



A PROJECT FOR EUROPE Reflections and proposals for the Spanish Presidency of the Council of the European Union

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With the support of:



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CONTENTS

FOREWORD	5
-----------------	---

INTRODUCTION	7
---------------------	---

PART ONE: A STRONG, EFFECTIVE AND OPEN EUROPEAN UNION	23
--	----

CHAPTER 1. A STRONGER UNION IN THE WIDER EUROPE	25
---	----

CHAPTER 2. AN EFFECTIVE EUROPE: FOSTERING ECONOMIC RECOVERY AND PUSHING FORWARD THE EUROPEAN SOCIAL AGENDA	35
---	----

CHAPTER 3. BUILDING A EUROPEAN IMMIGRATION POLICY	43
---	----

CHAPTER 4. THE ENERGY AGENDA: BETWEEN HOPE AND REALITY	51
--	----

PART TWO: THE EUROPEAN UNION AS A GLOBAL PLAYER	59
--	----

CHAPTER 5. TOWARDS A NEW EUROPEAN SECURITY ARCHITECTURE	61
---	----

CHAPTER 6. THE MEDITERRANEAN AND THE MIDDLE EAST: A RISK PRIORITY	71
---	----

CHAPTER 7. LATIN AMERICA AND EUROPE: GLOBAL PARTNERS	81
--	----

ACKNOWLEDGEMENTS	91
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Spain's Presidency of the Council of the European Union in the first semester of 2010 comes in the midst of an economic and political crisis that will have far-reaching consequences for the future of the Union.

Europe is facing a severe global economic downturn that is, without a doubt, the harshest since the origins of the modern-day European Union in the early 1950s. At the same time, it must overcome the clear rejection of advances in European integration manifested by a number of Member States. For the first time in its now long history, there is a feeling that the European Union could be in retreat.

However, this very crisis, which has prompted unilateral actions from many Member States, has also fostered a shift in the minds of Europeans towards "more Europe", as many people feel that had it not been for the Union, the consequences of the crisis would have been far graver. Moreover, following a string of failed proposals for institutional consolidation, the ratification of the Lisbon Treaty may have served to lay the foundations for a new period of greater European ambition.

As a result, the Spanish Presidency of the Council of the European Union in the first semester of 2010 could represent a big push, precisely when it is most needed. This is an opportunity that neither Spain nor Europe can afford to miss. And it is a challenge for our country, which has stood out for its clear position as a country whose people and political class are most openly committed to European integration.

CIDOB and Círculo de Economía have worked together to contribute their reflections and proposals to the Spanish Presidency. The document we are presenting is the result of open, plural discussion among experts in the various areas covered by the report. This is by no means an exhaustive list of all the aspects encompassed by a rotating Presidency of the European Union, but rather a few common subjects of reflection in the two institutions. The report has been drawn up from the deep commitment to the construction of Europe that has always characterised both institutions.

On 1 January 2010, Spain will take over, for the fourth time, the rotating Presidency of the Council of the European Union. In view of the results of its previous three presidencies (1989, 1995 and 2002), its participation for more than two decades in the European machinery and its strong commitment to Europe, Spain has the solid experience, resources and proven political and diplomatic capacity to successfully face this challenge. In addition to being a difficult test from an organisational point of view, the Presidency is a golden opportunity for Spain to make its mark on the European agenda – an opportunity that will not be repeated for many years (at least 14, and probably more with the enlargement process) and one that in all likelihood will be very different when it comes around again.

The Spanish Presidency of the EU offers a unique opportunity to design not only the European Union model that the country wants but in particular the role it wishes to play in it

An influential Spanish diplomat used to say that Spain had never managed to find its place in the 15-Member State Europe. There were small rich countries that were net contributors, and there were also small but relatively poor countries. Among the large countries, however, there were no other “poor” States. Spain always found it difficult to reconcile its status as number one recipient of European aid with its position as a large State with global interests. However, a strong Commission and its proximity to the Franco-German motor enabled it to achieve some considerable successes and to take particular advantage of the opportunities for growth. What can be said about Spain in the EU-27? Relegated once again to a peripheral position, with no notable presence or influence in any of the new Member States, Spain has sealed no great agreements or strategic alliances with these new members in the last decade that could compensate for an evident loss of relative influence in the enlarged Union. The severe crisis that has affected the Spanish economy more acutely than most other economies has undermined the image of success projected by the country during the last decade.

Spain’s Presidency of the EU offers a unique opportunity to design not only the European Union model that Spain wants but also, and in particular, the role it wishes to play in it and how it proposes to develop this role

Spain has much to contribute to other less traditional areas such as security policy and relations with Russia

in the years to come. If, as Prime Minister José Luis Rodríguez Zapatero has stated, Spain's Presidency of the EU should be a political project and not merely the difficult administrative task of organising a heavy schedule, the general outline of what the Presidency might look like should be disclosed before it starts, and should inspire not only the actions to be carried out during the first half of 2010 but also (and this is the justification for thinking in the medium and long term) in subsequent years.

The victory of the Yes vote in the Irish referendum on the Lisbon Treaty cleared up one of the fundamental questions facing the Spanish Presidency: the legal and institutional framework in which new legislation is to be applied. For this reason, it is possible that the Presidency of the European Council and of the General Affairs Council will not be held by Spain's Prime Minister and Foreign Affairs Minister respectively but by a permanent President. This will demonstrate the extent to which the capacity for action and the responsibilities of the country holding the rotating Presidency may be affected. If there were an international crisis that required a rapid, forceful response, for example, it would be hoped that the permanent President would be the visible voice of the European Union. Relinquishing the lead where necessary, the Spanish Government can help establish the President as the lead figure of the Union, thus demonstrating the country's deep commitment to Europe and laying the foundations for a new way of running the presidencies whereby the Member States are at the service of the Union rather than the other way round.

The present Government has rightly opted to attach particular importance to the trio of presidencies, i.e. its joint work with the governments of Belgium and Hungary during the year and a half covered by the three combined presidencies. The number of meetings and the high degree of coordination in the former trio (France, Czech Republic and Sweden) was unprecedented, and the effort being undertaken to prepare for this joint programme is impressive. All this work may also lead to an extension of Spain's influence beyond its six-month Presidency to at least a year and a half. Hence the opportunity for a real long-term blueprint, since this additional period could be crucial in consolidating the achievements of the Spanish Presidency of the Council. This intense coordination, however, is no replacement for essential on-going consultation with the capitals of the major States (Paris, with whom there is a good understanding; but also Berlin, much less receptive on European matters than it used to be; London, where strong winds of change are blowing in a direction that is unpromising for a pro-European project; and a Rome absorbed in its domestic affairs) or the formation of coalitions around the ambitious projects and proposals that Spain wants to drive forward.

The first documents, statements and interviews concerning the Spanish Presidency have shown how traditional interests and the domestic political agenda have been decisive when selecting the priority issues for the term of office, as is usually the case in rotating presidencies. But if the aim is to use the first six months of 2010 to provide Spain with a new role, the country cannot run the risk of sticking rigidly to what twenty years ago was an innovative vision of the part that Spain could play in Europe and in the world, and pass up significant opportunities in new fields. Obviously, the Spanish Government will have to concentrate its strategic vision and its diplomatic efforts on its long-standing European policy interests, such

as the questions relating to budget, migration, the Mediterranean and Latin America, particularly when some of Spain's key priorities in the foreign affairs arena are seen by certain major players in the EU as relatively old or tired (as with the Mediterranean, cohesion and agricultural policies). But Spain also has much to contribute to other less traditional areas such as security policy or relations with Russia and must not fail to leave its imprint on key items on the European agenda.

This document is therefore an invitation to contemplate the Presidency of the EU with a perspective that goes beyond the first six months of 2010: to consider it as an opportunity to review Spain's priorities in Europe, the country's influence and the role it wishes to play, and also to consider it as a prime opportunity to make a decisive contribution to the re-launching of Europe with the application of the Lisbon Treaty. The most obvious example would be the discussion on the financial perspectives after 2014. A vision in keeping with Spain's traditional negotiating stance would call for stubborn resistance to save what can be saved of the existing funds, both in regional policy and in agricultural (and fisheries) policy, in order to try and maintain its status as net recipient, even though (unless the results of the current economic crisis alter this situation) Spain is now above the average income in the enlarged Europe. Nevertheless, being a net contributor could also be seen as a chance to transform Spain's role in drawing up the European budget, strengthening its weight in the negotiation of individual items, and avoiding being perceived as a competitor by the new recipients; and indeed as a chance to play a greater part in the configuration of the Union itself and its future and to join the hard core of European politics. The economic expectations, too, are what will make Spain's stated priorities, such as enlargement, credible or not.

Having consolidated its European status and its areas of international activism (in Latin America and the Mediterranean, but also in emerging areas such as West Africa), for Spain the road back to the "heart of Europe" runs at present through the Centre and East of the continent. On the one hand, within the European Union itself this road takes in capital cities such as Berlin and Warsaw that are too often overlooked in the political dialogue (partly due to their own inward-looking nature), and continues with the rest of Central Europe and the Baltic States. On the other hand, beginning with the Moscow-Ankara-Belgrade triangle, to which the present Government attaches considerable importance, it would be advisable to foster relations with other players to whom we are less close, such as Ukraine, the Balkan States and the countries of the Caucasus. We think that, in a European Union whose centre of gravity has clearly shifted towards the East, and whose attention is likely to continue to focus in that direction for some time to come, it is not sufficient to have and to champion its own European and international agenda, but it is also essential to take up positions on issues of global interest and in particular on everything relating to Eastern Europe. Spain cannot have any credibility as a large EU State if it does not have a much closer presence in, attitude towards, knowledge of and links with the area to the east of the Adriatic and the Oder, a large part of which is already in the Union.

For Spain's influence in the European Union to be felt, it is not enough to merely form alliances and be a good administrator: it is even more

Spain's future status as a net contributor can be seen as an opportunity to transform its role in drawing up the European budget

For Spain's influence to be felt, it is not enough to merely form alliances and be a good administrator: it must articulate its own vision of Europe

The aim is for a strong, open, institutionally solid Europe able to provide effective international leadership and resolve people's day-to-day problems

A Europe that is closed to the world is a Europe that is going nowhere – and this is as valid for immigration as it is for enlargement

Now is the time to appear in Europe with an agenda for the EU as a whole rather than any specific part of it; when Spain did this in the past, it achieved its most notable results

important to clearly articulate its own vision of the Europe it wants and of the objectives it proposes for Europe in the principal political and geographical arenas. This vision must be matched by better aligned and more consistent Spanish Government positions in the various decision-making fora of the European Union. In particular, it should propose policies and strategies to which it has the political will and operational capacity to contribute – for example, in the field of defence, where there is a clear contradiction between the stated European commitment and the actual resources allocated to European defence, or between the multilateral discourse and the unilateral instincts shown in the hasty withdrawals from Haiti and Kosovo, which undermine the Spanish Government's credibility. In the long term, too, it would be essential to make the necessary choices to eliminate the frequent contradiction between Spain's position on issues related to trade, agriculture, fisheries and border control policies and its stated aims on foreign policy, enlargement, neighbourhood policy and development.

