East, as you may know, I do not know whether you do,

and we had the Presidency in the United States taking a much more forward leaning stance over this. I wonder what was the particular trigger for that sentence in the paper, but if you cannot answer now we would be very happy to perhaps have a note at a later stage.

Mr Carlsson: The Middle East is a key question on the foreign policy side. I would like to get back to you on this matter. The Obama administration has meant a sea change when it comes to the Middle East. What is hopeful about the situation is that European and American views on the situation in the Middle East are more aligned than they have ever been. Whether that will result in the kind of progress on the ground that we would like to see depends on the actions and policies of the parties to the conflict. We would hope to see a resumption of peace negotiations. But perhaps I can get back to you on the key question of the EU's role.

Q44 Lord Hannay of Chiswick: I think the general impression, and I do not know whether you share this, is that the enlargement negotiations that are ongoing, Croatia and Turkey in particular, are in the doldrums. I wonder whether you can say anything about the Presidency's plans. On the Croatian negotiation the deadlock over the definition of the maritime boundaries between Croatia and Slovenia does seem to be an inadequate justification for stalling the whole of this process, particularly since there is a perfectly good route out of it which is to refer the issue to the International Court of Justice, a proposal which I think was made by the last Croatian government and rejected by the Slovenian government. Do you have any plans for bringing Sleeping Beauty awake again so far as Croatia is concerned? On Turkey, again the pace is a snail's pace and yet it would seem to me, and perhaps you could comment on this, the best contribution the EU could possibly make to getting a settlement in Cyprus would be to show a greater degree of progress on the EU-Turkey accession negotiations because that is what concentrates everyone's minds; the Turks, the Greeks, the Greek-Cypriots and the Turkish-Cypriots. As long as the Turkish accession negotiations remain going at a snail's pace so will the negotiations on Cyprus, I suspect.

Mr Carlsson: First on Croatia and Slovenia. As you know, there have been attempts made by Commissioner Rehn to sort this out. We have tried, together with the other members of the trio, to back him up in that effort, but in the end it seems the parties are not able to deliver. That is something that we regret. It is our considered judgment, and we have said, that there is now a need for cooling off, for a time out, a need for the parties to reflect upon the situation. This is where we are at the moment and I suspect for perhaps the coming months. What will happen after that I do not know. We think there is a need for the parties to reflect upon the situation they are in. When it comes to Turkey we think it is very important to keep up the pace of the negotiations with Turkey and we will spend some of our energy on that dossier. It is important for Turkey to continue its reforms. We are in contact with them on this. It would also help enormously in relation to Cyprus if there were some modest confidence building steps by the Turkish side and we intend to be in contact with the parties to talk to them about that.

Q45 Lord Hannay of Chiswick: If you will allow me the observation, I think you will get more action out of the Turkish government by accelerating their accession negotiations than you will out of twisting their arms over confidence building measures, which has never worked in the past and I would be astonished if it worked now.

Mr Carlsson: We will do our utmost to keep up the pace of the accession negotiations with Turkey. It is not an uncomplicated matter, as you know better than anyone else, but we will work hard on that dossier.

Chairman: Ambassador, could I, on behalf of the Committee, thank you very much indeed for having covered such an enormous range of ground. We do realise whenever we have the Ambassador representing the Presidency before us the range of issues you have to deal with, given the range of issues our Committee and Sub-Committees deal with, is enormous. We would like to thank you very much indeed for having dealt with the questions so fully and

having agreed to write to us to give us some further information on certain issues. Thank you very much indeed.

SVERIGES AMBASSADOR 2009-09-20
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Priorities of the Swedish EU Presidency

I would like to revert, if I may, to two of the questions that were raised when I gave evidence on the priorities of the Swedish EU Presidency to the House of Lords European Union Select Committee on July 21, 2009.

First, I would like to confirm that the Swedish Presidency will raise the climate change issue at the EU-India summit on November 6. As I indicated at the session with your committee the Presidency intends to bring up the climate change issue at all the relevant summits in the autumn, with India but also, of course, with China, the United States and our other major partners.

Second, on the issue of developing the EU's role "as an actor in the Middle East" I would first like to refer to the Presidency statement of September 18 on the Arab-Israeli conflict. It emphasized that the , European Union remains committed to a comprehensive settlement of the Arab-Israeli conflict and strongly supports the United States' pursuit of a two state solution. Within the Union the Presidency has initiated a process to prepare the EU contribution to the implementation of a final peace agreement. This matter was discussed at the informal meeting of EU Foreign Ministers in Stockholm on September 4-5. It will also be discussed at a meeting of European and Arab foreign ministers in New York this week.

Staffan Carrlsson
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