

**SAMMAN Update**  
**Lithuania's Presidency of the Council of the European Union**  
**July 1 – December 31 2013**

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AFTER HOLDING THE ROTATING PRESIDENCY OF THE EUROPEAN UNION FROM JANUARY TO JUNE 2013, IRELAND WHO HAD CHOSEN "STABILITY, JOBS AND GROWTH" AS ITS MOTTO, HAS BEEN PRAISED FOR ACHIEVING MAJOR REFORMS AND MAKING SERIOUS PROGRESS ON A NUMBER OF SUBJECTS. LITHUANIA NEXT IN LINE FACES NEVERTHELESS MANY REMAINING CHALLENGES.

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The Lithuanian EU presidency plaited-logo symbolizes its close cooperation with the Baltic and Nordic regions. The blue circle further suggests the universal values of the European Union and its activities. The yellow, green and red colors completing the logo are the three colors of the Lithuanian national flag.

A small country compared to the EU block (3.3 millions people compared to 350 millions in the EU, and a GDP amounting to 0.5 % of the total EU GDP), Lithuania is the first Baltic country to preside over the EU Council. Latvia and Estonia, the two other former Soviet republics, will hold the presidency during the first semester of 2015 and of 2018, respectively. This second 2013 mandate is an opportunity for Lithuania which ambitions to join the Eurozone in 2015 and has purposely undertaken structural reforms and fiscal consolidation in order to achieve sustainable growth. For its first presidency, Lithuania's objective is to make considerable progress on a small number of key issues.

Lithuania has taken over the rotating Council presidency for a mandate which corresponds to **the final period of the current term of Commission and Parliament**. Greece, the next country in charge of the EU presidency for the first 2014 semester, will be responsible for organizing the Parliament's elections which have been scheduled for May 22-25. A period of particularly hard work is therefore awaiting Lithuania with 563 pending dossiers in the legislative pipeline. Its mandate also takes place during the **2013 "European Year of Citizens"** aiming at raising awareness about EU citizens' rights in shaping the future of Europe. This explains why the motto of the Lithuanian presidency is built around key words such as "credible Europe", "growing Europe" and "open Europe".

Lithuania faces four specific challenges:

- **The EU 2014-2020 budget** which needs to be finalized after the agreement reached with the Parliament on July 3<sup>rd</sup>. Following the final vote to occur in September-October, over 80 pieces of legislation will then have to be drawn in order to implement the EU budget.
- Lithuania holds particular importance to **the Eastern Partnership Summit which will take place in Vilnius on November 28-29**. This event is seen as a milestone in the relationship between EU and some Eastern countries. If the meeting is successful, Association Agreements may be initiated between the EU and Armenia, Moldova and Georgia. Most of all, the long-delayed agreement with Ukraine could finally be signed, since Lithuania gave a delay to Ukraine to meet the EU conditions – including the release from prison of former Prime Minister Yulia Tymoshenko.
- **The implementation of the ‘Compact for Growth and Jobs’,** agreed in June 2012 under the pressure of the French President François Hollande is another major goal of its mandate. With “the aim of re-launching growth, investment and employment as well as making Europe more competitive”, it foresees the increase of the European Investment Bank's (EIB) lending capacity, the redirection of unspent EU Structural and Cohesion Funds and the launch of project bonds to support major investments in transport, broadband and energy infrastructures.
- **The access to the Schengen area for Bulgaria and Romania**, a difficult dossier, will still be among Lithuania’s priorities, as it was under several previous EU presidencies. However, the Lithuanian Presidency does not appear optimistic in this regard: whereas the Commission considers that the two countries have been ready since 2010, a number of Member States appear more skeptical and the process has been slowed down as a result.