The purpose of this document is solely to contribute to the essential debate on articulating this vision of Europe and its policies. The aim would be as follows: a strong, open, institutionally solid Europe capable of international leadership, committed both to the major global challenges and to the specific problems of its citizens in times of economic difficulty. In our view, a Europe that is closed to the world is a Europe that is going nowhere – and this is as valid for enlargement as it is for immigration. It is important to be convinced of the value of this maxim at a time when Eurosceptics are proliferating and even internal opening-up is being questioned: strong defence of these basic pillars of European construction such as the internal market (we should remember here the need to apply legislation that guarantees the free provision of services) and the free movement of persons within the Union (eliminating barriers between existing Member States or restrictive clauses for candidate States) is a fundamental prerequisite for fuller European integration. Our proposal is that this should result in a more unified and effective role for the EU in the world, and also in people's daily lives, by strengthening the principal economic and social aspects of Europe (monetary policy, tax regulation, immigration, energy policy, etc.). After the Lisbon Treaty comes into force, the Spanish Presidency will be able to do this through a strong President of the Council of the European Union who is perceived by citizens as the leader of a political project for the future.

This vision could be championed by a Spanish Government that is able to make use of its relative weight and to build on the results of over two decades of EU membership and previous presidencies, but also by a Spain that is able to find a new, more relevant role in the EU as a whole. Now that the boon of European funds has come to an end, as they flow to regions and countries that are far more needy than anywhere in Spain, it is time to appear in Europe with an agenda for the EU as a whole rather than for any specific part of it. When Spain has done this in the past, it has achieved notable results for European construction and at the same time has increased the country's prestige and influence. 2010 represents an excellent new opportunity to re-think Spain's place in Europe as well as the Europe that Spain wants. This is the Europe that should emerge with renewed strength and ambition from the long, bitter constitutional predicament in order to continue along the path of economic growth, greater democracy and enlargement.

PART ONE: A STRONG, EFFECTIVE AND OPEN EUROPEAN UNION

The European Union, which has become the continent's major political project, has the opportunity to begin a new phase marked by less attention to its institutional issues and greater concern as regards its response to the priorities of its citizens. We have summed up this vision in three adjectives: strong, useful and open. Strong as a result of the reactivation of the process of European integration in new areas and the deployment of new institutional mechanisms for responding to both internal and global challenges. Useful, in that it is able to articulate effective joint responses to immediate challenges affecting its citizens, such as the economic crisis, the need to find a new model for growth, and the need to secure energy supplies. And open, both to the European countries that wish to join in the construction of this increasingly integrated Union, and to the persons whom our economies and our aging societies will continue to need in the years to come.

The economic crisis has been an alarm bell, but it has also demonstrated that certain aspects of the European model – such as the social protection afforded by the welfare state, or the single currency – have served to cushion its effects and have allowed many States to avoid worse consequences. For this reason, with the constitutional issue resolved, now is the right time to concentrate more closely on certain strategic policies (such as energy, migration and economic policy) on the basis of the lessons learned from this period of crisis. Reinforcing the credibility of EU enlargement and greater respect for commitments already made can serve, at moments like these of considerable turbulence in Central and Eastern Europe, as an anchor of stability in the entire continent and at the same time can help dispel some of the doubts and confusion that arose during the recent debate on the stillborn European Constitution and its replacement, the Lisbon Treaty.

Spain has important assets to contribute and lessons learned that can serve as inspiration not only to candidate countries or recent Member States but also to the Union as a whole in fields as wide ranging as banking regulation, the promotion of renewable energies or the employment and social rights of immigrants. These assets, together with the ability to present an ambitious vision of the new phase following the Irish referendum, and the future figure of a permanent President of the EU, are the tools that Spain can use to help model this renewed European Union during the first six months of 2010.

Widening and deepening: For a stronger Union

Spain will assume the Presidency of the EU shortly after the start of a new phase of European construction in which there will no longer be any excuses for not tackling Europe's functional problems or not setting in train new integration projects. It is particularly important now to put forward proposals for revitalising European integration. Spain is today the Member State that most clearly supports a more integrated Union and the continuation of the enlargement process. The message may be a minority one among the elite of Europe, though not among its citizens: from the Spanish position, there would be no contradiction between growing outwards and downwards, since the success of the European project will be due to a large extent to its ability to embrace, attract and transform other States joining an increasingly close Union.

The European Union has the opportunity to begin a new phase marked by greater concern as regards its response to the priorities of its citizens

Respect for the commitment to enlargement can serve as an anchor of stability in times of turbulence in Central and Eastern Europe

Spain is today the Member State that most clearly supports a more integrated EU and the continuation of the process of enlargement

To start up the integration engine, the Presidency could conclude with an institutional declaration that would lead to a phase of greater openness to the world's problems and the concerns of its people

In the wider Europe, whose boundaries would be those of the Council of Europe, all States should have the expectation of accession provided they meet the Copenhagen criteria

The Presidency would be a unique opportunity to include Spain in the integration engine of the EU by acting in three directions: intensifying institutional integration by implementing the Lisbon Treaty; re-formulating the integrationist coalition with the most supportive governments in order to create centres of closer integration; and finally, resisting all unilateral temptations, avoiding concentrating solely on Spain's traditional questions, and instead tackling firmly and decisively the central issues of the European agenda.

In our opinion, a good way of starting up the integration engine would be to conclude the Presidency with an important Institutional Declaration comparable to the Laeken Declaration, which in 2001 began the process of the Convention and placed the European Constitution on the horizon. This new declaration, which would contain the core ideas of the Reflection Group on the Future of Europe, would mark the end of a period of uncertainty focused on procedural issues and on absorbing the last enlargement, and would pave the way for a new phase of greater attention to the world's principal problems (climate change, security, poverty and global governance) and, at the same time, greater proximity to the concerns and opinions of EU citizens.

This commitment to in-depth change could be in addition to a new vision of the wider Europe. We do not think the idea of "neighbourhood", which places the Mediterranean area and Eastern Europe within the same institutional framework, satisfies the aspirations of the States at which it is aimed: placing countries with a European vocation such as Ukraine or Georgia in the same institutional framework as Libya or Syria means, in our opinion, relinquishing a very large part of the EU's power to transform and to stabilise. It would therefore be advisable to opt for separate policies relating to the Mediterranean area from the vision of a Europe that extends to the geographical limits of the Council of Europe (to Russia, the Caucasus and Turkey – without the current exception of Belarus), in which all States have the expectation of becoming members of the EU as long as they meet the Copenhagen criteria. Assuming that this is an important development of the current majority position in Brussels, it would be possible to strongly defend this concept of a wider Europe, which would comprise the countries that could expect to be included in it – the Eastern Partnership countries, Russia, Norway, Switzerland and the European micro-States. We think this wider Europe should be receptive to Russia and could not be constructed against it, and it would have the virtue of preventing Russia from being tempted to construct an "alternative" Europe, without any conditions or requirements for reforms, that could be attractive not only to ex-Soviet States but also to candidates frustrated by the uncertainty of the prospect of accession without any clearly defined timescale.

In line with its decided support for Turkey's accession, the Spanish Government should also ensure that negotiations with the country actually advance during its Presidency. It should not miss the opportunity to make visible progress, or even try to conclude agreements, with Croatia and Iceland, or to take significant steps forward with the other candidate States in the Western Balkans. Having overcome the institutional uncertainty after the Irish referendum, the Spanish Government could work towards securing the budgetary framework and the broad agreements between

States that have been the prerequisite for all previous waves of enlargement and will consequently be so for the next one. In order to do this, it would be important for the Presidency to obtain the support of the States that most favour enlargement, while establishing a dialogue with those that are most averse to it (in particular France and Germany) and refuting the idea that enlargement means dilution.

Spain's Presidency is a unique opportunity to help shape the next phase of integration in a way that is more consistent with its aim of a stronger Union as a result of both greater integration and the ability to attract and transform all countries in the continent. After the Lisbon Treaty comes into force, defending a wider Europe with these arguments, and facing up to the likely objections from the more sceptical Member States, would place Spain at the forefront of a European project that is faithful to its open, integrating origins and with its sights set decidedly on the future.

A useful Europe: economic recovery and promotion of the European Social Agenda

At a time of profound crisis, when some European economies are suffering acutely, economic policy assumes a leading role on the European stage. In this chapter, there would be three priority problems to be confronted by Spain's Presidency of the EU Council: defining a strategy for overcoming the crisis; redefining an Agenda for Growth and Employment more geared to sustainable investment in physical, human and technological capital, with the transformation of the European Social Agenda into the germ of a European Social Protection Area; and stimulating the internal market, particularly in the services sector.

The economic crisis is undermining the credibility of the Stability and Growth Pact, the conception of which clashes with the new European Economic Recovery Plan, which encourages Member States to incur public sector deficits to alleviate the effects of the crisis on aggregate demand in the EU, and especially in Spain. It is particularly important for Spain to forge a credible path back to budget stability, since the capital markets would severely castigate Spanish debt. The Spanish Presidency must therefore make a special effort to ensure that the Council approves the recommendations that will guide the adjustment towards budget stability in the Eurozone within the framework of the Pact's application. The timings may be adjusted to the cycle, but the aims of the Pact should be not only maintained but reinforced.

We also believe that any temptation to postpone the fiscal impulse, if the current unfavourable situation continues, should be included in further reviews of the European Economic Recovery Plan. The crisis has shown that coordination is vital in the management of the cycle, and that markets castigate particularly those economies that, either because of their economic structure or their policies, are more exposed than their neighbours to external financing. Finally, we consider that the policies for overcoming the crisis will lack all credibility unless they are accompanied by in-depth reform of financial supervision mechanisms – subjects on which Spain can contribute its considerable experience.

The Spanish Presidency is an opportunity to shape the next phase of integration in a way that is more consistent with the aim of a stronger Union

There will be three priority issues: overcoming the crisis, drawing up a new agenda for sustainable growth within the framework of a social Europe, and stimulating the internal market

The crisis has shown European coordination to be vital in the management of the economic cycle

The crisis offers the chance to initiate the harmonisation and the necessary reforms for creating a European Social Protection Area that will allow convergence in social policies at different speeds

We must demonstrate to citizens that the European project is in their interests in times that are economically extremely difficult

The performance of the Lisbon Agenda, which is to be reviewed in 2010, seems to be diminishing, as demonstrated by its complete overhaul in 2005, its incorporation in national reform programmes, and its integration with employment and social cohesion policies. In view of the risk of reformist fatigue on the part of governments and public opinion, the new Strategy for Growth should place more emphasis on economic policies for investment in physical, human and technological assets that sustain long-term growth by both public and private sector enterprises, rather than on reforms aimed at redefining the role of the public and private sectors in this collective movement. For its part, the European Employment Strategy should be adapted to an environment in which unemployment is severely affecting a large number of people and, if the economy does not recover in the near future, could reduce their employability in the medium and long term. For this reason, Spain's EU Presidency should give a decisive stimulus towards European standardisation of public employment services as an instrument for reflection on and reform of active employment policies.

