

Other priorities for the Spanish presidency

Despite the crisis, there is more to life than the economy! Among the priorities presented by Spain was the implementation of the Lisbon Treaty, while stressing the desire to cooperate with the President of the European Council, the High Representative, the Commission, the European Parliament, and so on. The Union already has many heads; if those of the major member states are also to be added, as was seen in Copenhagen, it is true that coordination will become even more necessary.

Spain is also placing an emphasis on Europe's external dimension and the establishment of the "External Action Service", regarding which a *modus vivendi* needs to be found between the Commission, the Council, member states, and the European Parliament (see column p3). On the underlying issues, Spain wishes Europe to promote multilateralism, to give a new dimension to relations with the United States and Canada, to take a quantum leap with Latin America and the Caribbean (Zapatero also opened his speech on 20 January with a reference to Haiti), and to continue membership talks with Croatia and Turkey. The programme is ambitious, but Spain is starting its presidency weakened by its economy. Watch this space...

O. L.

Contents

Economic priorities	p. 1
Hearings	p. 2
Copenhagen: optimistic	p. 3
...And pessimistic view	p. 4

What economic strategy is on the European agenda

When, on Wednesday 20 January, José Luis Zapatero presented Spain's priorities for its rotating presidency to the European Parliament (this system has not disappeared – the Lisbon Treaty has only introduced a permanent presidency for the European Council and not for the Council of Ministers), he placed particular emphasis on the economic aspect. Moreover, it is under Spain's presidency that the "EU 2020" growth strategy for the next ten years will be launched, which will take over from the "Lisbon strategy".

Strengthening economic governance

In his answers to MEPs, Zapatero repeated that he is in favour of making provision for "sanctions" against countries that do not adhere to Europe's economic strategy. Spain had issued official statements saying that it wanted to move towards a "European economic government". While more economic coordination and solidarity are needed in Europe, it does not serve their cause to bandy around terms like "sanction" (a completely unrealistic idea when public debts are exploding) and "economic government" (which certain countries, such as Germany, only view as a threat to the ECB). In such conditions, no headway will be made.

In response to the EU 2020 consultation launched by the Commission, *Confrontations* has submitted a contribution (available on our website (1)) devoid of such alarmist terms. Instead, it contains concrete proposals, both in terms of greater coordination of national public finances and a better targeted use of the community budget with, for example: the synchronisation of national budget periods; an annual conference of national and European parliaments on economic policy and budget questions; the definition of a genuine political agenda for institutions for their term of office until 2014; the development of a financial support mechanism for countries in serious financial difficulties, combined with conditions (a sort of "European Monetary Fund"); a reduction in the number of ESF priorities (to focus more particularly on training issues); European funds allocated more specifically to encourage adherence to priorities, etc. These are the kind of options Europe should be putting on the table.

Finding new sources of growth

In terms of content, the economic priorities for the Spanish presidency, as reiterated by Zapatero on 20 January, include the following points: the establishment of a "common market for energy" (which presupposes "energy connections" and a "common regulatory framework"); the development of a "digital internal market"; increased efforts in the fields of "sustainable economy and industry", including an "electric vehicle development" project; and investment in research and education.

Confrontations has put forward a number of ideas on these subjects too. Regarding energy policy, why not create a European network infrastructure agency to coordinate engineering work and funding? And as for the further development of the internal market, we suggest a more European dimension to digital dividend management for example. In terms of the knowledge economy, we think that efforts should not be limited to excellence, but that a huge training effort is needed, made all the more necessary by the ageing population. In short, practical options urgently need to be discussed, to flesh out the 2020 strategy and make it more effective.

At the moment, however, it has to be acknowledged that there is nothing of great substance on the table. Admittedly, the EU 2020 strategy has not yet officially begun, but as Philippe Herzog (2) stresses, "there is no governance and no agenda for short-term actions; how, then, can there be any claim to be building for the long term [...]?"

Olivier Lacoste, Confrontations Europe

(1) "Contribution from *Confrontations Europe* to the Union's growth and employment strategy review, available on <http://www.confrontations.org>

(2) See his latest news column on the site at <http://www.philippeherzog.org>

The European Parliament refuses to be SWIFT's Lilliputian

Discussions about SWIFT, which took place at a plenary session of the European Parliament (EP) on Wednesday 20 January, revealed the extreme irritation of certain MEPs. The subject under debate was not the literary merits of Jonathan Swift (who published "Gulliver's Travels" in 1726), but rather a transmission interface for banking information, the Society of Worldwide Interbank Financial Telecommunication, or SWIFT. Since the terrorist attacks of September 11, 2001, the United States has access to the banking information of Europeans that passes through the SWIFT network.

