

## European Issues from a Spanish Perspective: Contribution to EU-27 Watch nr 8 (ARI)

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**Theme:** This paper analyses various European issues –the Irish referendum, transatlantic relations after President Bush, the financial crisis and challenges of global governances, the French EU Presidency and the prospects for ENP and enlargement after ‘Georgia’, among others– from a Spanish perspective.

**Summary:** The EU-27 Watch is part of EU-CONSENT, a network of Excellence for joint research and teaching comprising more than 50 research institutes (of which the Elcano Royal Institute is one) that addresses questions on the mutually reinforcing effects of deepening and widening the EU. The project sheds light on key issues and challenges of European integration. The aim is to give a full comparative picture of debates on European integration and current developments in European politics in each of these countries. This is the Spanish contribution to the project. It should be pointed out that the EU-Watch covers from July 2008 to January 2009. The full document with the contributions from the 27 member states is available at [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/Europe/00037](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/Europe/00037).

### Analysis<sup>1</sup>:

#### I. 2009: A year of opportunities and uncertainties?

##### 1. How does the future of the EU after the Irish ‘No’ look like?

The debate in Spain about the conclusions of the European Council of December 2008 on the fate of the Lisbon Treaty was quite predictable. After the summit, the Spanish government defended domestically the solution that had been agreed with Ireland – basically, to keep one Commissioner per member state and to clarify formal guarantees about Irish neutrality, corporate taxation and family law–, on the grounds that this allows Dublin to call for a second referendum before 31 October 2009 and, therefore, to complete the ratification process. The socialist Prime Minister, José Luis Rodríguez Zapatero, admitted in the Spanish Parliament that he preferred a smaller and ‘genuinely supranational’ Commission but, realistically, some deal with Ireland was needed. On the other hand, he stressed that the compromise reached among the 27 member states also included a very important provision for Spain; specifically, that the delay in the process of ratification would not impede the increase in the number of Spanish MEPs according to

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<sup>1</sup> Questionnaire EU-27 Watch, No. 8, online March 2009. Reporting period July 2008 – January 2009.

the Lisbon Treaty. Thus, although Spanish electors will send only 50 representatives to the European Parliament in the forthcoming June 2009 elections –as regulated in the Nice Treaty– four additional seats will be conferred on Spain once the Reform Treaty comes into force.<sup>2</sup>

The future size of the Commission was only lightly criticised by the main opposition party. Thus, the leader of the conservative Popular Party –Mariano Rajoy– said in the Spanish Parliament that he was somewhat worried since a single country, whose population represents less than 1% of the total EU, had been able to re-shape the entire governance of the Union, probably worsening the future effectiveness of the Commission. Notwithstanding this, and ‘just in order to avoid institutional paralysis’, the PP accepted the agreement as well. The Lisbon Treaty –said Mr Rajoy– is better, even with these cutbacks, than the current failure to make progress in the EU.<sup>3</sup> It is interesting to note that, despite this ‘paralysis’ and despite the fact that the Nice Treaty –which increased Spain’s weight in the Council to a very similar level to the four largest member states– was successfully negotiated by the former Prime Minister and former PP leader José María Aznar, the Spanish conservatives have not taken the opportunity of the Irish ‘No’ to remark on the institutional advantages for Spain of the Nice institutional framework. They did not do so either during the ‘reflection period’ that followed the failure of the Constitutional Treaty in 2005, since the PP has always officially supported the reform and asked its electors to vote ‘Yes’ in the referendum that was held in February 2005. However, it is true that some voices within the PP –and, perhaps, within the government– suggest that Nice institutions are not so terrible and that, in particular, Spain can live comfortably with 27 votes at the EU Council –and only 50 MEPs– instead of with the double majority voting system –and four additional deputies–.