The actions for further implementation of the European Social Agenda are the other side of the coin of European economic integration. However, advances in this field have been particularly difficult in the EU on account of the reluctance of some Member States – particularly the United Kingdom but also Ireland and now the new Member States in Eastern Europe – to accept a harmonisation process that could involve convergence in fiscal and social protection mechanisms that are common in Central and Northern European countries. The crisis may offer the chance to work towards harmonisation and reforms of an optional, pan-European nature under a title acceptable to everyone, such as the "European Social Protection Area", which like other European areas (Schengen, Higher Education, Research) allows the convergence and reform of social policies by groups of countries at different speeds. Reciprocal agreements should be drawn up (on the basis of existing ones) on the recognition of social and employment rights and on the process of reflection under the Open Method of Coordination on flexicurity and in the field of fiscal harmonisation.

The creation of the internal market has been the European Union's most effective mechanism for promoting economic reforms in its Member States. However, a number of recent controversies show a certain exhaustion and flagging of this policy. Spain's Presidency of the EU has, in our opinion, a special responsibility to ensure that ambitious, demanding action is taken in the procedures for evaluating the transposition of the Services Directive, so as to improve integration in the provision of the services that are subject to the new Directive.

To sum up, we are convinced that the instruments available to the President of the European Council will enable the Spanish Government to identify certain problems, and to propose priorities and actions that can be shared by the nucleus of Member States prepared to support pragmatic, realistic European policies for economic recovery. According to our analysis, the key to implementing action on these three priorities will depend on the Spanish Government's capacity to forge alliances with the Member States that most need or are most keen to have European policies that will help to curb the apprehension caused by the crisis and to establish the agenda for recovery. The aim would be to demonstrate to citizens that the European project is in their interests at an extremely difficult economic time.

The construction of a European Immigration Policy

With respect to the European Immigration Policy, the present economic crisis could be an incentive for Member States to try to reach a consensus on those points on which defence of national sovereignty usually leads to stalemate and prevents any agreements from being reached. The harsh consequences of this tough economic situation for workers, and for immigrants in particular, could be a starting point for reflecting on the immigration policy to be followed in Europe. In addition, the Spanish Presidency will need to pay attention to the integration of immigrants in the receiving societies, to make progress in establishing communal minimum rules for “first reception”, and to call for the reinforcement of equal opportunities so as to ensure integration and social cohesion in Member States.

One of the main challenges that the Spanish Presidency can take up is to propose a reformulation of the European discourse on immigration and to encourage the effective promotion of regulated immigration. It is necessary, if not a matter of urgency, to counteract a discourse that is profitable in terms of domestic policy in certain Member States and that has so far focused unduly on the elements of control and on the security aspects of immigration, and instead to emphasise the idea of orderly, regulated immigration. In this respect, the Spanish Government could strongly defend a model that essentially links migratory flows to the needs of the labour market, acknowledging the positive contribution of immigration to the economic development – both past and future – of the European Union.

The Spanish Presidency should design a road map for the Stockholm Programme that is consistent with the European Pact on Immigration and Asylum and with the procedures of the new institutional architecture resulting from the application of the Lisbon Treaty. In line with an innovative, renewed discourse, during its Presidency the Spanish Government could promote a more global vision of matters related to immigration, and advance towards a European Immigration Policy that would embrace all aspects of the phenomenon of migration. In order to put this integrated approach into practice, thought could be given to promoting the creation of a “European Immigration Agency” that would be responsible for ensuring the design and implementation of a consistent, comprehensive policy, thus providing a positive horizon for this sensitive issue.

Spain can use its own experience for promoting the external dimension of the European Immigration Policy consistently with the commitments made in the Global Approach to Immigration. The Spanish Presidency will be in a position to encourage and reinforce the political dialogue on this subject with third countries, in order to make progress on issues such as the integration of immigrants, the transfer home of funds, the fight against human trafficking, and the links between migration and development. In the dialogue with third countries, guaranteeing the security of the European space cannot come at the cost of protecting the freedoms and fundamental rights of immigrants. During its Presidency, therefore, the Spanish Government has a real opportunity to significantly advance an issue to which it is particularly sensitive as a result of its location on the southern and western frontiers of Europe.

The Spanish Presidency will need to focus on the integration of immigrants in the receiving societies and to call for the reinforcement of equal opportunities

The Spanish Government should promote a European immigration policy that embraces all aspects of the phenomenon of migration

In the dialogue with third countries, guaranteeing the security of the European Union cannot come at the cost of the freedoms and fundamental rights of immigrants

Energy can be part of the structural solutions to the current crisis if there is a change of energy model that serves as a vector for economic growth

The Presidency would be a good opportunity to find specific formulas for applying the “polluter pays” principle to all sectors

The energy agenda: between hope and reality

The obvious political will of the European authorities to construct a new energy policy, in which the external dimension would play an important role, contrasts with the fact that so far no substantial advances have been made that would allow EU residents to have an energy supply that is increasingly more affordable, more secure and less harmful to the environment. The confusion and the dysfunctions in the European energy market and the resistance to change shown by governments and businesses do nothing to help with the essential task of informing public opinion and involving it in a debate that has enormous consequences for people's everyday lives.

Energy, however, can form part of the structural solutions to the current crisis if there is a change of energy model that serves as a vector for economic growth. Renewable energies provide obvious opportunities, but no part of the energy mix – not even coal or nuclear energy – can be ignored when it comes to reconsidering the future scenario. In addition to diversification, agreements with third countries – which reinforce not so much independence but mutual interdependence – and a qualitative leap in energy infrastructure, both infrastructure that links up with third countries and with countries in the EU, are tasks to which the Presidency should pay special attention in order to guarantee long term security of supply.

Spain, which is well known for its progress in the field of liberalisation of energy markets, is especially interested in a domestic market that is better coordinated and free of asymmetries. The question of energy efficiency, too, provides Spain with an opportunity to launch a campaign – already proposed by the EU Energy Commissioner – to put rhetorical undertakings into practice.

Again with a view to improving the environmental aspect of the energy policy, Spain's Presidency, which will commence immediately after the Copenhagen Conference on climate change, will be the time to implement new measures in tandem with a US Administration that is much more receptive to these questions, on the occasion of the USA-EU summit. A contribution to the essential stimulus towards research and development in energy could be made, for example, by creating an appropriate regulatory framework for new advances such as electric vehicles. Finally, the Presidency would be a good chance to find specific formulas for applying the “polluter pays” principle in a more systematic way to all polluting sectors.

PART TWO: THE EUROPEAN UNION AS A GLOBAL PLAYER

The vision of a strong, open European Union that is of use to its citizens must be accompanied by new moves beyond its frontiers. The arguments on the emergence of new polarities of power that relegate Europe to a secondary or almost irrelevant position can be exaggerated: the European potential may be divided and in a state of relative decline, but we should certainly not underrate the role that a united Europe can play on big international issues. The present moment allows us to reconsider the role of the EU in a new multilateral space in light of the performance and opening-up of the Obama Administration. After an initial year of

“restarting” its principal relations, the US Government must implement its strategy for a multilateralism that is consistent with the main global challenges. Whether it does this with Europe as a privileged ally or without Europe will depend to a large extent on the ability of the EU itself to formulate its own vision.

It is not Spain’s duty as President to design this role, which should be a joint undertaking beyond the span of a six-month Presidency. But if the European Union aspires to be one of the pillars on which a new multilateralism is to be constructed, it will be the task of the Spanish Presidency to help form affinities with the United States, particularly on the occasion of the Summit that is to take place within six months. In our opinion, and as will be discussed further on, Latin America should be another of these pillars, probably the one most sensitive to the arguments, values and aims of the EU in the international arena; precisely because of this, the Spanish Government should work hard during its Presidency to cement this relationship that is so strategic to us.

As a condition for being able to operate in this global context, the EU should reassert its role as an anchor of stability. For this reason, we think it essential to adjust the European security architecture so as to recognise the role of the EU in this field, while at the same time providing guarantees to those players who see their security as less consolidated. These countries are located in the east of the continent: from Russia to Georgia, the security concerns of all the players in the European system should be included in this new architecture.

Finally, outside the continent but within its immediate vicinity, the Mediterranean and the Middle East have shown themselves to be the principal source of international conflict: in our opinion, only to the extent that it can contribute to containing and possibly resolving the main conflicts in the region will the EU achieve security on its southern flank and be able to legitimately claim for itself a role in international security.

Towards a new European security architecture

The year 2010 may be an appropriate time for the European Union to finally advance the development of a more coherent, credible and effective security and defence policy. This policy should be based on three principles: defence and protection of persons, consolidation of peace, and dialogue with the main players on the international stage. The EU and its Member States are certainly already working in this direction, but we think they could do so more decisively and convincingly. Spain’s Presidency of the Council could play a determining role in furthering these aims.

The European Union should not and cannot act in all existing or potential conflicts on the planet, but if European security means human security, then the decision as to which missions should be undertaken cannot hinge solely on the geographical proximity or the interests of certain Member States. The supreme responsibility of the EU in the settlement of international conflicts must be the protection of persons and their rights and liberties. In other words, it must be based on the primacy of human rights, the responsibility to provide protection, and the idea that prevention is better than intervention. The Spanish Government has on numerous occasions

If the European Union wants to be one of the pillars on which a new multilateralism is to be built, it is important to strengthen affinities with the United States

The security concerns of all countries should be included in the new security architecture

The supreme responsibility of the EU in the settlement of international conflicts must be the protection of persons and their rights and freedoms

The European Union has demonstrated that it is able to deploy military and civil missions in multiple theatres of conflict; now is the time to consolidate its position as a global player in security issues

made a commitment to human security. The six-month Presidency would consequently be the right time to take a further step in this direction and to consolidate the civil perspective of all operations carried out under the European Security and Defence Policy.

European security also consists in making more and better contributions to the consolidation of peace, either through development aid, humanitarian aid or military and civil intervention in the resolution of conflicts. Now that the European Union has demonstrated that it is able to deploy military and civil missions in multiple theatres of conflict, 2010 is the time to consolidate its position as a global player. There are three key policies for fostering this consolidation. Firstly, the problems relating to the financing of missions should be resolved. Secondly, there should be no hesitation over the decision to deploy troops when and where necessary. And finally, the civil and military level of each international operation undertaken by the European Union should be better coordinated. The commitment to multilateralism involves the United Nations, but it also involves support for existing regional mechanisms in Africa and Latin America, for example. This commitment by the Spanish Government must be *de jure* and *de facto*; in other words, Spain's commitment in deciding on and carrying out missions under the European Security and Defence Policy must be exemplary, and for this it is essential to secure more resources.

Finally, we consider that European security should include dialogue and cooperation with the principal players around the world. Certainly, the United States and Russia are the main players for the EU. In addition to the essential transatlantic cooperation, which has visibly resumed the path of multilateralism after the election of Barack Obama, dialogue with Russia is fundamental to European security. Spain can play an important role in improving cooperation between the EU and Russia provided it also facilitates dialogue between those Member States closest to Russia and those that are more hesitant. This means that Spain should not be seen by the others as a country that is uncritical of Russia. Spain's six-month Presidency may also be a particularly appropriate time to strengthen relations between Spain and Russia and hence to gain more credibility in the eyes of its European partners in order to start building a real relationship of effective cooperation between the EU and Russia. We believe that the construction of a new European security framework can be a crucial element in this new relationship between Europe and Russia – a relationship that, like it or not, will inevitably condition much of the future of the European Union as a wider Europe and as a credible global player.