The agreement between the United States and the EU had to be renegotiated in a hurry due to changes in the structure of the SWIFT network, and the relocation of some of its servers. An interim agreement was signed 30 November under the Swedish Presidency: it should apply from 1 February to 31 October. The Lisbon Treaty entered into force on 1 December, and the Council must now rely on the consent of the EP.

Then, on 20 January, Secretary of State Diego Lopez Garrido, who represented the Spanish presidency, explained in the Chamber that the text had still not been submitted to the EP because the European Commission had not yet received all the necessary language versions! Of course, at the time of writing of this article this delay should have been caught up. But most of the MEPs who spoke on the issue not only emphasized the fact that SWIFT should not be too intrusive on individual liberties and personal data, but were also shocked at how little importance seemed to be attached to the Parliament!

O. Lacoste

Hearing of Commissioners: move towards a new 27-player rugby?

Parliamentary hearings are a **true exercise in democracy**; during the hearings, MEPs demonstrated commitment, in-depth knowledge of the issues, and political vigour. They also gave the new Commission their approval in principle. As expected, widespread broadcasting – or, to be more accurate, *Twittering!* – of the hearings did lead to occasional witch-hunting and grandstanding on the part of certain MEPs. After all, why are they there, if not to be noticed? But what stood out the most in my mind was how hard the MEPs worked. There were tough questions on the issues as well as more personal ones. The commissioners-designate had an opportunity to show their stuff and bare a bit of their souls. Not all of them took the hand extended to them, but at least the hand was there.

One of the high points came when we heard about the **collegial spirit** driving the new Barroso II Commission – something that was notably absent from Barroso I. Each commissioner-designate mentioned the name of at least two or three colleagues with whom he or she would like to work. It looks like the **rugby spirit** has caught on with our **team of 27!** And, at a time when the Council of Europe appears to have taken the lead, team spirit is in the EU's best interest. However, it could also belie confusion and a lack of focus behind the different dossiers. This is perhaps nothing more than the false starts that are expected when any new project begins – but it could also be the sign of dysfunction that risks squashing the farthest-reaching initiatives. While Catherine Ashton has been tasked with major foreign affairs strategy (Stefan Füle) and aid to development (Andris Piebalgs), she will need the support of Maros Sefcovic if she is to set up her European External Action Service. And Michel Barnier certainly has an ambitious task ahead of him coordinating 13 commissioners! The **interdependencies** are thus many, giving Barroso a greater coordination role – but also highlighting the need for a strong political voice on the part of the key commissioners. We are all for teamwork and coordination, but only if strong actions emerge.

What are we to make of the meaning and coherency of the proposals put forward? The dynamics the new Commission has demonstrated have left us with some unanswered questions. Unless, of course, J. M. Barroso laid everything out when he unveiled his programme in September, which I doubt. Either that or the very brief EU 2020 Strategy consultation is a sufficient response to the overriding need to transform the EU economy! The link between short-term measures to pull us out of the economic crisis and medium to long-term programmes to bolster sustainable growth in the EU remains murky! Likewise, the link between education and employment and the issue of industrial policy are also unclear. Furthermore, a point of major discord is emerging: the budget. Finally, there is an unfortunate lack of depth to the foreign component of EU policy. However, there are some positive changes, such as an emphasis on new growth drivers like climate change, energy, the digital economy, green transport, and innovation. Finance has also been given the place it deserves on the EU's agenda. The McCreevy era appears to be over. Lastly, we were pleased to see the CAP and cohesion budgets defended, as they are crucial to EU solidarity.

Carole Ulmer, Confrontations Europe

See the "Parliamentary report" on the website <http://www.confrontations.org>

Trade policy: what's new under Lisbon?

The Lisbon Treaty is introducing significant changes in the Common Commercial Policy (CCP), which will all need to be clarified in the coming months.

According to the new Article 3 of the TFEU (Treaty on the Functioning of the European Union), trade policy falls under the exclusive competence of the Union. The decision-making process is evolving: the European Parliament (EP) now shares with the Council the power to adopt measures to define the framework of the CCP (e.g. generalized system of preference rules or anti-dumping legislation). Things are less clear however regarding the involvement of the EP in the implementation of the CCP. Although the Treaty grants the EP greater access to information, the Commission retains its exclusive mandate to negotiate trade agreements (after the Council authorized it to open negotiations), assisted by the Committee for Council trade policy (former 133 Committee).