Nevertheless, most Spanish people and the political elites are unambiguous supporters of the Reform Treaty and, therefore, the postponement of its entry into force is considered damaging to Spain’s national interests. However, the truth is that a little additional period of uncertainty, at least, until January 2010 might be welcomed by the officials who are preparing the Spanish EU Presidency of the first semester of next year, since the maintenance of the current institutional architecture would help to: (1) ease the organisation and smooth functioning of a ‘traditional’ rotating Presidency; and (2) ensure the visibility of Spain’s Prime Minister in the European Council and at important bilateral summits to be held during the semester –such as the EU-US meeting–, in the absence of the new Lisbon figures, the permanent President of the European Council and the reinforced High Representative, whose precise roles, means and status have not been specified.<sup>4</sup>

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<sup>2</sup> See the address by PM Rodríguez Zapatero in the Parliamentary Journal of Debates (*Diario de Sesiones del Congreso, IX Legislatura*), 53<sup>rd</sup> Plenary Session, 18 December 2008, Spanish Congress, [www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&DOCS=1-1&FMT=PUWXTDTS.fmt&QUERY=%28CDP200812180056.CODI.%29#\(Página4\)](http://www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&DOCS=1-1&FMT=PUWXTDTS.fmt&QUERY=%28CDP200812180056.CODI.%29#(Página4)).

<sup>3</sup> See the address by the opposition leader Mariano Rajoy in the Parliamentary Journal of Debates (*Diario de Sesiones del Congreso, IX Legislatura*), 53<sup>rd</sup> Plenary Session, 18 December 2008, Spanish Congress, [www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&DOCS=1-1&FMT=PUWXTDTS.fmt&QUERY=%28CDP200812180056.CODI.%29#\(Página8\)](http://www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&DOCS=1-1&FMT=PUWXTDTS.fmt&QUERY=%28CDP200812180056.CODI.%29#(Página8)).

<sup>4</sup> As underlined (see Attila Agh, 2009, ‘Global Crisis Management and EU Team Presidencies: European Institutions at the Crossroads’, paper presented at the seminar ‘A Common Programme for the 2010-11 Team EU Presidency’, Elcano Royal Institute, Madrid): ‘the decapitation of the rotating presidencies with the ‘unemployed’ Prime Ministers can create tensions between the EU bodies and the nation states concerned, first in Spain. Given the delay of the ratification process both problems could have been treated but no special effort can be noticed in this direction. No doubt that the separation of the General Affairs Council and the External Relations Council can solve some problems, since the GAC may provide a job for the prime ministers

On the other hand, a second 'No' in Ireland or a failure in the Czech Republic to complete the ratification this year –because of the lack of a majority in the Senate, a negative ruling on the Treaty if it is again side-tracked to the Constitutional Court or a refusal of President Vaclav Klaus to sign the instrument of ratification– might cause many headaches during the Presidency if the EU looks to Spain to search for ideas to deal with this scenery of institutional crisis. Spanish officials have already said that, if this is the case, the first semester of 2010 would perhaps be too premature to launch any 'Plan C' initiative.<sup>5</sup> But, even considering that ratification continues to be surrounded by great uncertainty and that it is therefore difficult to foresee the institutional agenda of the Spanish Presidency, it is indeed quite feasible that the Treaty should come into force in late 2009 or early 2010. Depending on the exact date, this might affect Spain's task in implementing or not the new institutional instruments included in Lisbon. In any case, what is also clear already is that some obligations will not be fulfilled at all, for instance, in the external and defence fields, where some novelties such as the EU External Action Service will need some time before they can become fully operational. Also linked to the new Treaty provisions, but rather affecting the Spanish parliament, is the definition this year of the new procedure for the reinforced input of the two-chamber *Cortes* –and, probably, the 17 regional parliaments as well– in the EU's legislative process through the so-called early-warning system.

Furthermore, during the year 2009 Spanish officials dealing with EU affairs will not only have to prepare the six-month rotating Council Presidency but also the 18-month Team Council Presidency with Belgium and Hungary. The S-B-H Trio wants to be the first to have a common agenda, which started to be defined in Madrid last September 2008 according to the following five priorities:

- (1) Lisbon Strategy.
- (2) New EU policies: global climate change, energy security, migration and innovation triangle.
- (3) Budget reform for the next financial perspectives.
- (4) Institutional reforms (and Stockholm Programme in particular).
- (5) Widening (West Balkan integration and European Neighbourhood Policy reform).

The upcoming elections to the European Parliament (EP) in June 2009 are considered in Spain, as elsewhere in Europe, a domestic political event rather than a real European electoral process. Although this is a general feature of all EP elections, it is especially true this year, given Prime Minister Rodríguez Zapatero's political weakness, in a scenario of deep economic crisis and the fact that his government does not enjoy a majority in Parliament and is not backed by any other party other than his own. Thus, heads of lists in

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concerned and with an open coalition-building role can solve some coordination problems among the member states. Most likely that the ERC will be the area of big power contestation in the field of the classical foreign policy and security as well as in the EU foreign policy beyond Europe'. To be sure, the division of the Foreign Affairs from the General Affairs Council could become very sensitive given the implications for the internal organisation of national executives, including the Spanish one.