The Mediterranean and the Middle East: a risky priority

The Mediterranean and Middle East agenda is still plagued with difficulties. It is a complicated undertaking for the Spanish Presidency of the Council of the European Union and its successful handling is beset by complexities rather than risks. We only have to look at how the recent French initiative for the Union for the Mediterranean has brought with it as many expectations as misgivings, and its turbulent start-up is not helping to make it more attractive. Even so, there are so many interests at stake that a country such as Spain, with a European and Mediterranean outlook, can and must consider the Mediterranean and the Middle East as a priority for its Presidency. In our opinion, this involvement should be

undertaken in such a way as not to create excessive expectations and should consider European interests as inseparable from legitimate national interests.

Spain needs a strong European policy in the Mediterranean and this will only be possible if all the Member States accept it as their own. To do this, it should exploit as far as possible the virtues of the Barcelona Process, make use of the innovations of the Union for the Mediterranean and correct some of its structural problems. Only if the collective interest prevails over national interests when it comes to clarifying and rationalising its institutional structure can the Union for the Mediterranean be constructed for the people at which it is aimed: those living on and around its shores.

To do this, the Spanish Presidency of the EU should be more ambitious in its approach to relations with Europe's southern neighbours. Taking the initiative in the fields of agricultural policy, mobility, energy and active development policies has the potential for generating change. We consider that in all these fields it is possible to articulate a "new deal" that would be sufficiently attractive to stimulate reforms without the bait of the prospect of accession. In the light of the experience accumulated in the region over the fifteen years of the Barcelona Process, the reforms advocated should be evaluated on the basis of objective criteria and should also be linked to the idea of unblocking disputes among neighbouring States.

It is likely, too, that in 2010 the Arab-Israeli conflict and also the delicate situation in Iraq and Iran will continue to have a negative effect on the future of the region. The European Union should return to a dialogue with all the players in the region without exception. If it proves necessary and practical, Spain's Presidency could also consider offering the Israelis and Palestinians transatlantic security guarantees if they advance along the path to peace, in direct cooperation with a US Administration that would act as an honest broker. At the same time, it would be advisable to go beyond the Mediterranean framework and adopt a regional approach to the Gulf area and the Arabian Peninsula, striving for an agreement with the Gulf Cooperation Council but also cooperation agreements or even other types of agreements with Yemen and Iraq. As Iraq becomes emancipated from the US, an institutional framework for relations with this country could begin to be drawn up during the Spanish Presidency. In our opinion it makes more sense to develop a framework in a regional context rather than under the aegis of policies deriving strictly from the results of the invasion. As to the other big player in the region, Iran, the Spanish Presidency should try and avoid any division among Europeans and be prepared for a rapid response in the event of new outbursts of tension in the area.

Global partners: Europe and Latin America

Spain's Presidency of the Council also offers the opportunity to develop relations between the European Union and Latin America and the Caribbean (LAC) in their progress towards greater maturity. These relations are based on shared values that should support a common project with a medium- and long-term vision that caters for the varied nature of the two regions. Rather than bartering between opposing economic inter-

Spain needs a strong European policy in the Mediterranean and this will only be possible if all the Member States accept it as their own

We must propose a "new deal" in agriculture, mobility, energy and regional development in order to drive through reforms without the bait of the prospect of accession

The Presidency should avoid any division among Europeans on matters such as Iran and be prepared for a rapid response in the event of new outbursts of tension in the Middle East

Relations between Latin America and the EU are based on shared values that must sustain a communal global project

European cooperation should focus on policies that contribute to integration and to economic and social convergence in Latin America

ests, varnished with fragmentary elements of solidarity, Spain should try to ensure that convergence on values is based on measurable shared objectives. In practice, this includes raising the question of common EU/LAC positions in debates and in international organisations – in particular the United Nations – and finding the right balance between the aims to be achieved, the available resources and the obstacles to be overcome, by establishing as far as possible the responsibilities of each institution. From our analysis, this global opportunity does not form an important part of the thinking of most European States (with a few notable exceptions such as France under Sarkozy), and it is therefore almost obligatory for the Spanish Government to use its Presidency of the Council and the EU-LAC Summit to put it at the forefront of the common foreign policy.

The Presidency should avoid success or failure being measured according to whether or not partnership agreements are concluded. Having learned from previous experience, instead of a hurried signature it is better to establish solid conditions based on the principles that are to govern the relations, clearly defining the handling of asymmetries, any special or differentiated treatment, measures to compensate for the necessary reforms, the legal instruments setting out the political and financial commitments, and the instruments for the monitoring and accountability of the policies so defined. During the six-month Presidency, the terms must be drawn up for reviewing the strategy that has governed the association between the EU and the region since 2005, and for ensuring that the Summit is able to make progress in sectoral dialogues so as to be able to draw up a bi-regional action plan.

We believe that EU support for regional integration should not transpose the European model on the region or take an excessively institutionalist approach to cooperation. Instead of concentrating on these issues, the Presidency should help focus European cooperation on promoting policies that generate integrationist dynamics and that contribute to economic and social convergence in the region by dealing with internal asymmetries between countries and regions. This would involve a list of actions that include infrastructures, social cohesion funds, harmonisation of legislation, regulatory policies, effective dispute resolution mechanisms, harmonisation of employment legislation, and responsible management of migration and industrial policies for the linking of production sectors. The Presidency can take this opportunity to advocate this better design, which could succeed in ensuring that the trend of diminishing cooperation with the region is reversed.

CONCLUSIONS

It is not the first time that Spain faces the challenge of assuming the Presidency of the Council of the European Union: it has already done so with outstanding success on three previous occasions. Despite its proven ability to manage an agenda as complex as that from a rotating Presidency, the Spanish Government should not be over-confident. It should not give in to the pressing need to contain expenditure in times of crisis but, on the contrary, should maintain – or even increase – the few resources, particularly human resources, deployed on European and foreign policy. At a time when public sector budgets are stretched beyond their capac-

ity, there is no need to point out that the priority must be to make every effort to use resources in the most efficient way possible. In many international issues, opting for European solutions rather than unilateral ones usually results in a considerably more effective use of resources, and it can therefore be considered a gesture of political responsibility to people who are suffering the worst effects of the crisis.

As well as coordination structures, it may be useful to reserve additional institutional resources in order to establish early warning systems and crisis cells that could be activated in the event of unforeseen situations, as well as mechanisms for dialogue with Member States and global players in the event of circumstances that require an immediate response from Europe. In this way there would be more guarantees, and fewer incentives for the “big” States, in particular France, Germany and the United Kingdom, to be tempted to fill the void, as happened with the Gaza crisis, or to act independently of the EU. If there is a crisis, full support and diplomatic cover for the permanent President may constitute an important advantage that, if properly used, would bring about one of the best results of Spain’s term of office: an EU President who is strong and able to lead.

It is important, too, that political support for the Presidency comes from the Spanish Parliament, and in particular from a consensus on the general objectives of the Presidency, for the office should be treated as a matter of common interest and not from a party perspective. Moreover, it will be an ideal moment to begin a more in-depth debate with the Spanish people on the model for Europe that the Spanish Government will advocate. It is not simply a matter of explaining the aims and the programme but above all of appearing receptive to ideas, criticisms and proposals about a Union that suffers from disaffection on the part of its people – as demonstrated, for example, by the low levels of participation in European elections.

From the point of view of the institutional architecture, the rotating Presidency would also be a splendid occasion to try and improve the way in which Spain’s participation in the EU is handled by the Government. Responsibility for inter-ministerial coordination of the Presidency of the European Union by the Spanish Government is placed on its political Deputy Prime Minister, and this step, which we consider correct, could be the opportunity to draw a more general conclusion: participation in the European Union should not be coordinated principally by the Ministry of Foreign Affairs and Cooperation but by the Deputy Prime Minister. Consideration could also be given to whether the office of the Secretary General for the European Union should cease to come under the Ministry of Foreign Affairs and Cooperation and should report directly to the Deputy Prime Minister. This would place emphasis on the priority and transverse nature of European issues and the Spanish Government’s commitment to integration, by sending a message to the people that European politics is no longer, for many purposes, simply foreign politics but a structural part of the Member States.

The first six months of 2010 will be the opportunity to assert Spain’s role in Europe. For a country of our importance, the best way to be more influential in the world is to be influential in the EU, and the best way to protect our own interests is to make them part of the general interest. Strengthening the European Union is to strengthen Spain and its future.

Opting for European solutions rather than unilateral ones is generally more efficient, and can therefore be considered an act of responsibility in times of crisis

The Presidency is an opportunity for in-depth debate in the Spanish Parliament and with the Spanish people on the model of Europe advocated by the Spanish Government

Spanish EU policy should cease to be a matter for the Ministry of Foreign Affairs and become the responsibility of the Deputy Prime Minister, demonstrating that the EU is no longer foreign policy in the strict sense

It is important to put our own issues on the European agenda, but to be at the heart of the decision-making process Spain cannot remain in the background on the key items

To do so, we must raise our eyes to the horizon in an exercise in committed Europeanism and relinquish “private areas” in international circles, unilateral endeavours and strategic or tactical alliances with non-EU countries, committing ourselves unambiguously to European solutions. Influence is demonstrated, in part, by the ability to introduce our own issues and keep them at the top of the European agenda, but Spain cannot be at the heart of European decision-making if it remains in the background during debates on some of the key agenda items.

To sum up, we believe that the key to strengthening the EU lies in a solid, well articulated vision that is the result of a debate to which we wish to contribute with this analysis. The aim of the vision we propose here – that of a strong, open Union that is able to provide solutions and protect the rights of its citizens in times of crisis, and at the same time to play a part in tackling the major global issues – is to serve as an inspiration for the Spanish Government’s actions during the first half of 2010, but also for the construction of a better Spanish strategy in Europe in the years to come.

It will not be easy to combine handling of the economic crisis with the launch of new integration initiatives; closer integration with enlargement; responses to European concerns with contributions to the major issues of global governance; a difficult internal economic situation with an ambitious, proactive rotating Presidency; or support for a strong permanent President with capacity for leadership and for leaving one’s mark. But Spain’s Presidency should not shun the idea of promoting its own model for the Union – a model that may not be the most popular among today’s rulers and elites but that aims to come closer to the aspirations of a very important sector of the people of Europe.

PART ONE:
A STRONG, EFFECTIVE AND OPEN
EUROPEAN UNION

CHAPTER 1

A STRONGER UNION IN THE WIDER EUROPE

Following the positive result in the Irish referendum on the Lisbon Treaty, Spain can take up the mantle of the European Union Presidency and mark the beginning of a new phase. Now there can be no more excuses for failing to tackle the operational problems of the EU and new projects to enhance integration can be set in motion. Faced with the threat of a never-ending wait caused by the complex internal situation in the United Kingdom and certain countries in Central and Eastern Europe along with expectations for better times after the recession, European integration desperately needs a project that can breathe new life into it. The Presidency is a golden opportunity for Spain to lead the way in setting up and implementing such a project.

