



NTU Model United Nation 2012 European Union Council Guide for Delegates¹

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¹ European Union Logo is obtained from <http://europa.eu/>

NTU MUN Logo is obtained from <http://ntumun2010.forum-motion.com/>

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Introduction to the European Union

The European Union (EU) is a unique economical and political partnership ² that consists of 27 member states, primarily located in Europe.

The formation of the European Union can be traced back to the ratification of the European Coal and Steel Community (ECSC) by the six founding member states: the French Republic, Federal Republic of Germany, Italian Republic, Kingdom of Belgium, the Netherlands and Grand Duchy of Luxembourg.

The integration of this project began in the form of an establishment of a single market through the signing of the Treaty establishing the European Economic Community in 1957 (commonly referred as Treaty of Rome), in the view of future economic integration among member states. In the intervening years, the Union has gone through deeper integration, both economically and politically, and has expanded in size with new member states joining the Union.

The construction of the current European Union structure was built upon the ratification Treaty of European Union (commonly referred as The Maastricht Treaty) in 1993. This treaty established what was commonly referred as the three pillars of the European Union: the European Community (EC), the Common Foreign and Security Policy (CFSP), and the Justice and Home Affairs (JHA). Most importantly, the treaty also laid down the foundation for the creation of the common currency in 1999– EURO (€)

Since the Maastricht Treaty, there were amendment treaties rectified by member states for the future integration process of the European Union, such as the Amsterdam Treaty in 1997 (effective from 1999) and the Treaty of Nice in 2001 (effective from 2003). It attempts to deepen the political integration process of European Union, built upon the economic aspect of European Union

The most significant, and most recent, treaty being rectified since the Maastricht Treaty will be the Lisbon Treaty in 2007 (effective from 2009). The treaty introduced a constitutional basis for the European Union, and improvement in democracy and efficiency. The treaty also highlights the values of the European Union and define European Union role as a global actor in international relations. The Qualifying Majority Voting was also introduced into the decision making of the Council of the European Union, with effect from 2014.

² http://europa.eu/about-eu/basic-information/index_en.htm

Currently, the functions of European Union mainly based on these seven institutions listed on Article 13 of the Treaty on European Union: the European Parliament, the Council of the European Union, the European Commission, the European Council, the European Central Bank, the Court of Justice of the European Union and the European Court of Auditors. The European Union has 23 official language used in its operation at Brussels and Strasbourg.

With a combined population of near 500 million inhabitants, the European Union generates an estimated UDS\$14.82 trillion in Gross Domestic Product (GDP) in Purchasing Power Parity (PPP), attributes to roughly 20% of world's GDP in 2010³. European Union is rank top two in world imports and exports (as of 2010).

A major challenge that all member states of the European Union today, including non-Eurozone members, is the European Debt Crisis. It needs to ensure that its member state will be able to resolve the crisis collectively and independently; it needs to restore market confidence towards the Eurozone and Euro (€); it needs to prevent another economic recession in the near future; it requires the necessary structure reforms within the existing framework established since the Maastricht Treaty and Lisbon Treaty, for recovering from the current crisis and prevention of a future one; and it should progress collectively as a union to maintain the relevance of European Union in managing affairs of member states, in both economics and politics.

³ <https://www.cia.gov/library/publications/the-world-factbook/geos/ee.html>

Introduction to the European Debt Crisis

The global financial crisis of 2008 was short, robust and had very quick development on its sequential events. Within the critical period, from the collapse of Lehman Brothers (September 15, 2008) to the Down hit (March 9, 2008), the crisis had interrupted the credit flow of the financial market.

The damage took three main forms: high and rising public debts; instability, bailout or closure of fragile banks; and huge liquidity within the financial market that needed to be withdrawn. The impact on the global financial market, however, was damaging enough to spread across all sectors, with major firms downsizing and businesses went fold.

The crisis within Europe, or the Euro crisis, strikes at the epicenter of the world's largest trading block. It contains similar problems: financing of sovereign debt and collapse of fragile European-owned banks. The global market was able to respond immediately to the crisis, albeit its effectiveness remains questionable. However, the member states within the Eurozone were unable to respond swiftly and decisively to keep up with the pace of the crisis.

The market economy of each member state within the European Union was either integrated or interdependent. Monetary policy within the Eurozone was formulated collectively. Thus, it requires mutual agreement and commitment in proposing measures to smoothen the impact of the crisis. Consequently, the world economy has become even more exposed to the three mega-vulnerabilities.