<sup>5</sup> Nevertheless, in case of a new failure in the ratification process, some Spanish officials and analysts start to advance their support to an institutional reform oriented towards differentiated integration, without need of unanimity to go further. Even if the Lisbon Treaty completes the ratification, a multi-speed Europe –perhaps through the effective launching of the enhanced co-operations included in the Treaty– seems to be also unavoidable in a heterogeneous EU of, at least, 27 members. See Carlos Closa (2008), 'After Ireland: Referendum and Unanimity', ARI nr 62/2008, Elcano Royal Institute, [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/Europe/ARI62-2008](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/Europe/ARI62-2008).

the main candidatures are important politicians but not specifically experts on EU matters. Their previous political experience has more to do with internal and not particularly European topics: a former Justice Minister in the case of the Socialist Party, a former Interior Minister in the case of the Popular Party and an economist specialised in Catalan regional infrastructures in the case of the most important peripheral nationalist coalition.

Regarding the formation of the new Commission in autumn 2009, José Manuel Durão Barroso and his Commissioners are generally perceived in Spain as a competent team with a correct leader. The overall assessment of both politics and policy outputs is positive. First, and looking to politics, this Commission has been able to regain its credibility after the controversial Prodi Commission, established good relations with the Council and the European Parliament, and functioned smoothly, which is not an easy task in a Europe of 27 Member States. As regards policies, three important achievements should be mentioned from Spain's point of view:

- (a) The final outcome of the Financial Perspectives 2007-13, in which the Commission defended Europe's common interests with an acceptable degree of success.
- (b) The basis for a common European policy on Migration, one of the most important priorities on the Spanish government's internal and external agenda.
- (c) The target of cutting greenhouse gas emissions by 20%, producing 20% of energy from renewable energies and increasing efficiency by 20% (the so-called '20/20/20 by 2020') was highly appreciated in Spain, which supports an EU common energy strategy despite its poor performance in greenhouse gas emissions.

If, as foreseen, the European People's Party gains a majority of seats in the next EP elections, the Spanish government and even socialist MEPs would be willing to back Durão Barroso for a second term. It is difficult to say who will be the next Commissioner from Spain, since it is not yet known if the next Commission will have 27 members or less. In principle, Joaquín Almunia –a member of the governing Socialist Party–, who is responsible for the key portfolio of Economic and Monetary affairs, should continue since his track record is impeccable: highly skilled, with a truly European view and very well connected with the President of the Commission. In the event of the Lisbon Treaty finally being ratified by all member states and the post of CFSP High Representative becoming part of the Commission, then Spain would probably prefer to preserve this position; hence Javier Solana would be the Spanish Commissioner as High Representative. However, it is also said that Solana, who is a member of the Socialist party, is somewhat weary and that it might be difficult for Spain to retain the position of High Representative for a new appointment. In any case, it should be underlined that Spain (with or without the Treaty in force) will probably 'lose' one of its two key institutional positions in the EU machinery after the autumn of 2009.

## **2. Transatlantic relations renewed after President Bush: top priorities**

According to the predominant Spanish view, the three top priorities for a re-definition or re-vitalisation of the transatlantic and EU-US relationship would be:

- (a) An effective and co-ordinated management of the global financial crisis.
- (b) A new approach to security and peace-building, complementing military action with soft power tools in order to deal with new conflicts and their causes. In this context, Spain believes that the 'Alliance of Civilisations', proposed to the UN by Prime

Minister Rodríguez Zapatero in 2005 could be a relevant instrument to defeat violence.

- (c) A new US approach to efficient multilateralism beyond security affairs, especially with respect to climate change, international law and cooperation in the fields of education, research and development.