Of all the medium-sized and large EU states, Spain's current government lends the clearest support both to a more deeply integrated EU and to the continuity of the enlargement process with the incorporation of the states that are likely to join, i.e. the countries of the Western Balkans and Turkey. This should be Spain's strongest card. There is no contradiction – the success of the European project is largely due to its capacity to open up, to attract and transform other states deciding to join an ever-closer Union.

The Spanish government's view may not be shared by many European elites, particularly by the governments of the larger Member States, however, many public opinion polls have established clearly that a majority of EU citizens feel that both processes are fully compatible: there is a high correlation between support for enlargement and support for a deeper Union. For example, polls have shown that the best way to predict if someone supported the European Constitution was to find out whether they also supported enlargement. The exceptions, (Germany, Austria, Luxembourg and France), although important, are countries in which the negative discourse on enlargement, particularly concerning Turkey, has taken on a life of its own, and is not linked strictly to the European project as a whole.

In tune with the feelings of a substantial majority of the European population, Spain should argue against considering enlargement as something

Following the Irish 'yes' vote, the time has come to tackle operational problems and to set up new projects to enhance integration

There is no contradiction between widening and deepening: the success of the European project is largely due to its capacity to open up, to attract and transform

A stronger Europe will mean a more influential Spain in the world arena

Spain must craft a political project, a vision of Europe, and assume the responsibility for pushing this forward, not only during the Presidency but also in the following years

outside, or even contrary to, the project for enhanced integration. On the contrary, widening and deepening are really two converging trends. Both complement the European Union's forward march towards meeting its fundamental political goal: to make Europe an area of stability, democracy, security and prosperity that is unparalleled elsewhere on the planet.

EUROPE AS A POLITICAL PROJECT

In today's world, in which Spain has lost its fleeting eighth position in the ranking of world economies, probably for good, its medium-sized power status is due only to its membership of the EU. Despite its specific economic and diplomatic weight in Latin America and the western Mediterranean, Spain's international role is particularly very much defined by its membership of the European club. A stronger Europe will mean a more influential Spain.

However, if it really is to be an important player in the European arena, Spain must have a greater capacity to shape the decisions of the European Union. The Spanish administration can respond to criticisms such as those published in recent months in which it was accused of being responsible for a considerable loss of "weight" in Europe, by proving its worth with concrete actions. However, it cannot ignore the fact that this perception exists. Spain must recognize that without a future project for Europe shared by a group of its fellow Member States, it will be hard for it to shape the Union or its policies, especially considering that it is not one of the four largest Member States, with record unemployment in the EU, located far from the geographical heart of the continent and almost unknown in most of the new Member States.

The Presidency of the EU is an opportunity for Spain to establish itself as the driving force for integration in the EU. This opportunity will not arise again for at least another 14 years, probably even longer with the enlargement process, and in all likelihood the situation will be very different when it comes around again. The idea is not to over promote a high Spanish profile during the half-year Presidency, which would produce unrest and undermine the country's position in the immediate aftermath, but rather to lay the foundations of a strategy in the medium term. With this in mind, we feel it is vital to craft a political project, a project for Europe, and assume the responsibility for pushing this forward, not only during the Presidency but also in the following years.

The presidential term should serve to enhance the capacity of the European political project. Member States like Italy or Spain must lead coalitions of likeminded countries for a stronger and more integrated Europe, especially in view of the fickleness of some of the larger states, which believe that they can operate on the margins of the European family in areas such as the United Nations or cooperation with Iran – in addition to their 'reserved areas' in Africa, the Indian Ocean or the Pacific – and the incapacity of the state machinery of smaller states to impress direction and tempo on an increasingly complex EU. The Presidency is a golden opportunity for Spain to advance down this path, particularly as it has been working for over a year and a half in a clearly European-leaning 'trio' along with Belgium and Hungary.

In this connection, we propose three key points for enhancing this integration:

- Deepening the institutions: making the most of new possibilities and institutional changes envisaged in the Lisbon Treaty.
- Rebuilding the integrationist coalition: attracting integrationist governments to begin centres of deeper integration whilst applying pressure to deploy existing mechanisms and opening new areas of integration hand in hand with the institutions (the Commission and Parliament).
- Seeking to teach unity by example: avoiding any temptations towards unilateralism or seeking to preach to partners, making sure not to stamp an 'own profile' in international areas and keeping away from traditional Spanish subjects and interests.

Regarding institutional reform, that has affected the health of the European integration process so much since the French and Dutch 'No' votes in 2005, it should be possible to re-start the process during the Spanish Presidency. The main task of the Presidency in this area will be to set up most of the mechanisms envisaged by the Lisbon Treaty; in the first semester of 2010, the uncertainties of recent times will gradually be left behind, leaving no place for foot-dragging. It will be time to get down to work. The renewed European Commission will be an ally in this task, but the main alliances must be struck one by one with the different Member States.

At the same time it is important that the new thrust towards integration should not focus exclusively on institutional mechanisms. For example, setting up of the EU's External Service is certainly important from a symbolic point of view. But beyond this and other issues including the difficulty of managing the Presidency alongside a permanent Presidency of the Council, Spain should not only propose institutional mechanisms, but also new specific fields of cooperation.

Turning to the specific areas in which progress can be made, although it would certainly be illusory to suppose that all agreements will be sealed under the Spanish Presidency, there are two that appear promising in the short term – European defence and the economic governance of the Union, including social Europe, which we will cover in other chapters of this document. These two areas offer the Presidency the chance to set up enhanced cooperation, new mechanisms for the Eurogroup, a European Social Protection Area, joint declarations and, generally speaking, to move forward along the path of integration above and beyond mere procedures. It is important to achieve progress in areas that affect the citizens directly (social Europe, judicial cooperation, migration).

To kick-start the integration process, it will also be necessary to deal with the issue of civic involvement. After the referendum fiascos in Ireland, the Netherlands and France, and in the light of the abysmal participation levels in the European Parliament elections, it is time to reflect upon democracy on a European scale. An exemplary move in that direction would be to envisage the Presidency as an exercise in communication and dialogue with the people, not only in Spain, but throughout the European Union. It cannot be left to the Commission and Parliament to communicate with the people when the Member States wield a very large part of the power.

Three key points for enhancing integration: deepening the institutions, rebuilding the integrationist coalition and seeking to teach unity by example

It is important that progress is made in policies directly affecting citizens

A Grand Declaration by the European Council would put an end to a phase dominated by enlargement and absorption procedures and kick-start a new Europe, proactive in tackling global questions (climate change, security, poverty, etc.) and refocusing the EU's attention towards citizens concerns and opinions

Spain has strengthened its weight in the EU by drawing attention towards specific international and internal issues, but it cannot ignore the problems and geographical areas that are of concern to other Member States

As we see it, there are a number of very different reasons, which fall outside the remit of this document, that can explain why the Franco-German axis is no longer the benchmark for the integration-minded sectors of the EU. *Euroscepticism*, or at least a certain *Euroindifference*, has gained ground in public debates in traditionally integration-minded countries such as the Netherlands or Germany. However, France and Germany are still receptive to initiatives in favour of integration. The Spanish government should particularly explore the possibility of adding new Member States to this renewed integration drive. The first aim of this driving core could be to convince the 27 immediately to begin working on a grand declaration, comparable to the Laeken Declaration which began the Convention process leading up to the European Constitution and opened up a new phase in European construction. A similar grand declaration (which could be named after a Spanish city) would put an end to a phase dominated by enlargement and absorption procedures and kick-start a new Europe, proactive in tackling global questions (climate change, security, poverty, etc.) and refocusing the EU's attention towards citizens concerns and opinions. The Declaration could be a direct and immediate proposal emerging from the report of the Reflection Group on the Future of Europe to be handed over to the Council in June 2010.

It is clear that a strong and united Europe requires member status to give up a certain degree of autonomy in their external relations, and this is directly proportional to the international 'importance' of each. A medium-to-large sized country pushing for a stronger and more united Europe must therefore learn to preach by example. Spain's asymmetrical relations with China and Russia correspond to important strategic and business-orientated policy thinking; however, this may only serve to weaken the credibility of collective action on a European front. Contemporary Spain must avoid dogmatic and unilateral positioning like that taken by Aznar and Zapatero on Iraq and Kosovo respectively. This does not mean systematically renouncing political independence in decision-making just because it may put Spain in a minority position, but excessive rhetoric and over-publicising differences in a moralistic tone must be avoided. In more general terms, Spain has managed to assert itself as a protagonist in Europe by drawing the Union's attention to Mediterranean and Latin American issues, and even in highlighting questions of social cohesion and citizenship within the EU. However, it will be impossible to ignore other thematic and geographical fields that are of concern to its fellow members during its Presidency if Spain takes building solidarity and deepening integration seriously.

ENLARGEMENT: TOWARDS A WIDER EUROPE

Spain must remain true to its decision to support Turkish accession by ensuring that negotiations with Turkey move forward during its Presidency. Nonetheless, as Turkey's accession is most likely still a long way off, Spain must not miss the opportunity to conclude the dossiers on Croatia (either by completing the negotiations or by speeding up the ratification process) and Iceland. Nor should it fail to take decisive steps with the states of the Western Balkans. Nothing would be more representative of the Spanish desire to make progress in deepening and widening the EU than by sealing the negotiations with one or two candidates. Making substantial progress with those remaining while simultaneously setting in motion a new phase of integration would both mark a successful Spanish Presidency.

To direct debates in which enlargement is constantly called into question, it would be important for Spain to adopt and maintain a clear, unequivocal position on this topic. According to our analysis, such a discourse could be based on these three premises:

1. Europe extends as far as the countries in the Council of Europe (including Belarus, which is currently excluded). The argument that Anatolia is Asian due to its geographical location no longer stands up since Cyprus, an island considered to be part of the Asian continent, joined the EU.
2. Within such geographical limits, any country prepared to meet the Copenhagen criteria, which can be reinforced if necessary, should be eligible to be considered for enlargement.
3. Unlike the membership perspective, which should be maintained under all circumstances, the conditions for becoming a candidate and negotiation processes are reversible, whenever the country in question does not meet the required criteria. However, shifts of internal balances of power in the European Union or in its Member States should not affect these criteria.

Spain's support for enlargement should not merely be a question of principle, but should be part of a broader strategy for Eastern Europe and the Northeast Mediterranean, an area in which the incentives of enlargement are the best means of promoting a more prosperous and secure future. With the exception of Iceland, the forthcoming enlargements (Western Balkans, Turkey) are essentially Mediterranean and offer the chance for the emergence of a Southern European dimension in which Spain, Italy and Turkey can lead an integrating and enlarging vision involving at least Portugal, Greece, Croatia, Serbia, Albania, Romania and Bulgaria.

Turkey

One of Spain's most well-advised decisions within the European context of the last few years has been to continue to strengthen ties with Turkey, consolidating a valuable political and strategic link. In private however, Turkey has not disguised its disappointment at the lack of pressure that Spain seems to be bringing to bear within the EU while countries such as France, Austria, Cyprus and Germany are standing in the way of any substantial progress. The aim of the Spanish government must be to open all the chapters that are technically feasible but are being kept shut for reasons of political expediency. In particular, it cannot allow the chapter on energy, which is so crucial for EU/Turkey relations, to be left unopened. Above and beyond this small number of specific issues, the work Spain will be able to do with Turkey should focus on trying to unblock those areas which are effectively blocked by certain friendly Member States such as Cyprus and France.