The inability of member states in ensuring the sustainability of their financing of public debt was the clearest manifestation of the Euro crisis. However, the core of the problem was deeply rooted within the market economy, especially countries such as Greece, Ireland, Italy, Portugal, and Spain (GIIPS). These economies have lost their competitiveness in the global market, and this loss has been associated with the adoption of the EURO as their official currency.

The sequence of events that led to the secular loss of competitiveness is depressingly similar among the GIIPS countries⁴:

- *The adoption of the euro was accompanied by a large fall in interest rates and a surge in confidence as institutions and incomes were expected to converge to those of Europe's northern core economies.*

⁴ Bullet points adopted from Uri Dadush's 'Lost Paradigm – The Euro in Crisis'
<http://carnegieendowment.org/files/Paradigm_Lost.pdf>

- *Domestic demand surged, bidding up the price of non-tradables relative to tradables and of wages relative to productivity.*
- *Growth accelerated, driven by domestic services, construction, and an expanding government, while exports stagnated as a share of GDP, and imports and the current account deficit soared amid abundant foreign capital.*
- *The result was that indebtedness—public, private, or both—surged.*

Since the beginning of the European debt crisis, leaders of the Eurozone have been engaging in diplomatic discussion, attempting to find a common agreement on what measures need to be adopted. The European Financial Stabilisation Mechanism (EFSM) was set up in Jan 2011, providing an emergency funding program for the Eurozone through fund raised in the financial market (though guaranteed by the European Commission via budget of European Union).

Measures such as bail-up funds, imposing austerity measures, huge cuts in public spending via a decrease in the national budget, partial / full default on government debt, creation of Eurobonds by the European Central Bank was suggested, discussed and analysed either by government agencies, think-tanks, practitioners and / or academics.

Proposals such as amendments the Treaty of European Union, mechanism for withdrawal of member states from the Eurozone and/or European Union, switching back to domestic currencies was all once or still on the table.

Recent developments of the crisis indicate that all member states will look into all possible measures that could aid the resolution of the European crisis. Disagreement between member states (in particular the United Kingdom over the idea of creating a fiscal union led by Germany and France) suggests that there is a decrease in confidence whether this political project will be beneficial for the population of Europe.

Speculations also played a critical role in the development of events. As of January 2012, United States credit rating agency Standard and Poor cuts its credit rating for the Eurozone's EFSM and few member states' government bond ratings. This leaves Germany as the only major Eurozone member to retain a top-notch credit rating.

With the cost of borrowing increasing unfavorably for member states that wish to inject capital into their economy, the mood among the major Eurozone members that wish to turn their focus on economical development will be severely affected.

The story of the whole European debt crisis represents how the European Union approaches itself in solving the crisis, but the details vary within each member states.

Italy and Spain are still major economies within the Eurozone, while austerity measures are met with differing responses in Greece and Ireland. The single monetary policy of Euro is subject to much scrutiny, and member states have differing national interests within the agenda of the European Union.

Regardless of these speculations on the development of the European debt crisis, two things are certain for all member states: there is an urgent need to boost market and public confidence and a second recession should be avoided at all costs.

Agenda for European Union in NTU MUN 2012

Agenda for European Union will be “**EUROPEAN DEBT CRISIS**”.

Procedures for European Union in NTU MUN 2012

For the Year 2012 edition of NTU Model United Nation, the EUROPEAN COUNCIL shall be simulated during the conference proceeding, and NOT the Council of European Union / European Commission / European Parliament and/or any other institution of the European Union.

Delegates will be the representative of their country’s head of states during the course of the whole conference proceeding.

All resolutions/agreements regarding any action on the current agenda may only be passed UNANIMOUSLY by all present member states during the conference.

The resolutions/agreements passed will **ONLY** represent the collective agreement made by present and voting member states of the European Union of NTU Model United Nation 2012.

The Qualified Majority Voting (QMV) will not be exercised under this simulation of the European Council, for the agenda listed above (Please refer to Point 2, ‘Agenda for European Union in NTU Model United Nation 2012’).

Should the QMV be used, delegates will be informed on any changes made in the simulation of proceedings before any discussions and formation of resolutions/agreements.

All other conference proceeding, including order of debate, format of respective position paper and resolutions, will be the ones listed on the Rules and Procedures Handbook of NTU Model United Nation 2012.

Mandates for European Union in NTU MUN 2012

Qualified Majority Voting

The Qualified Majority Voting is an initiative introduced in the Lisbon Treaty. This new voting system will be introduced into the decision making of the Council of the European Union, with effect from 2014.

The following are the criteria for the Qualified Majority Voting:

- Decisions need support of 55% of Member States (15/27)
- The majority block must represent a minimum of 65% of European Union population
- Should a rejection be tabled upon any decision making, a blocking minority must include at least 4 Member States and representing a minimum of 35% of the European Union population.