Specifically considering the relationship between Spain and the US,<sup>6</sup> it should be borne in mind that, during the Bush years, relations ranged from warm (thanks to the unconditional support of the former conservative Prime Minister Aznar to the invasion of Iraq) to cold (because of the withdrawal of Spanish troops from Iraq when the socialist Prime Minister Rodríguez Zapatero came into office in 2004). Nevertheless, Spain and the US have maintained good relations during the last four years in defence, counter-terrorism, police and judicial cooperation and within NATO. In the economic realm, the situation is also very fluid, particularly with regard to mutual foreign direct investment (FDI).

Nevertheless, the Spanish government is currently trying to reinvigorate and improve its relations with the US. Taking into account the perspective of the Spanish EU Presidency during the first semester of 2010, Transatlantic relations have been defined by Prime Minister Rodríguez Zapatero as a 'priority task' for Spain during its Presidency.<sup>7</sup> In this respect, the government is now defining a new agenda for relations with the Obama Administration.<sup>8</sup> The Spanish government wants to reinvigorate the EU framework to face international challenges such as Iran's nuclear programme, the Israeli-Palestinian conflict and relations with Russia. Other important issues, such as UN reform, post-Kyoto agreement (Copenhagen), the fight against poverty and the reinforcement of EU-US coordination towards Latin-America might also be included in the renewed Transatlantic Agenda that can be agreed at the EU-US summit to be held in 2010.<sup>9</sup>

It is true that a renewed partnership might be difficult to convert into tangible realities, and the EU –and particularly Spain– will encounter several difficulties in meeting US demands, for example with regard to troop deployment in Afghanistan. However, there are also many reasons to believe that the horizon looks bright for Transatlantic relations, not only for the EU in general but also for Spain in particular. Obama's priority to revive the economy and reform its regulatory framework, along with his pledge to achieve energy independence and rebuild the country's failing infrastructure bodes well for Spain. Not only can Spain share the lessons of the regulatory experience that has kept its banks from collapsing, it can also –as one of the world leaders in the renewable energy sector– offer to create an energy independence alliance with the US. Spain's construction companies – also world leaders in their own right, but now feeling the effects of a whopping hangover from their own bubble– would be willing and able to lend a hand in the rebuilding of US infrastructure. Finally, Obama's proposal to create a new Partnership for Energy Security

<sup>6</sup> See Alicia Sorroza & David García Cantalapiedra (2008), 'Spain', in Jan Techau & Alexander Skiba (Eds.), *Transatlantic Relations 2009 European Expectations for the Post-Bush Era*, EPIN Working Paper nr 20, November, [http://shop.ceps.eu/downfree.php?item\\_id=1754](http://shop.ceps.eu/downfree.php?item_id=1754).

<sup>7</sup> See address by Prime Minister Rodríguez Zapatero on the priorities of the 2010 Spanish EU Presidency on 12 February 2009 organised by the Asociación de Periodistas Europeos (available at [www.la-moncloa.es/Presidente/Intervenciones/Discursos/prdi20090212.htm](http://www.la-moncloa.es/Presidente/Intervenciones/Discursos/prdi20090212.htm)).

<sup>8</sup> It is remarkable that 90% of Spaniards have a positive opinion of Obama's election. Moreover, 70% believe there will be significant changes in US foreign policy and 70% also believe Obama's election will be beneficial for Spain. See 19th wave of the Barometer of the Elcano Royal Institute (December 2008) at [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Barometer/Barometer19](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Barometer/Barometer19).

<sup>9</sup> See Alicia Sorroza & David García Cantalapiedra (2008), *op. cit.*

in the Western Hemisphere, and to send an Energy Corps of young engineers into Latin America, offers Rodríguez Zapatero the opportunity to suggest some tangible content for the kind of productive US-Spanish cooperation in Latin America that Bush and the former Prime Minister José María Aznar used only to dream about.<sup>10</sup>