Following France's failed attempt to open an alternative way under Sarkozy with the initial proposal for a Union for the Mediterranean, it is clear that Turkey will not accept any solution that sidesteps existing enlargement criteria. The EU, and particularly its Presidency, can do precious little to speed up the negotiation process in Cyprus, something which is holding back progress considerably. However, Spain must not cease its efforts in pushing Turkey's application forward by keeping the issue high on the agenda, and in turning the strategic alliance with this key partner into tangible actions within the EU.

Spain's support for enlargement is not merely a question of principle. It must be part of a clear Eastern-Europe and Northeast-Mediterranean strategy

Joint negotiation with Turkey should focus on opening technically feasible chapters, especially energy. Success in this area would prove Spain's capacity to turn good bilateral relations into tangible actions

Croatia's accession to the Union is in Spain's interest because it would prove that the enlargement process can be reinvigorated by the coming into force of the Lisbon Treaty and offer a model of success for the Western Balkans

Before beginning fishing negotiations with Iceland there is a need for a serious questioning of the current model that has seen continued depletion of fish stocks in EU waters

Croatia

Although Croatia's accession bid is not the most polemical case, nor is it of priority interest to Spain, it is the one that is most likely to materialise during the Spanish Presidency. Croatia has made an unprecedented effort to prepare for enlargement, whilst advancing in nearly all dossiers. Croatia has had to pay for the shortcomings that came to light following Bulgaria and Romania's accession, and the country has had to face a much stricter system of benchmarks estimated to produce approximately twice as many documents than applicants for the previous wave of enlargement. The upside of this is that today Croatia is very well advanced in its adaptation for membership.

If the last few issues that are unresolved or in the pipeline can be resolved (shipyard reform, handing over documents to the Criminal Court in The Hague), the negotiations could be completed during the Swedish Presidency, which would leave it to the Spanish Presidency to tie up any loose ends, and it is therefore likely that Spain would have to ensure ratification of the Accession Treaty. Spain has a clear interest in Croatian accession for a number of reasons: to show that EU accession and its underlying criteria remain open following the constitutional uncertainty; to offer the remaining states of the Western Balkans a model of success (let us not forget that the Croats are now working in a very positive way with countries like Macedonia, Montenegro and Serbia in their move towards eventual accession); and to add another country to the EU's Mediterranean lobby. That is why the Spanish government must make every effort to overcome the remaining obstacles in the way of concluding both the negotiations and the ratification, bearing in mind that Belgium, the next presidency-holder, is one of the countries that is most opposed to further enlargements.

Iceland

Now that Iceland's application has been confirmed, it should not be difficult for it to adapt to accession, as most of the Community *acquis* is already in force there. If negotiations are concluded under the Spanish Presidency, there will still need to be a referendum among the Icelandic people – which will be no easy task – and ratification by all the EU Member States. Iceland's accession would be excellent news for Spain's drive towards a strong and open Union. Iceland is Europe's oldest democracy and shares the values of the European Union. Its accession would thus bring on board a state fully compliant with the European political and social model. Furthermore, Iceland would be a valuable ally for the current Spanish government, as they both share priority interest areas such as innovation in renewable energies or equality in terms of gender and sexual orientation.

As with Norway in 1994, the most difficult obstacle to Icelandic accession to the EU is fishing. This time, however, Spain should not apply as much pressure as it did back then. The Spanish position forced an agreement with very hard conditions for Norway, leading to a 'No' vote in the referendum which was not at all beneficial to Spain or its fishing fleet. Before Spain formulates an approach based exclusively on the short-term interests of Spanish ship owners, serious thought needs to be given to

the fishing model. The Icelandic model is a success in stock management, with strict criteria adapted to the real biological possibilities of the fisheries. It would be disastrous to try to impose the predatory European fishing model in Icelandic waters when this very model has all but depleted stocks of herring and cod in the principal Community fishing grounds. Trying to achieve a short-term fix that would jeopardise both the sustainable exploitation of fishing stocks in the EU in general as well as one of the main sources of activity of the damaged Icelandic economy would be harmful to Community and Spanish interests, particularly as it would most likely lead to a 'No' vote in the Icelandic referendum on accession.

Balkans

The first semester of 2010 also provides an opportunity to make progress towards the accession of the Balkan states. One topic of debate during the Spanish Presidency will be the removal of visa requirements for the citizens of all the Western Balkans, currently one of the main regional goals. Although the decision to dispense with the obligation for the citizens of Serbia, Montenegro and Macedonia to hold visas for short stays in the EU is good news, it nonetheless threatens to create further divisions in the Balkans. Muslim Bosnians will be the only citizens of Bosnia and Herzegovina not to enjoy this right, as many Bosnian Croats and Bosnian Serbs have Croatian/Serbian nationality and will therefore be able to travel freely. The right to travel freely in the EU should not be based on ethnic criteria. Nor is it feasible for Kosovo and Albania, the two other territories with a Muslim majority, to also be denied the advantages of liberalisation for too long.

There will be other opportunities for progress, with Macedonia speeding up the pace of reform in the hope of being invited to the negotiating table; Albania and Montenegro hope to achieve candidate status; Serbia is making a huge effort in preparing its own application; Bosnia is at a political-institutional impasse in which the desire for accession is one of the few elements of cohesion in the country; and Kosovo is waiting for a sign from the EU that it could join at some stage. Each dossier is beset with difficulties, and although some will make significant progress before the end of this year, others may not achieve similar successes during the Presidency. However, the interest of the rotating Presidency is important to all of them, and each step that is taken (a Stabilisation and Association Agreement, the presentation of an application, the granting of candidate status, the start of negotiations) maintains the credibility of the entire process and helps to spur on all these states to continue with their vital reforms.

Before the Presidency begins, the Spanish government must rebalance its Balkans policy, which is overly aligned with Serbia. This should mean a more pragmatic stance on Kosovo, in line with the Slovak and Greek examples, and involve less activism on this issue. If not, as the holder of the Presidency, any moves made by Spain would be eyed with great suspicion in the event of a crisis (in Bosnia for example). Any support for Serbia's application must not delay the process of European integration for the smaller states in the region. Macedonia, Bosnia and Herzegovina, Albania and Montenegro must be reassured that they will be judged on their own merits and not in relation to their 'big sister' Serbia.

The Spanish Presidency must help the Balkan states to move forward towards accession to maintain the overall credibility of the process and help to spur on important domestic reforms

It would be advisable to move from the concept of neighbourhood to that of wider Europe, taking on board the enlargement countries, the Eastern Partnership, the remaining European states and initiatives involving Russia as the Northern Dimension

The negotiation of the financial perspectives for 2014-2020 is a key element for lending credibility to the enlargement process

From Eastern Neighbourhood to a wider Europe

If, as we have proposed, it is accepted that the borders of Europe up to which the EU can be enlarged are already set by the Council of Europe (with Belarus), then we face a possible long-term perspective of EU accession for all the countries of the Eastern Partnership (the three Caucasian states, Belarus, Moldova and Ukraine). This idea is a major departure, as it would divide the European Neighbourhood into southern and eastern zones. The European Neighbourhood Policy so far has not achieved much in the Mediterranean nor would it be missed in the East, where European-minded democrats cannot accept the idea of being merely neighbours indefinitely. It would be advisable to move from the concept of neighbourhood to that of a wider Europe, including the enlargement countries, the members of the Eastern Partnership, the remaining European states (Norway, Switzerland and the microstates) and initiatives involving Russia as the Northern Dimension. This could even take on an institutional form in the person of a Commissioner for the wider Europe, although this is not something that could be achieved during the lifetime of the Spanish Presidency, which will start with the new Commission already formed.

Like the Union for the Mediterranean, the Eastern Partnership runs the risk of paralysis by internal conflicts and the apathy of the majority of the Member States. If the Spanish government is to have all the Member States, including those from the North and Centre of Europe, showing interest and involvement in the Union for the Mediterranean, it must become much more involved in the countries of the Eastern Partnership. It was a poor precedent that the Spanish Prime Minister was absent from the Prague summit which gave rise to the Eastern Partnership, particularly in view of the presence of very many heads of state from Eastern Europe at the Summit of the Union for the Mediterranean.

Despite their importance in EU – Russia relations, it would be a mistake to treat the six countries of the Eastern Partnership as mere scenarios for the strategic relation with Russia. As well as talking to Moscow, in the case of the Southern Caucasus, the European Union could cooperate with Turkey, restart a dialogue with Washington, which is re-examining its policies in the region, and coordinate its strategy much better with that of NATO, whose enlargement into the area is being reconsidered.

Recovering the pace of enlargement

Returning to the issue of enlargement, it is important to bear in mind that this is not based merely upon the merits of each candidate and the consensus generated between Member States on the country in question. As a decision bringing far-reaching changes to the Union, each enlargement has always been supported by more general agreements, negotiating packages containing pacts and concessions from one or other party in areas not necessarily directly linked to the enlargement policy. As we have already mentioned, the negotiation of the financial perspectives is a vital means of providing credibility to the process, and also of course for finding elements of 'give and take' to help overcome the reticence of some states. Spain cannot enter such negotiations thinking "what is in this for me?" To a large extent, the efforts of the presidential term should be oriented towards enhancing these connections between partners, with the clear aim of keeping the successful enlargement process underway.

Building a coalition in favour of integration is the other great outstanding task. As well as staunchly defending the enlargement process among its own people and the rest of EU citizens, the Spanish government must also seek allies in other Member States. Some of those that are still in favour of enlargement, such as Italy and the United Kingdom, should be encouraged to increase their involvement. Other, more indifferent partners, such as many of the new Member States, should be lobbied; especially considering public opinion in those countries is favourable to continued enlargement (Eurobarometer 2008). Finally, cooperation with a Swedish Presidency that is already striving to achieve progress, particularly in the Western Balkans, should be a vital element for ensuring that its efforts will not have been in vain if the aims are not achieved by the close of 2009.

Spain must insist on recovering the positive narrative on enlargement. Because of what is known as *enlargement fatigue*, both the European institutions and the Member States need to underscore firmly the crucial importance of enlargement for full European integration. In addition to communication with EU citizens on future enlargements, it is important to disseminate a more detailed message concerning the policy towards the European neighbours and the regional initiatives in the European neighbourhood. Rather than focusing on blocking future enlargements, attention should be drawn to exporting stability and welfare in the European neighbourhood and to the benefits that these can provide to the Union and its citizens.

CONCLUSIONS

We propose a deeper Union open to new enlargements. We realise that this is not an easy task in the current situation; however we feel that the Spanish government should not renounce it. Spain is called upon to preside over the European Union at a time of opportunity, now the uncertainty on the Lisbon Treaty has been lifted. It is time to renounce unilateralist approaches and establish a strong external EU character, working to rebuild a solid coalition for integration and setting in train new mechanisms and new thematic areas for collective action. It is also a chance to dispel any doubts about enlargement, and reinvigorate the whole process.