As stated above, Qualified Majority Voting will NOT be exercised under this simulation of the European Council for the agenda “European Debt Crisis”. However, should there be a modification on the agenda; introduction of the Qualified Majority Voting will be subjected to the council chairperson(s) decision.

The European Union council of NTU Model United Nation 2012 is also aimed at promoting awareness on the institutions and functions within the European Union. Thus, it is also important for delegates to understand future mechanism that will be introduced into the European Union in the near future.

European Debt Crisis – A timeline

The European Debt Crisis was developed in the wake of 2008 Global Financial Meltdown. In the late 2009, there was rise in concern that public/government debt among member states has reached an unsustainable level.

Since the early 2010, speculations about nations unable to refinance their public debt continue to grow, in member states such as Greece, Republic of Ireland, Portugal and Spain. Concerns on Italy surfaced in 2011 as the crisis develops.

This debt crisis surrounding member states of the European Union is particularly interesting, complicated and complex due to the nature of how the European Union functions as an economic and political partnership.

The EURO (€) and the Eurozone

The EURO (€) is the official currency of the Eurozone. Its creation was based on the Maastricht Treaty in 1993, and it obliges most member states to adopt the currency (with the exception of United Kingdom and Denmark, followed by Sweden). As of 2011, 17 member states of the Eurozone have adopted EURO as their official currency.

The 17 member states that uses the EURO are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Currently, the EURO (€) is officially used by 17 member states within the Eurozone and 7 other countries/territories in the world. It is used by an estimated 332 millions of habitants in the Eurozone. In addition, there are 4 unofficial user-nations of the EURO and is pegged by 10 other official currencies around the world. It is estimate that an addition of 175 million people worldwide will be directly affected by the development of the EURO and the Eurozone.

The Euro Area (commonly referred as the Eurozone) is an economic and monetary union (EMU) among the 17 member states. As an institution within the European Union, the European Central Bank (ECB) is responsible for administrating the monetary policies of the member states within the Eurozone. In addition, the ECB is also responsible in ensuring inflation among the monetary union under control.

The following is a timeline on the important events of the European Debt Crisis⁵.

Timeline of the European Debt Crisis

1999	On 1 January, the currency officially comes into existence
2001	Greece joins the euro
2002	On 1 January, notes and coins are introduced
2008	In December, EU leaders agree on a 200bn-euro stimulus plan to help boost European growth following the global financial crisis.
2009	<p>In April, the EU orders France, Spain, the Irish Republic and Greece to reduce their budget deficits - the difference between their spending and tax receipts.</p> <p>In November, concerns about some EU member states' debts start to grow following the Dubai sovereign debt crisis.</p> <p>In December, Greece admits that its debts have reached 300bn euros - the highest in modern history. Greece is burdened with debt amounting to 113% of GDP - nearly double the eurozone limit of 60%. Ratings agencies start to downgrade Greek bank and government debt.</p>
2010	<p>In January, an EU report condemns "severe irregularities" in Greek accounting procedures. Greece's budget deficit in 2009 is revised upwards to 12.7%, from 3.7%, and more than four times the maximum allowed by EU rules.</p> <p>In February, Greece unveils a series of austerity measures aimed at curbing the deficit. The eurozone and IMF agree a safety net of 22bn euros to help Greece - but no loans. The austerity plans spark strikes and riots in the streets.</p> <p>Concern starts to build about all the heavily indebted countries in Europe - Portugal, Ireland, Greece and Spain.</p> <p>In April, following worsening financial markets and more protests, eurozone countries agree to provide up to 30bn euros in emergency loans.</p> <p>Greek borrowing costs reach yet further record highs. The EU announces that the Greek deficit is even worse than thought after reviewing its accounts - 13.6% of GDP, not 12.7%.</p> <p>Finally, on 2 May, the eurozone members and the IMF agree a 110bn-euro bailout</p>

⁵ Content of this timeline is obtained directly and selectively from <<http://www.bbc.co.uk/news/business-13856580>>
For a more interactive timeline on the development of the European Debt Crisis, please visit the following internet links provided below.
<<http://online.wsj.com/public/resources/documents/info-EZdebt0210.html>>
<<http://www.bbc.co.uk/news/business-16301630>>

Please refer to the appendix behind the council guide for basic statistics on member states debt level, in relations to their Gross Domestic Product (GDP).

package to rescue Greece.

In November, the EU and IMF agree to a bailout package to the Irish Republic totalling 85bn euros. The Irish Republic soon passes the toughest budget in the country's history.

