

EU-27 WATCH



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On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new modus operandi while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a **reporting period from December 2009 until May 2010**. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: www.EU-27Watch.org.

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Editorial Team

Publisher: Prof. Dr. Mathias Jopp
Executive Editor: Dr. Katrin Böttger
Managing Editor: Julian Plottka
Editorial Staff: Daniela Caterina, Gregory Kohler, Christoph Kornes
Layout: Matthias Jäger

Contact: info@EU-27watch.org
www.EU-27watch.org

 Institut für
Europäische Politik
Bundesallee 23
D-10717 Berlin
Tel.: +49/30/88.91.34-0
Fax: +49/30/88.91.34-99
E-mail: info@iep-berlin.de
Internet: www.iep-berlin.de

Spain**Greek debt crisis effects Spain indirectly**

Ignacio Molina*

After the implementation of the institutional innovations included in the Treaty, the second big priority of the Spanish EU Presidency was coordinating economic policies so as to encourage recovery.¹ However, the unprecedented Greek debt crisis dominated the semester and it ended up affecting Spain indirectly. It is true that crises usually provide an opportunity for rotating presidencies to enhance their leadership roles, but that was not the case this time. Spain's troubled economic situation prevented this from happening, or at least blocked it. Spain's fiscal situation was never nearly as serious as Greece's. Still, that did not stop people from comparing the two countries, thus raising doubts about Spain's neutrality and its authority for leading the debate on how to address the Greek problem or on how to reform European economic governance.²

Nevertheless, the single biggest result of the Spanish Presidency was the decision to articulate a joint response aimed at defending the stability of the Euro and enhancing economic coordination among EU countries. Although it would not be accurate to say that the Spanish Presidency played the main role in producing this important outcome – as said, the Spanish government had to act in a reactive, defensive way, yielding the leading role to France, Germany and the Eurogroup Presidency – the truth is that the final outcome of the Presidency with regard to economic decisions has undoubtedly been outstanding.

Spain began its Presidency by raising the possibility of strengthening the EU's say over how member states run their economies, and, although the initial reaction from Germany and the UK was negative, the Spanish term ultimately made important strides in this direction. It is true that in January the Spanish government was not thinking so much about a more forceful role for European institutions in short-term fiscal consolidation as in medium- and long-term mechanisms for financial supervision and coordination of structural reforms. But the dramatic developments in the public debt markets during this six-month period led things toward the former of the two options. Despite the wavering and lack of leadership seen in February and April, the EU finally decided to bail out Greece. And what is more important, Ecofin, holding an extraordinary meeting on 9-10 May 2010, adopted the key decision to create a 750 billion Euro financial stability fund for troubled governments, moving to give a firm response to speculators. It is an impressive system geared towards protecting the Euro, to the point where a European monetary union can finally be considered complete and, what is even more novel, a true economic union is now beginning to take shape. Many member states, in particular Spain, have clearly seen the new, direct link that has been established during this Presidency between the creation of the new fund, rigorous application of the deficit limits of the Stability and Growth Pact and the adoption of economic reforms encouraged by Brussels in areas that, in principle, fall outside EU jurisdiction: the labour market, savings banks, pay for civil servants and retirement ages and pensions.

But on the economy there was even more during the semester. While the financial oversight mechanisms agreed in late 2009 – the European Systemic Risk Board and three additional measures – are close to being approved by the European Parliament, the Council added complementary measures on hedge funds and credit-ratings agencies during this Presidency.

As for approval of the Europe 2020 Strategy, which replaces the semi-failed Lisbon Agenda of 2000, the climate of economic urgency has caused it to go relatively unnoticed, even though it was the main declared priority of the Spanish Presidency and the other Trio Presidency members, Belgium and Hungary. In any case, on the basis of the Commission's proposal in early March 2010, the European Councils of March and June 2010 approved the broad outlines of a new and more sustainable productive model for the entire EU for ensuring economic growth and job creation in the future.³ It identifies five basic goals and national plans to achieve them in the areas of employment, innovation, education, sustainability and the fight against poverty. But it remains to be seen how seriously member states and EU institutions will take these goals and what the consequences will be if they fail to do so.

* Elcano Royal Institute.

¹ It has been discussed to what extent this should be the first and not the second priority of the semester. Financial Times published an editorial titled 'A stumbling Spain must guide Europe', with the subtitle 'Message for Zapatero: forget London, it's the economy!' The editorial called the programme proposed by the Spanish Presidency 'remarkably anodyne' and said it was a big mistake to focus on the fine-tuning of institutional reforms rather than address the problems of the 'real world', such as the economic crisis.

² Because of the Greek crisis and the poor state of the Spanish economy – deep recession, soaring unemployment, a bloated budget deficit and a swift increase in public debt – the Spanish officials tasked with leading the Ecofin had to spend a lot of time reassuring international investors or denying that Spain could be compared with Greece

³ According to the president Van Rompuy, who chaired the European Council meeting on 25-26 March, the strategy sums up the European model of social market economy with a strong environmental dimension. „To protect this model, economic performance should be very strong.” It remains to be seen if the new strategy have sharper and more realistic goals than the Lisbon Agenda.

Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!

1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?