Regarding the scope of the CCP, Article 207 of the TFEU covers services, trade-related intellectual property rights and foreign direct investment (FDI). A priori, the CCP should gain in clarity. Yet, if the Commission is to negotiate comprehensive agreements covering trade and investment, this raises the question of the status of the numerous bilateral investment agreements negotiated by member states.

Lastly, the future European External Action Secretariat will no doubt have to be involved in one way or another: it has to ensure that the EU's various external policies are coherent. At the end of the day there is only one way of finding out if the High Representative will be able to balance trade policy with broader objectives, and that is to wait and see.

Victor Ferry, Confrontations Europe

The Road from Copenhagen to Mexico

The Copenhagen climate conference concluded in the late afternoon of December 19, 2009. The Plenary could not adopt by consensus the Accord which had been personally negotiated by Heads of States and Governments for over 24 hours; it took note" of it. The Accord was rejected by two different groups of countries, one because of a lack of ambition, the other criticising the process leading to it.

The fact that the Accord could not be adopted by consensus will prevent the establishment of a number of institutions that it foresees, including the Copenhagen Green Climate Fund, which may now require a formal decision under the COP.

The Accord was negotiated by a diverse group of around 30 Heads of States and Governments, representing all UN regional groups, with a majority of developing economies, and accounting for over 80% of the world emissions. The main points of the Accord are:

- A recognition of the 2°C objective,
- Economy wide emission targets for developed economies and mitigation actions by developing economies to be submitted by February 1st, 2010,
- Finance, both fast-start and long-term, a High Level Panel supervising climate finance and the Copenhagen Green Climate Fund,
- A recognition of the need for good monitoring, reporting and verification,
- Mechanisms to reduce emissions from deforestation,
- A review to be completed by 2015, mentioning the possibility to go for a 1.5°C objective.

The weakest point in the accord is the link between the 2°C objective and the emission reductions which will be listed by Countries by February 1st, 2010. And obviously, there is also the negative aspect that the Accord could not be made binding to the UN Parties.

Apart from the Accord, negotiations in Copenhagen also went ahead, but did not conclude, on the two pre-existing tracks, leaving the questions of the continuation of the Kyoto Protocol and the legally binding nature of the Convention track outcome unresolved. There is now a mandate to continue those negotiations in view of COP16 in Mexico at the end of November 2010.

Although the Accord severely questions the ability of the UN process to deliver, Art. 7(2)(c) of the Convention allows the COP to facilitate, at the request of several of its parties, the coordination of measures adopted by them to address climate change. This is one of the possible ways whereby the useful progress logged in the Accord can be taken on board of the UN process without requiring pure consensus.

Politically, the Accord will also facilitate the adoption of an ambitious climate legislation by the US Congress and Senate, and will also help the same happen in other countries.

Another significant political impact of the outcome and the lack of consensus on the Accord in the split of the so-called G77+China group, composed in fact of around 130 emerging and least developed economies. Some of its members would have been happy to endorse the Accord, others were not.

For the EU, Copenhagen was a test of leadership and unity. Leadership was undoubtedly maintained and reaffirmed until the end, with Commission President Barroso and the Swedish Presidency taking an active role in the negotiation of the Accord itself. Unity was probably most put to the test by the calls from some to raise our emission reduction objective from -20% to -30%. This question could only be solved by reference to the Council decision to increase our objective in the light of successful negotiations and comparable efforts from the other regions of the world, which is a difficult and unavoidably somewhat subjective analysis.

Hence, in total, the dramatisation in Copenhagen produced a very useful step in the direction of a legally binding agreement to control climate change. It has also shown both the limitations of the UN-based negotiation mechanisms and some possible ways forward to defend the common good using the same mechanisms.

Dr Pierre Dechamps

Adviser for Energy and Climate Change,

Bureau of European Policy Advisers, European Commission

Neither the European Commission, nor any person acting on behalf of the Commission is responsible for the use which might be made of the information contained in this presentation. The views expressed here are those of the authors and do not necessarily reflect those of the European Commission.

The changing status of emerging countries

Although the results of Copenhagen have not lived up to American and European expectations, and despite the manner in which the agreement was negotiated and then imposed, it cannot be ignored.