2011 In February, eurozone finance ministers set up a permanent bailout fund, called the European Stability Mechanism, worth about 500bn euros.

In April, Portugal admits it cannot deal with its finances itself and asks the EU for help.

In May, the eurozone and the IMF approve a 78bn-euro bailout for Portugal.

In July, the Greek parliament votes in favour of a fresh round of drastic austerity measures, the EU approves the latest tranche of the Greek loan, worth 12bn euros. A second bailout for Greece is agreed. The eurozone agrees a comprehensive 109bn-euro (\$155bn; £96.3bn) package designed to resolve the Greek crisis and prevent contagion among other European economies.

In August, yields on government bonds from Spain and Italy rise sharply - and Germany's falls to record lows - as investors demand huge returns to borrow.

On 7 August, the European Central Bank says it will buy Italian and Spanish government bonds to try to bring down their borrowing costs, as concern grows that the debt crisis may spread to the larger economies of Italy and Spain.

During September, Italy passes a 50bn-euro austerity budget to balance the budget by 2013 after weeks of haggling in parliament. There is fierce public opposition to the measures - and several key measures were watered down.

On 20 September, Italy has its debt rating cut by Standard & Poor's, to A from A+. Italy says the move was influenced by "political considerations".

On 4 October, Eurozone finance ministers delay a decision on giving Greece its next instalment of bailout cash, sending European shares down sharply. Speculation intensifies that European leaders are working on plans to recapitalise the banking system.

On 21 October eurozone finance ministers approve the next, 8bn euro (\$11bn; £7bn), tranche of Greek bailout loans, potentially saving the country from default.

On 26 October European leaders reach a "three-pronged" agreement described as vital to solve the region's huge debt crisis.

On 9 December, after another round of talks in Brussels going through much of the night, French President Nicolas Sarkozy announces that eurozone countries and others will press ahead with an inter-governmental treaty enshrining new budgetary rules to tackle the crisis. Attempts to get all 27 EU countries to agree to treaty changes fail due to the objections of the UK and Hungary. The new accord is to be agreed by March 2012, Mr Sarkozy says.

Unlike any economic crisis in the past, the challenges confronting the member states needed to be dealt under the institutions of European Union, due to its integrated economic and political system. With the common currency, EURO (€), officially used within the Eurozone, it underlines the need for a collective political will, common consensus and standardized decision making among all member states

The European Central Bank, with the cooperation with the International Monetary Fund (IMF) and institutions of the European Union, have been actively discussing and implementing solutions in attempt to solve the European Debt Crisis.

Since then, Greece has been bailed out twice (in 2010 and 2011); Ireland (in 2010) and Portugal (in 2011) has been bailed out once; Spain and Italy has been speculated to follow suit; many member states have passed through budget cuts and/or austerity measures to lower its public spending; discussion on possible default on Greece has been mooted; talks about treaty amendments is also being discussed in the European Council.

There is a wide range of issues that are worth discussion during the conference proceedings in European Union. **Delegates are expected present their preposition based on their countries priorities and stance on every issues related. In addition, delegates are expected to be familiarise with the different institutions within the European Union, and refer to the relevant institutions during the working of resolutions with other member states, if required.**

To further assist delegates in their preparation, the following are some of the issues / questions surrounding the European Debt Crisis that is worth research and explore.

Issues / Questions surrounding the European Debt Crisis

- What should be the consequences that national government, should they failed to adhere the Treaty of European Union ratified by all 27 member states?
- How should member states strengthen the credibility of National Statistics on economic growth and debt level?
- How the role of external influence, including developed and emerging economies and credit agencies, can be limited on speculations surrounding member states and its ability to finance its own public debt?
- Are the European Financial Stability Facility (EFSF) and European Financial Stabilisation Mechanism (EFSM) effective in combating the European debt crisis
- What are the impacts of Euro Plus Pact on nations' sovereignty?

- What are the additional instruments needed to be installed for future potential resignation of member states from Euro-zone and/or European Union
- Should member states that are unable to repay their public debt default their loans? What are the consequences of a total default by member states on Eurozone and European Union
- Does the effectiveness of using austerity measures to reduce public debt outweigh social welfare?
- How big of a role should the European Central Bank (ECB) play in the European Debt Crisis? Should the EBC issue their own Eurobonds? What are the consequences of downgrading of national bonds?
- Is there the need for a discussion on the possible dissolve of EURO currency now?
- What are the common regulations that all Europe-based banks adhere too?
- What are the causes for trade imbalance among member states of European Union, and how should it be reverse?
- How can market and public confidence boost within the context of the European Debt Crisis?
- Should there be amendments on the current Treaty of European Union? Is it necessary to discuss a new treaty for European Union?
- Will there be a two-speed European Union? How stable is the European Union as an economic and political union? Is the European Union a united union?
- Should there be an increase role of the European Commission and European Court of Justice in ensuring member states adhere to treaties ratified by member states?
- Are the government responds on social unrest due to the European Debt Crisis appropriate?
- What is the global impact on a second European recession? How far will it impact on accession process for European Union candidate countries?