These are not tasks that can be achieved by a single state or in a single presidential term. Nonetheless, holding the rotating Presidency is a unique opportunity to have an impact on many different fronts in a project in which Spain must aim to join all efforts together. The highly political nature of enlargement since the French and Dutch constitutional referendums in 2005 makes it particularly difficult to build consensus by negotiating exchanges of concessions: even the financial perspectives and *ad hoc* sectorial agreements will be insufficient this time. It is here that Spain must use its position as both a champion for enlargement and deeper integration to seek out commitments on integration from those who want further enlargements and more flexible positioning on future enlargements from those clamouring for more integration. A broad agreement incorporating these perspectives cannot be forged by Spain alone. Nonetheless, if Spain begins its Presidency with a clear design in mind, and there is some understanding that there will be commitments to move forward on specific agreements, then it will be able to take advantage of this unique opportunity to shape a vision for a stronger, larger Europe in a new era.

As well as defending the enlargement process to its own people and the rest of EU citizens, the Spanish Government needs allies among the other Member States

With an ambitious design, Spain has the chance to shape a new phase of integration marked by a vision of a larger, stronger European Union

CHAPTER 2

AN EFFECTIVE EUROPE: FOSTERING ECONOMIC RECOVERY AND PUSHING FORWARD THE EUROPEAN SOCIAL AGENDA

The first of the three priorities defined by the Spanish government for the Presidency is “Fostering economic recovery and pushing forward the European Social Agenda.” This priority will most likely be deployed through three thematic threads: (1) Combating the economic and financial crisis, and defining a new international financial framework; (2) Reviewing the Lisbon 2010 Agenda and boosting the internal market; (3) Defining the new European Social and Equality Agenda for 2011-2015, placing particular emphasis on gender equality and reducing inequalities in the workplace.

The crisis overshadowed the review of the Lisbon Agenda and other EU initiatives such as actions concerning the European Social Agenda

In this chapter we offer some reflections from an economic perspective aimed to identify the areas in which the Spanish Presidency can have some influence taking into account which are the instruments available to the European Council and what policies are being launched by the Commission and the European Parliament, and also taking into account the EU's international commitments.

BACKGROUND AND PRIORITIES

The international financial crisis, and the particularities of the recession in each Member State – a recession that in Spain, like in certain other countries, precedes the international financial crisis – have added a great deal of uncertainty to the design of economic policies. Furthermore, it seems that we are living through a period of changing priorities.

We appear to have moved on from questioning the stability of the banking and financial systems of the Member States (autumn 2008), when the reform of the international financial system emerged as the new priority. The crisis overshadowed the review of the Lisbon Agenda, due in 2010, and other EU initiatives such as the actions concerning the European Social Agenda.

Now that the banking and financial sectors have been stabilised, although credit is not yet available, the reform of the international financial system seems to have lost steam, whereas redefining the post-Lisbon Agenda and the European Social Agenda has bounced back to the top of the agenda.

As well as lifting itself out of the recession and providing growth and employment policies, the EU must deepen internal market policies

The recession is calling into question the credibility of the stability and growth pact. The Council of the European Union should guide the adjustment towards budget stability in the Eurozone

Three priorities

Recent debates such as those held on 28, 29 and 30 May 2009 in the annual meeting of the *Círculo de Economía* in Sitges, as well as other considerations on the current economic situation and the economic policy priorities allow us to provide an analysis of what the priority actions of the Spanish Presidency of the EU should be.

Priority 1: The most pressing issue facing the Union in the first semester of 2010 is how to define a rational, ordered exit strategy from recession, the ultimate aim of which would be to make the European economy less vulnerable to cycles which, far from disappearing, have returned with a vengeance not seen for many decades.

Priority 2: The EU must also meanwhile design policies for underpinning growth, employment and social welfare in the medium and long term. The Lisbon Strategy for 2001-2010 will come to a close during the Spanish Presidency. The aims of the new Growth Strategy, the new Employment Strategy and the European Social Agenda remain to be redefined.

Priority 3: Finally, during the first semester of 2010 it will fall to the Spanish Presidency to dedicate the necessary attention to applying policies for deepening the internal market, which is a source of desirable reforms of markets and public policies, especially the assessment of the national transposition of the Services Directive.

ACTIONS

Although the EU's policies in these three areas are supported by the European Commission and Parliament, the Presidency of the Council is an opportunity to lead and spur on those policies that the presiding Member State considers as priorities for the general interests of EU citizens, aligned in the most appropriate way to the interests of its citizens.

Below is a series of actions that we think the Spanish Presidency should undertake in order to achieve the priority goals mentioned above.

Recession exit strategy

The recession has led all Member States to incur "excessive budget deficits" according to the definition of the Stability and Growth Pact. The recession is calling into question the credibility of the Pact, which may contradict the new European economic recovery plan calling on Member States to incur budget deficits to palliate the effects of the recession on aggregate demand in the Union.

This contradiction is especially dramatic in Spain: the government's spending policy has taken the deficit to one of the highest levels in the EU and indeed in the world (it will reach 9.6% in 2009 according to the EIU, behind only the UK, with 13.9%, and the US, with 13.7%), when it is particularly important for Spain to beat a credible path to a return to budget stability.

The Spanish Presidency must therefore redouble its efforts to ensure that the Council approves the recommendations that will guide the adjustment towards budget stability in the Eurozone under the application of the Pact. The timing can be adjusted to the cycle, but the aims of the Pact must be maintained and further strengthened.

Advances in the plan to improve the quality of public finance in the Union during the Spanish EU Presidency could make it easier to communicate the commitment to tax consolidation to the remaining EU partners and public opinion, along with the pragmatism required to implement the Stability and Growth Pact within a reasonable timeframe.

Likewise, any temptation to continue to apply the tax boost if the situation remains unfavourable must go hand in hand with further reviews of the European economic recovery plan. The crisis has shown clearly that coordination in the management of the economic cycle is vital, and also that markets punish especially those economies whose economic structure or policies expose them more than their neighbours to external financial shocks.

Finally, exit policies will not be credible if they are not accompanied by an in-depth reform of financial supervision. The reform process has already been set in motion by the Commission, which launched a proposal for reform in May 2009 based on the *Jacques de Larosière* report, which is currently at the consultation stage.

The Spanish EU Presidency must push forward reform in financial supervision either through agreements at different speeds or through opt-outs. The search for consensus cannot delay implementation of a more rigorous supervision in countries that want such tougher supervision and, if necessary, a common reform framework should be established, allowing Member States that are not yet ready for reform to opt out.

In our opinion, the new financial system needs to be more robust and resistant to the cycle from a prudential point of view, and must therefore incorporate counter-cyclical measures such as those applied by the Bank of Spain to align the capital strategies and guidelines of the financial entities with the general interests of long-term financial stability and solvency.

The reforms of the internal market for financial services must constitute a system of regulation to enhance the solvency of financial institutions whilst protecting and fostering competition between financial operators. The reforms of the rules on the capitalisation of financial institutions, the activities of rating agencies and accounting standards must also foster stability in the European financial system.

New post-Lisbon strategy

The spring 2010 Council should serve to define the new Growth and Employment Strategy at the conclusion of the Lisbon Agenda 2001-2010. This priority had lost political impetus due to the magnitude of the recession.

The Spanish EU Presidency must push forward reform in financial supervision either through agreements at different speeds or through opt-outs

The financial system must incorporate counter-cyclical measures to align capital strategies with the general interests of long-term financial stability and solvency

The Spanish Presidency could align growth, employment and social cohesion strategies for the period 2011-2020

A more stable and durable model of growth requires a more dynamic internal market, a diversified opening to the outside world and a strategy integrated with employment, sustainability and social policy

The Lisbon Agenda was set in train at the Lisbon Spring Council in 2000. After a certain disappointment due to the slow progress in the strategy and its scant relation with the economic and social welfare of the Member States, it was revised and re-launched in the spring 2005 council following the report of the Dutch former Prime Minister Wim Kok.

The agenda initially stated that Member States should pursue a whole raft of disparate and incoherent quantitative aims. For the time being, only four priorities are defined in the spring Councils of 2006 and 2007: (1) More research, development and innovation; (2) A more dynamic business environment; (3) Greater investment in education and training; and (4), A drive towards a greener economy.

Only two aims have been defined for 2010: 3% of all EU GDP should go into public and private investment in R&D, and 70% of people of working age in the EU should be employed. In 2005, these indicators were 1.84% and 63.5% respectively.

These objectives are shared by all the Member States, who acknowledge their intimate link to the long-term quality of life in the EU. Since 2005, the Lisbon Strategy has been linked to the integrated guidelines for economic reforms issued by the Commission, the last of which date back to 2008, the European Commission's annual report on implementation and the annual review of the National Reform Plans of each Member State. The Commission proposes and the Council approves a series of specific recommendations to each Member State after assessing the national plans.

As a result of the review of the Lisbon Agenda in 2005, the Lisbon Growth and Employment Strategy was separated from the social policy issues surrounding the European Social Agenda. Furthermore, economic growth policies have been separated more explicitly from the employment policies coordinated in the European Employment Strategy of Nice, and the sustainability pillar has been brought into the growth and employment strategy. Finally, the Lisbon Agenda has been coordinated with the actions of the EU structural funds.

The Spanish Presidency is facing the challenge of shaping the content of these three strategies for the period 2011-2020 (growth, employment and social cohesion), and thus helping its successors in the Hungarian Presidency to approve what may come to be called the Budapest Agenda. This is no easy task, in light of the current debate in Spain on the change in its productive model.

The international financial crisis has shown clearly the weaknesses in the growth models adopted by most EU Member States. The growth model based on external financial capital in particular has shown up its internal limitations and its vulnerability to cyclical changes. The crisis has also affected growth models excessively exposed to the international economic situation of export markets.

The recession affecting Spain, Ireland, Iceland or the UK shows the weaknesses of a model based on excessive financial leverage, growth in the current account external deficit, and driving expansion in the non-commercial goods sectors, particularly real estate and construction.

We feel that this growth model does not lay the foundations for a sufficiently diversified and dynamic productive base that can generate innovation in industry, trade and services. History shows that countries that have chosen this growth model developed more slowly than the rest.

However, the international financial crisis has also shown up the weaknesses of a growth model overly exposed to the vagaries of international export markets. The economic situation has been especially difficult for countries like Germany, which nonetheless has a sufficiently flexible productive capacity to surmount the recession.

The problematic nature of these two growth models requires a more pragmatic approach attaching priority to a growth model that can increase the dynamism of the internal European market and a diversified opening to the outside world, as well as promoting more stable and durable growth. This is a difficult challenge indeed. In the debate surrounding this new growth model, some people are claiming that the greater capacity to resist the recession demonstrated by countries with a modern and efficient welfare state shows the importance of defining an integrated strategy for growth, employment, sustainability and social policy.

Defining the Growth and Employment Strategy 2011-2020: From Lisbon to Budapest

The risk surrounding the 2010 review of the Lisbon Agenda is that public opinion in Europe may attest to a certain fatigue with regard to the reforming spirit that inspired the Lisbon Strategy in 2000. The Agenda seems to be producing diminishing returns, and indeed this was already apparent in the complete review in 2005, the way it was fitted within national reform programmes and its integration with employment and social cohesion policies.