In fact, it marks a step forward in an area where UN negotiations have been difficult since Kyoto. Admittedly, the conventional principle of common but differentiated responsibility remains pertinent, but everybody has long recognised the obsolescence of the industrialised / developing countries dichotomy, which affects processes (negotiating groups) and UN decisions. Bearing in mind that we need to put our joint action strategy into execution by 2050, it is astounding that we still regard three quarters of humanity as belonging to a “group of countries not listed in an annex” dating from 20 years ago. Obviously, the world has changed since Rio. Responsibility for taking action to preserve our future climate is now shared with emerging countries, without whom the battle would be futile. But it is above all these countries – led by China, but not only China – who are today claiming their right to a diplomatic status commensurate with their economic weight. Until now, such a ploy has not been used in the context of climate negotiations. Since Copenhagen, this is no longer the case.

M. Colombier

Why such mixed results in Copenhagen?

Quite honestly, you need a good dose of optimism to find any grounds for satisfaction with the commitments made in Copenhagen: the manner in which the 2 °C objective was formulated significantly reduces its scope; the relative value of the quantified commitments to be included in the annex remains uncertain because of unclear accounting rules; questions already surround the additionality of the funds mobilised for the South following the allocation of the first 30 billion, and so on... Even the mechanism for controlling actions taken by developing countries – which is actually a breakthrough – appears quite tentative compared with the measures once envisaged by American and European negotiators.

Industrialised countries are now unanimously asking for more substantial commitments from emerging countries. Unable to shelter behind the G77 bastion, this round of negotiations was therefore becoming highly risky for the latter (the status of these countries is changing, see column). Beyond climate measures, access to growth resources was also discussed in Copenhagen, together with the technological competition of future decades. On this last question, Europe scored a point with the presentation of its climate package in 2007, articulated around energy security on the one hand and the Lisbon agenda on the other: was Europe the first to embark on the complete remodelling of the growth model, and to lay the groundwork for economic competition in the next century?

The delays surrounding the negotiation of the climate package and ETS rules, the multiplication of concessions, the increased recourse to offsets and the development of protectionist leanings, together with the absence – after 2 years – of an ambitious industrial and technological agenda, have finally got the better of the emerging interest in the “European model”. Moreover, there were two major weaknesses in the negotiation logic, which focused on obtaining more ambitious commitments from the emerging countries in exchange for a higher objective in Europe and an increased role of the carbon market. First, due to the international interest in the nature of the policies and the implementation of measures, it directly attacked the sovereignty that these countries were above all seeking to preserve. Secondly, this being the case, and as a Chinese negotiator confirmed, why accept such a sacrifice if it allows industrialised countries to reduce the cost of their commitments? On this point, Brazil and China made it clear that they were bringing to the table an unconditional and self-financed political package.

It was at this stage that the American obsession with verifying the measures taken by emerging countries – and in reality by China – determined the final compromise. And, despite having served for some time as a bargaining counter, all reference to a move towards a legally binding text in 2010 disappeared. As did all mention of emission reduction objectives for 2050, yet only as a result of these will the 2 °C target prove feasible since they legitimise the judgment of short-term commitments. It is still too early to know if it will be possible to build on the terms of this agreement to arrive at a UN text in Mexico (although the non-binding character of the agreement is a necessary condition), or if it should be allowed to exist independently (despite repeated references to the Convention framework). But it is worrying to see that the very ‘raison d’être’ of these negotiations has been undermined by this compromise. By sanctioning the “grandfather clause” of the major emitters and by merely recording actions unilaterally decided by countries, we are forgetting that the purpose of collective action is precisely to strengthen its ambition.

Michel Colombier

Director of IDDRI (Institute for Sustainable Development and International Relations)

In order to take part to our meetings and receive our various publications, we invite you to subscribe at: confrontations@confrontations.org

Copyright: all rights reserved without the consent of Confrontation Europe
 Confrontations Europe : 227, bd Saint-Germain – F-75007 Paris - Tel. : +33 (0)1 43 17 32 83 - Fax : +33 (0)1 45 56 18 86
 President : Claude Fischer (cfischer@confrontations.org)
 Publication manager: Olivier Lacoste, research director (olacoste@confrontations.org)
 Brussels Office: Ursula Serafin, Public Relations manager (userafin@confrontations.org), Hélène Zwick, PHD Student.
 Rue du Luxembourg, 19-21. B – 1000 Bruxelles - Tél. : +32 (0)2 213 62 70 - Fax : +32 (0)2 213 62 79 - Email : userafin@confrontations.org