### 3. Financial crisis and challenges of global governance: the EU response

The global financial crisis that has pushed the EU, and particularly Spain, to economic recession during the second half of 2008 has demonstrated, more than ever, the deep interdependence that exists in Europe and the world. Spanish economists, like most international analysts, no longer question the fact that we are facing the greatest international financial crisis since the Great Depression.<sup>11</sup> Since September 2008 the world has seen unprecedented events that are re-shaping the international financial system and challenging liberal economic orthodoxy. Now, governments are launching rescue packages –first for specific financial institutions and then for the banking system as a whole, although the Spanish financial sector has remained relatively safe from the turmoil in the markets thanks to the policies enforced by the Bank of Spain–. Central banks, including the ECB, have also opened up new channels for enhancing a liquidity that is still lacking. And what initially appeared to be a liquidity problem is also turning out to be a solvency problem that requires a hefty re-capitalisation of the banking system in advanced countries. Fiscal stimulus packages have also been launched and, finally, and above all, decision makers and experts now consider it necessary to improve financial sector regulation. In this context, expectations in Spain regarding the EU are ambiguous, since the performance of the ECB and the Commission have been perceived as technically correct (despite being less ambitious than the US response), although the EU's real problem continues to be the difficulty to act with real political will and to generate the leadership that is indeed needed at times like these to restore confidence to the markets. Although it is difficult to forge and consolidate a strong political leadership at a time of crisis –and this is particularly true in Europe, where the Lisbon Treaty is not even in force after nearly a decade of institutional debate–, there is no other resort. In the face of panic, technical solutions are not enough to restore market confidence. For this reason, leadership can only be shared and must be based on cooperation among states. All in all, as of mid-autumn, the leadership emerging from Europe and concerted government action restored some degree of confidence. But capital continued to flee towards safer assets, the inter-bank market still had problems and the structural causes of the crisis had not been resolved.

Notwithstanding all this, the crisis will also serve as an opportunity for the EU in general and for the euro in particular as a global reserve currency. First, because it can be expected that the new international financial architecture that emerges after the crisis will have a greater similarity to that of continental Europe rather than to the Anglo-Saxon model. This will provide an opportunity for the Union to take up a greater global leadership, if it is capable of speaking with one voice on the world stage. Secondly, because the crisis gives the euro a chance to gain ground against the US dollar as an international reserve currency, a change which needs the political-institutional structure of the euro zone to be sufficiently solid. All in all, the crisis marks an opportunity for the EU if

<sup>10</sup> See Paul Isbell, 'Don't Ignore European Economic Powerhouse', *The Miami Herald*, 11/XI/2008.

<sup>11</sup> See Federico Steinberg (2008), 'The Global Financial Crisis: Causes and Political Response', ARI nr 126/2008, Elcano Royal Institute,

[www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/International+Economy/ARI126-2008](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/International+Economy/ARI126-2008).

it is capable of using the current difficult situation to strengthen itself and improve its internal economic governance.<sup>12</sup> In this context, there is an open discussion in Spain as some analysts suggest that the EU's performance would improve significantly by changing some aspects of its economic institutional governance,<sup>13</sup> and a single European Treasury has even been suggested.<sup>14</sup>

Indeed, the crisis will have major geopolitical consequences which are difficult to predict. Nevertheless, this might accelerate the reform of institutions of global governance and make clear the need to strengthen the forums for multilateral cooperation beyond Brussels or the G-7/G-8, with the G-20 probably being the better arena for co-ordinating the international response. This means a significant shift in the international power constellation –since emerging powers such as China, India, and Brazil are now being included in the new global decision making–. The Spanish government, which is not a member of the Group despite being the 8<sup>th</sup>-11<sup>th</sup> largest world economy,<sup>15</sup> was not invited to the international financial summit organised by George Bush in Washington last November 2008, in which initially only members of the G-20 could participate. Spain did intense lobbying to be invited to this crucial summit and, again, to the following one to be held in London in April 2009. Whereas it might be understandable that Spain is not part of the G-8, it seems inappropriate that it should not be part of the G-20, while far poorer countries such as Argentina, Indonesia, South Africa and Turkey are. Spain was finally invited, thanks to the support of French President Sarkozy, who loaned Prime Minister Rodríguez Zapatero one of his two seats –one for France as such and the other for being the rotating EU President– at the summit. Although Spain is not yet a formal member of the G-20, it is making diplomatic efforts which should lead to its official admission and subsequent enlargement of the G-20.

## **II. Looking back to the French Presidency**

The French Presidency of the EU 2008 –and the specific personal performance and engagement of President Nicolas Sarkozy during the semester– has deserved quite contradictory evaluations from the different member states: very critical in some countries (because of his authoritarianism and the little time devoted to consensus building) and very positive in others, such as Spain.<sup>16</sup> Spaniards liked the idea of President Sarkozy trying to prove the EU's ability to actively face and manage global challenges to build a stronger Europe, that aims to be a world leader. Some of the French priorities matched Spain's main concerns in the EU; namely, energy, the environment and climate change, the adoption of the Pact on Immigration and Asylum, the review of the CAP, the

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<sup>12</sup> See Federico Steinberg (2008), *op. cit.*

<sup>13</sup> See Carlos Mulas (2009), 'Improving Economic Governance in the EU', ARI nr 12/2009, Elcano Royal Institute, [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/Europe/ARI12-2009](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/Europe/ARI12-2009).