NOTE: These are only a very short list of issues that are related to the European Debt Crisis. There is a larger picture of this crisis and delegates are strongly encouraged to deepen their research and not limit it to this list.

Council Guide Final Thoughts

As the situation in the Eurozone continues to unfold, there are a lot of speculations and fear on the consequences of measures imposed throughout the European Union. While Economies such as Greece only represents a mere two percent of the overall EU economy, yet their unfolding of events has spreads to other more prosperous countries such as Spain or Italy, and indirectly influenced the world financial market.

Such an event would be cataclysmic for the European Union and would make this as much a political problem as an economic one. In the end, the best solution for all parties is the continued cooperation between countries within the EU to help each other out of its current situation.

This council guide should be sufficient enough to provide a glance over the impact and scale of the European debt crisis. However, delegates are strongly advised to have a more in-depth research and understanding on their own country's profile. It is very important for delegates to be constantly updated on any political and economical development within the European Union daily.

There are many issues and questions to be resolved by all parties, and delegates should look forward for an engaging and entertaining session during EU NTUMUN 2012.

Thank you very much.

Recommended References

The Official Website of European Union
<<http://europa.eu/>>

Council of the European Union
<<http://www.consilium.europa.eu/>>

European Council
<<http://www.european-council.europa.eu/>>

European Parliament
<<http://www.europarl.europa.eu>>

European Union Law and other Public Available Documents
<<http://eur-lex.europa.eu>>

CIA World Fact Book
< <https://www.cia.gov> >

IMF Data and Statistics
<<http://www.imf.org/external/data.htm>>

The Maastricht Treaty (formally known as the Treaty on European Union)
<<http://register.consilium.europa.eu/pdf/en/08/st06/st06655.en08.pdf>>

Lisbon Treaty (consolidation version)
<<http://www.consilium.europa.eu/treaty-of-lisbon.aspx?lang=en>>

News Coverage focusing on European Union related affairs
<<http://www.euractiv.com/>>
<<http://euobserver.com/>>

News Agencies
BBC, CNN, Reuters, AFP, Wall Street Journal, Financial Times, New York Times, TIME Magazine, Newsweek, the Economist, Al-Jazeera, Straits Times, etc.

Appendix

Member State	Population (in Millions)	% in EU	Government gross debt (% of GDP)	Unemployment Rate
Austria	8.388	1.67%	72.15%	4.40%
Belgium	10.918	2.18%	96.67%	8.44%
Bulgaria	7.505	1.50%	17.37%	10.30%
Cyprus	0.803	0.16%	60.80%	6.38%
Czech Republic	10.507	2.10%	38.54%	7.28%
Denmark	5.535	1.10%	43.65%	4.20%
Estonia	1.337	0.27%	6.56%	16.88%
Finland	5.375	1.07%	48.39%	8.38%
France	62.96	12.57%	82.33%	9.79%
Germany	81.603	16.29%	83.96%	7.08%
Greece	11.183	2.23%	142.76%	12.46%
Hungary	10.014	2.00%	80.20%	11.24%
Ireland	4.471	0.89%	94.92%	13.635%
Italy	60.34	12.04%	118.99%	8.40%
Latvia	2.248	0.45%	39.89%	18.97%
Lithuania	3.293	0.66%	38.66%	17.81%
Luxembourg	0.507	0.10%	18.42%	6.20%
Malta	0.42	0.084%	67.15%	6.88%
Netherlands	16.615	3.32%	63.68%	4.46%
Poland	38.092	7.60%	54.98%	9.62%
Portugal	10.638	2.12%	92.92%	12.04%
Romania	21.43	4.28%	31.74%	7.63%
Slovak Republic	5.43	1.08%	41.78%	14.38%
Slovenia	2.018	0.40%	37.26%	7.28%
Spain	46.018	9.18%	60.12%	20.07%
Sweden	9.327	1.86%	39.70%	8.37%
United Kingdom	62.222	12.42%	75.50%	7.86%

*Data obtained from IMF data and statistics. Calculation made based on 2 D.P.

*Statistics as of 2010. For 2011 statistics, please visit IMF Data and Statistics or CIA World Fact Book

* Countries highlighted in blue are members of the Eurozone