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## FINANCIAL SECTOR

Although serious progress was made during the Irish Presidency, many legislative reforms in the financial sector are still at a crucial stage:

- With regards to the Banking Union, an agreement was reached in May on the proposals for a **Single Supervisory Mechanism (SSM)** that will transfer the prudential supervision of Eurozone banks to the European Central Bank (ECB). The ECB is expected to take over its new responsibilities in mid-2014. Complementing the SSM, the Commission has recently proposed a **Single Resolution Mechanism (SRM)**, an instrument for managing the failure of banks in the Euro Area and in other participating Member States. The third-level of the Banking Union, the **Deposit Guarantee Scheme (DGS)** is still very controversial and therefore does not appear to be in sight for now.

- An agreement was also reached by the Council on the **Bank Recovery and Resolution Directive** of credit institutions and investment firms (BRRD) before the Presidency shifted to Lithuania, which will then supervises the upcoming Trilogue with the Parliament and the Commission.
- The Trilogue negotiations on the new **prudential regime for insurers (Solvency II amended by Omnibus II)** are due to begin with a view to reaching agreement by the end of the year.
- With regards to financial markets, the Council has also reached an agreement in June on the revision of key Directives and Regulations: **Markets in Financial Instruments (MiFID II/MiFIR) and Market Abuse (MAR)**, which allows to start the Trilogue with the Parliament.
- In terms of Consumers' protection, the **Packaged Retail Investment Products (PRIIPS)** has seen controversial amendments increase the difficulty and length of the negotiations. As for the **Undertakings for Collective Investment in Transferable Securities (UCITS V)**, the Trilogue is due to begin shortly following the Parliament's vote in July. The **Insurance Mediation Directive (IMD)** is moving slowly because of insufficient momentum on this file. A proposal from the Commission was made to ensure the **provision of basic banking services to all EU citizens**, although it is unlikely to be seen as a key priority for the forthcoming Presidency.
- Further proposals are due to be tabled before the end of the year, including a legislative proposal on **long-term investment funds** by the Commission. The Commission should also issue shortly a Communication on **Shadow Banking**. Finally, the Parliament's recent approval of its initiative on the **reform of the EU banking system** based on the Liikanen report might found ground within the Commission. Finally, Lithuania has also announced its intention to make progress on the **EU Financial Transaction Tax**, although it is currently not among the 11 participating Member States.

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## ICT - DIGITAL SECTOR

Upcoming challenges include:

- Progress on the **digital single market** across the EU which remains fragmented by removing various obstacles, notably legal and tax discrepancies between Member States.

- Discussions on the **EU Copyright legislative framework** with the aim to reform the fragmented system of copyright levies and enabling the development of innovative new business models for the delivery of legal content.
- Finalize a **strong and flexible EU data protection regime**. A draft General Regulation on the processing of personal data and on the free movement of such data, as well as a Police and Criminal Justice Data Protection Directive, are currently being discussed in the European Parliament, the vote in the lead committees being foreseen for October 2013. However, it is worth noting that voting on this package has already been postponed several times and that strong dissensions between stakeholders continue to persist, especially in light of the US spying allegations.
- Implement the **Unitary Patent Protection system**, adopted in December 2012.
- Implement **Horizon 2020**, the proposed budget framework for research and development and innovation for the period 2014-2020 seeking to maintain the proposed sum of 80 billion euros.
- As a Member State with one of the highest internet connection speeds in Europe, Lithuania will have to consider **rehabilitating broadband networks** as a key enabler underlying the Digital Agenda for Europe and the whole Europe 2020 strategy.

On November 6–8, 2013 a large-scale event “**ICT 2013: Create. Connect. Grow**” will be held in Vilnius with the aim of furthering the debate on the upcoming challenges faced by the ICT sector.

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## ENERGY

As a country of high energy import dependence, Lithuania gives high importance to energy challenges in its Presidency priorities, with the following goals:

- Fully complete the **Internal Energy Market** by 2014 as called by Heads of State and Government in the European Council in February 2011;
- Further invest in modern, **trans-European energy infrastructures**;
- Ensure that energy policies reinforce Europe's competitiveness - to enhance the EU external energy policy and coordinated at all levels as consistent, steady and constructive external energy policies are crucial for the EU to ensuring the energy security and fair prices for energy resources;
- Integrate the energy systems of the Baltic countries into the network of Continental Europe.