<sup>14</sup> See Juan I. Crespo (2009), 'A Tool for the Economic Crisis: A Single European Treasury', ARI nr 31/2009, Elcano Royal Institute, [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/ARI31-2009](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/ARI31-2009).

<sup>15</sup> It depends on measuring the Gross Domestic Product nominally (and, thus, Spain would be the world's 8th biggest economy) or measuring the GDP derived from purchasing power parity (PPP) calculations, in which Spain placed 11th.

<sup>16</sup> See Maxime Lefebvre (2009), 'An Evaluation of the French EU Presidency', ARI nr 43/2009, Elcano Royal Institute, [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/ARI43-2009](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/ARI43-2009).

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reinforcement of the European Defence and Security Policy and the launching of the Union for the Mediterranean.

As regards crisis management, the French Presidency showed its capacity to address the challenges of the Irish 'No' to the Lisbon Treaty, the war in Georgia in August and the financial crisis in the autumn. Although the style and method of the French President were sometimes criticised, as were the difficulties in the Franco-German relationship and the poor attention to social issues, this Presidency has been generally recognised as having been successful and has helped to restore –at least for a while– the relationship between France and the rest of Europe and with Spain in particular. As mentioned in the section regarding the 'Financial crisis and challenges of global governance', thanks to French support, Spain was invited to the G-20 financial summit which was held in Washington in November 2008.

Nicolas Sarkozy's method proved to be efficient although little progress was achieved in the liberalisation of the internal energy market and in energy security. The review of the European Security Strategy (ESS) was also considered very limited and especially modest for a country that places Security and Defence at the top of its EU agenda. In Agriculture, practical results were not overly significant, with only a limited reform and a CAP health check.

On the other hand, EU immigration policy really did take a significant political step forward with the Pact on Immigration and Asylum, a political document stating an overall common EU policy doctrine on migrations. Another common priority for the French Presidency and Spain was the Union for the Mediterranean, in which Spain was in the uncomfortable situation of supporting the advantages of re-launching Mediterranean cooperation but, at the same time, preferring not to jeopardise the traditional EU Mediterranean policy within the so-called Barcelona Process of 1995. The German Chancellor Angela Merkel took the lead in resisting the French initiative. In the end, Paris recognised that it was more sensible and more responsible to involve the entire EU in the Union for the Mediterranean, with headquarters in Barcelona, and a 'co-presidency' was established as the only reminder of the original project.<sup>17</sup>

After such an active French Presidency –promoting ambitious initiatives, ensuring the normal functioning of the Presidency, leading the EU's external representation in meetings with third countries and with public opinion much impressed by Nicolas Sarkozy's crisis management capacity–, Spanish expectations for the Czech Presidency are not particularly high. The general climate is that a country which has not ratified the Lisbon Treaty and is much influenced by Euro-scepticism can only with difficulty manage an EU Presidency that is steeped in uncertainty.<sup>18</sup>

### **III. Prospects for ENP and enlargement after 'Georgia'**

The military conflict in Georgia in the summer of 2008 was mainly perceived in Spain as a clumsy, even illegitimate, move by Georgia to try to regain control over the region of South Ossetia. Russia's reaction against this reintegration was also perceived as

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<sup>17</sup> See Maxime Lefebvre (2009), *op. cit.*

<sup>18</sup> See Daniel Esparza-Ruiz (2009), '¿Lisboa o Moscú? Retos de la Presidencia checa en la UE', ARI nr 28/2009, Elcano Royal Institute,

[http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_es/Zonas\\_es/Europa/ARI28-2009](http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM_GLOBAL_CONTEXT=/Elcano_es/Zonas_es/Europa/ARI28-2009).

disproportionate and therefore criticised but, at the end of the day, it is clear that Russia has been able to take advantage of the crisis vis-à-vis the Union and, specifically Spain. First of all, Moscow has preserved its influence in the Caucasus, reinforcing the pro-Russian and separatist regions in the area. Secondly, Russia has been successful in its opposition to the rapid further enlargement of NATO (and, implicitly, the EU in the medium or long terms) towards the Ukraine and the Caucasus, as some Western European countries –including Spain– now tend to see the peril of the incorporation of Russia's neighbour into the Western organisations rather than the advantage in terms of the expansion of democratic and economic stability eastwards.<sup>19</sup> Finally, Moscow was able to reinforce its weak political, economic (energy, finance and tourism), cultural and security ties with Madrid during the autumn and the winter. An important visit by the Russian President Dimitri Medvedev to Spain has been programmed for March 2009.<sup>20</sup>

The Caucasus conflict has indeed had repercussions for the European Neighbourhood Policy, the EU's relations with Russia and the future enlargement of the EU itself. Spain's position is that ENP must be reformed and enhanced in coordination with the launching of other parallel regional cooperation projects for the area surrounding the EU, such as the Union for the Mediterranean initiated on 13 July 2008. As mentioned in the section on The French Presidency, this new forum for the members of the EU and the Mediterranean countries to the South and East is of great interest to Spain. The formal name of the process is 'UM: Process of Barcelona' since the project is based on the previous Euro-Mediterranean Partnership started in 1995 at the Barcelona Euro-Mediterranean Conference. The Spanish government was actually able to establish the initiative's headquarters in Barcelona but very little progress was achieved during the second half of 2008. Regarding the Polish-Swedish backed project for the Eastern Partnership, Spain would be willing to promote similar links for the ENP as for the UM. However, it is obvious that Spain is less interested in this Eastern dimension and probably supports those EU countries such as France or Germany that do not wish this new regional initiative to be connected to any future enlargement.<sup>21</sup>

Regarding the full integration of current candidates as new member states in the EU in the near future, Spain's official position is still that enlargement has brought considerable benefits to the Union through the strengthening of prosperity and stability throughout Europe and that the EU-27 has been consolidated with the increasing ability of the new Member States to progressively integrate into the Union's structures and common policies. The semester of the Spanish Presidency or, at least, the period of the SBH Team Presidency (2010-11) is likely to coincide with the accession of Croatia, if negotiations with Slovenia to solve a bilateral territorial issue end successfully. It will be much more difficult to achieve substantial progress in the objective of another candidate, Turkey, to join the EU despite the formal support of Spain, since the last European Commission's annual report on Turkey's progress showed that little had been achieved over the last

<sup>19</sup> At the same time, following the events of August 2008 and the recognition by Moscow of Abkhazia and South Ossetia as new independent states, Spain adopted a much tougher line towards the non recognition of Kosovo. Therefore, Madrid started to become much more aligned with the Russian position in the West Balkans; to some extent paradoxically, since Spain obviously opposed as well the president Medvédev's decision to recognise the two new republics.

<sup>20</sup> The process of unblocking and giving new substance to the EU relations with Russia through the negotiation of a post-PCA agreement is likely to be promoted by Spanish Presidency of the EU during 2010.

<sup>21</sup> See Deniz Devrim & Evelina Schulz (2009), 'The Eastern Partnership: An Interim Step Towards Enlargement?', ARI nr 22/2009, Elcano Royal Institute, [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/Europe/ARI22-2009](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/Europe/ARI22-2009).

year and that the candidate continued to raise serious concerns about freedom of expression, the independence of the judiciary and military interference in political life, among other issues.<sup>22</sup> Finally, and because of Spain's unprecedented and somewhat eccentric new interest in its relations with Serbia, Madrid is now pushing for acceleration in the process of future enlargement to the countries of the Western Balkans (the former Yugoslavia and Albania).

As regards the enlargement of differentiated integration areas within the EU –such as the euro zone and the Schengen area), Spain also backs the goal of some of the newer Member States, or perhaps even the UK, of joining the euro zone. The same is applicable to the Schengen area, which might also be extended to admit Bulgaria and Rumania in 2010 or 2011. Finally, the SBH Team Presidency will also be responsible for finalising the arrangements to enable the free movement of labour among the 27 Member States by May 2011.<sup>23</sup>

#### **IV. Current issues and discourses in Spain**

Although it cannot be considered exactly a salient topic in Spain, it is worth mentioning that the national preferences for EU budgetary reform were published after the summer.<sup>24</sup> The conference held in Brussels on 12 November 2008 marked the end of the public-debate phase that began with the European Commission's presentation of an issues paper in September 2007. It also marked the beginning of a new phase in which the Commission is expected to present a White Paper in mid-2009, with discussion later between EU leaders. In this context, the Spanish government's position on budgetary reform and in ensuing negotiations on financial prospects after 2014 will be different from that which it held in earlier discussions on budgetary issues. Although Spain has been a net beneficiary of EU funds since it joined the bloc, one can expect that, starting in 2013, it will achieve a net balance with regard to the EU. Thus, any budgetary reform that is agreed will have a significant effect on Spain. Reforming the income-and-spending aspect of the EU budget takes on a special importance for Spain because of the financial implications that the changes might have in the context of future negotiations. Thus, the net balance depends not just on the future of the cohesion policy and possible new policies, but also on reforms of the Common Agriculture Policy (CAP), a hugely important part of the EU budget. In fact, Spain now receives more for agriculture than in structural funds, and that trend is to continue in the coming years. On the other hand, the new position could be seen as a comfortable spot from which to launch initiatives, mainly in discussions on new policies, including the role played by the Lisbon Strategy, and on the future of the cohesion policy. The Spanish government might try to take advantage of its position and focus on overall debates covering both EU revenues and expenditure in order to keep all its options open.<sup>25</sup>

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<sup>22</sup> See William Chislett (2008), 'The EU's Progress Report on Turkey's Accession: Stalling Reform', ARI nr 143/2008, Elcano Royal Institute, [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/Europe/ARI143-2008](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/Europe/ARI143-2008).

<sup>23</sup> See 'Strategic Framework for the Spain-Belgium-Hungary Presidency. Contribution from the Lillafüred Process', in Attila Agh & Judit Kis-Varga (Eds.) (2008), *New Perspectives for the EU Team Presidencies: New Members, New Candidates and New Neighbours*, 'Together for Europe' Research Centre, Budapest, p. 487-496.

<sup>24</sup> See the Spanish contribution to the response to the European Commission issues paper at <http://ec.europa.eu/budget/reform/issues>.

<sup>25</sup> See Cristina Serrano & Mario Kölling (2009), 'Spain and EU Budgetary Reform', WP nr 12/2009, Elcano Royal Institute,

Spain's contribution to the consultation process launched by the Commission stresses two basic lines or principles: fairness in revenues and quality in expenditure. This is based on the position held in the negotiations on Financial Perspectives for the period 2007-13, in which Spain defended three basic principles, which are still valid: the 'principle of sufficiency of budgetary means', the 'principle of fair distribution of the costs of enlargement' and, finally, in application of the 'principle of gradualism', in the last negotiations Spain defended the need for adequate transitional measures for regions that lose their eligibility for the Cohesion Fund, either because of a 'statistical effect' or through natural growth. Regarding expenditures, at the last negotiations Spain introduced new priorities to defend, stemming from challenges such as migration –since Spain considers it essential to develop a European immigration policy with specific goals and a budget with sufficient funding–. Other new policies include the promotion of renewable energies and investment in research, development and innovation (R+D+I).<sup>26</sup>

Precisely, the importance for the Spanish government of bridging the 'technological gap' between the EU's most developed countries and other member states –such as Spain– is present in the current political discourse. The increase in budgetary resources available for technological innovation,<sup>27</sup> the priority given to the Lisbon Agenda (which has continued during the Rodríguez Zapatero years despite the Strategy originally having been set out in Lisbon in March 2000 within the framework of the mutual understanding between Tony Blair and José María Aznar), the creation of a new Ministry of Science and Innovation some months ago and Spain's efforts to be the headquarters of the European Institute for Innovation and Technology are some examples of this priority, which is obviously connected to the deep economic crisis and the need to change a growth model based on relatively unskilled labour and the significant weight of the construction sector over the past decade. However, to overcome the technological gap between Spain and the most advanced EU Member States requires a much greater effort.

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<sup>26</sup> See Cristina Serrano & Mario Kölling (2009), *op. cit.*

<sup>27</sup> In recent years Spain has increased its spending on R+D+I by around 100%, reaching a record €6,450 million in 2007.