In view of this reform fatigue, the new Growth Strategy should focus on investment in the physical, human and technological assets underpinning long-term growth in public and private organisations, and less on reforms aimed at redefining the role of the public and private sectors: fostering technological research and innovation, bolstering high quality education and training, moving forward in the interconnecting of European energy and transport networks; and a firm commitment to a clean, sustainable economy in coordination with the 20/20/20 goal for 2020 (20% renewable energy sources, 20% reduction in emissions, 20% energy improvement).

The European Employment Strategy should be adapted to the high unemployment rate, which is affecting so many people so dramatically. If the economy does not recover in the near future, this could damage their medium and long-term employment prospects. That is why the Spanish Presidency must lend its decided support to the European process of certification of public employment services as an instrument for debating and reforming active employment policies.

In this connection, active employment policies must give priority to employment plans with a significant training component. For example, in Spain there is an opportunity to use funds available under these poli-

The new Growth Strategy should focus on investment in the physical, human and technological assets underpinning long-term growth

Against a backdrop of high unemployment in Europe, the European Employment Strategy can help to boost the European process of certification of public employment services

Spain will hold the EU Presidency at the right time to begin a harmonisation and reform process under the title 'European Social Protection Area'

cies to train specialists for the new jobs that will be created in the clean economy, particularly energy efficiency in buildings.

However, it cannot be left exclusively to these public services to manage such active policies. It is vital to receive the cooperation of specialised private operators: this will help to outsource qualification processes; to adjust the plans to needs at any moment in time; to set targets and also to be accountable for the results obtained.

From the European Social Agenda to a European Social Protection Area?

The actions undertaken to advance in the European Social Agenda are the other side of the coin named European economic integration. However, the EU has found it particularly difficult to make progress in this area because of the unwillingness of some Member States to accept a harmonisation process that could involve convergence in the social protection and common taxation mechanisms in the central and northern European countries – especially the UK, but also Ireland and now the new Eastern Member States.

That is why in 2002 the Commission proposed the Council to adopt the Open Method of Coordination in the field of social protection and inclusion to renew the commitment to a Social Europe. The Open Method of Coordination made it possible to channel the debate on social cohesion policies at a time of economic growth, when social policies were not high on the agenda. However, the goals of the original Lisbon Agenda in terms of reducing poverty and increasing social cohesion have not been attained.

Current fears about the profound social impact of the recession turn the Open Method of Coordination and the European Social Agenda to be a top priority once again. The countries with the largest external imbalances, such as the Eastern European states and Ireland – or even Spain – may need to make fiscal adjustments that will put national social cohesion policies into a state of tension, especially in terms of social benefits, education and healthcare. That is why the Member States and public opinion appear to be prepared to start an active and committed debate on improving social policy against a backdrop of scarce resources.

The Spanish Presidency will come at the right time to open the way towards harmonisation and optional, pan-European reforms under a title that everyone could accept, such as the "European Social Protection Area", which could mirror other European Areas (Schengen; Higher Education; Research), and allow convergence and reform of social policies by groups of European countries working at different speeds.

In our opinion, setting up a European Social Protection Area could provide the European project with the social legitimacy it currently lacks. The idea would be to achieve greater social and employment protection for European workers using flexible mechanisms to foster job mobility both between and within Member States.

The Open Method of Coordination offers a wide margin for improvement in the coordination and exchange of good practices and innovative experiences in a series of areas that could be included in this European Social

Protection Area. This could include at least the following elements: job flexibility and security mechanisms, the relationship between compulsory and complementary social protection systems, and the effects of certain Member States' fiscal and social policies on other Member States' economic activity (unfair competition on labour and social grounds).

The European Social Protection Area should be built on existing reciprocal recognition agreements of social and labour rights, and on the reflection within the Open Method of Coordination and tax harmonisation processes. For Spain, this process will facilitate a medium-term examination of the dysfunctions of our social protection system, and the advances in the reforms through the currently turbulent path of social dialogue.

Boosting the internal market

Finally, for the EU, the creation of the internal market was the most effective mechanism for pushing forward economic reforms in the Member States. However, controversies within the Council and the European Parliament, and certain recent decisions by the European Court of Justice, show a degree of weariness and fatigue in this policy.

The latest move by the Commission in this area was to push forward the Services Directive, which was finally approved in 2006, in spite of certain difficulties. All Member States need to have transposed the directive by January 2010. After this time, the architecture of the procedure of mutual assessment will be set in place.

The Spanish Presidency has a special responsibility to ensure an ambitious and exacting approach in the procedures for assessing transposition, to improve integration in the rendering of services that fall under the new directive. The application of this directive will most certainly lead to the net creation of jobs and welfare for European citizens.

CONCLUSIONS

The instruments available to the Presidency of the Council allow the Spanish government to identify problems and to propose priorities and actions that can be shared by the core of Member States that are most prepared to support pragmatic and realistic European policies for economic recovery.

In this chapter we have identified three issues that should be high on the agenda of the Spanish Presidency: (1) Defining the exit strategy; (2) Redefining a growth and employment agenda more geared to sustainable investment in physical, human and technological capital, and transforming the European Social Agenda into a process that can lead to the creation of a European Social Protection Area oriented to achieving more flexible and secure employment; and (3) Boosting the internal market, particularly in the services sector.

The key to developing actions in these three priority areas will depend upon the Spanish government's ability to forge alliances with Member States that most in need or most committed to have European policies to channel the concerns about the recession and lay the foundations for recovery.

Faced with a certain fatigue in internal market policies, the Presidency of the Council has a responsibility to ensure the rigorous implementation of the rules in force, particularly for the services directive

CHAPTER 3

BUILDING A EUROPEAN IMMIGRATION POLICY

Building an area of freedom, security and justice is becoming a fundamental pillar of the European Union. This pillar affects the citizens in a direct manner, and while it has the potential to bring the European project closer to the people, it could also result in an increase in alienation. Immigration policy is one area in which the Spanish Presidency can make a difference, since migration has played a key role in the development of Spanish society. Yet while immigration is a central concern for Europe today, Spain has a quite unique immigration policy for its European context.

Immigration policies have traditionally been the exclusive competence of states, given that they impact upon two of their crucial elements: their territory and their population. The reluctance of Member States to surrender some of their competencies to reach unanimous agreements in immigration policies, along with the perverse effects of the 9/11 terrorist attacks – which highlighted concern for the security dimension in matters of Justice and Home Affairs – contributed to delaying the development of the Tampere mandate to develop “common immigration and asylum policies taking into account the need for consistent control of the external borders to stop irregular migration and combat those who organise it and commit related crimes”. This is why in 2004 the European Commission needed to propose a new agenda, called the Hague Programme, which aimed to continue the Tampere agenda by reinforcing an area of freedom, security and justice for the period 2005-2009.

This programme will be replaced by the Stockholm Programme, which will initially be set up under the Spanish Presidency. The existing programmes point to four key elements in the conception of a common European policy: (1) an efficient management of immigration flows; (2) a more integrated approach to immigration working in partnership with countries of origin and transit; (3) fair treatment for third-country nationals; and (4) Developing a more efficient Common European Asylum System. This latter aspect applies less to migratory policies *per se*, but the other three are the core elements of an incipient European migration policy.

THE CHALLENGE OF BUILDING A EUROPEAN IMMIGRATION POLICY

The Spanish Presidency must establish the basis for the next five-year plan for a common European Immigration Policy

Spain should capitalise on the Presidency to educate the public and call for a discourse in line with that promoted by the European Commission

The Stockholm Programme will be approved in December 2009 under the Swedish Presidency. Like its predecessors, it will be a multiannual programme aiming to strengthen the common area of freedom, security and justice. The new agenda will be conditional upon previous work programmes and the contributions made under its orientation policy over the last ten years. These include the 2008 communication on 'A Common Immigration Policy for Europe', which points to the need for coordinated and integrated approach to immigration and to incorporate its management into the objectives of prosperity, solidarity and security underpinning the EU's political action.

The Stockholm Programme will also take into account the guidelines included in the European Pact on Immigration and Asylum, approved in 2008. This agreement resolved to give a new boost to defining a common migration policy, underlining the importance of taking into account the collective interest of the Union and the particularities of each Member State. The Pact took on board five fundamental commitments, which must be turned into specific actions in the joint work programme for the period 2009-2013. These commitments are: (1) to organise legal immigration to take account of the priorities, needs and reception capacities determined by each Member State, and to encourage integration; (2) to control irregular migration by ensuring that illegal immigrants return to their countries of origin or to a country of transit; (3) to make border controls more effective; (4) to construct a Europe of asylum; and (5) to create a comprehensive partnership with the countries of origin and of transit in order to encourage the synergy between migration and development. The first review of the aims of the Pact is due to take place in June 2010. The division between the first and the third pillar, which currently adds greater legal and institutional complexity to the area of freedom, security and justice, will change with the entry into force of the Lisbon Treaty, which will mean the 'communitarisation' of these policies.

All of this will happen in 2010. The Spanish Presidency must establish the basis for the next five-year plan for a common European immigration policy. Spain is an unusual case in this area. In a little over ten years, the country has consolidated its role as a country of immigration, with migratory flows notable for their magnitude and speed of growth, and the diversity of origins. Over these last two decades of immigration, successive Spanish governments have had to structure a legal and administrative framework for managing the immigration phenomenon, as Spain had neither a specific policy nor specific legislation until it joined the European Community in 1986. Over this time, however, the Spanish government has pushed forward various Europe-wide initiatives linked to combating irregular migration, covering irregular migration flows and the irregular labour market, the overlap between immigration and the labour market and the strengthening of relations with third countries (from readmission agreements to bilateral accords linking immigration and development).

The boost that Spain can give

In the first semester of 2010, the Spanish Presidency will be facing a complex immigration and asylum agenda, due mainly to the need to articulate a road map for the Stockholm Programme (2009-2013), to assess the

European Pact on Immigration and Asylum and to manage the new institutional architecture foreseen by the Lisbon Treaty. In these recessionary times, there is a further risk that populist, anti-immigration discourse can take root in society, causing unrest that could spill over into the political arena.

However, the importance of the Spanish Presidency is not only determined by the context, but also by the contribution that the Spanish government can make in this area. As Spain is considered by some of its European partners as an exception (with its negative connotations) in terms of immigration, it should capitalise on the Presidency to educate the public and call for a discourse in line with that promoted by the European Commission.

Over the last few years – in fact, this line of argument has been applied since 1999, with different emphasis – Spain has built a discourse based on promoting legal immigration linked to the needs of the labour market, in which the rights and duties of new arrivals should be both protected and demanded in equal measure. Furthermore, Spain has called for political dialogue on immigration to be part of relations with third countries, and has committed to enhancing the external dimension of immigration policies, both on a national and a European level. In dialogue and cooperation with its partners, the Spanish Presidency should work with the European institutions to make progress in building a European immigration policy that is both coherent and comprehensive.

The central planks of the Spanish presidency's discourse on immigration should focus on the link between immigration and the needs of the labour markets, with an approach looking beyond the economic recession, and promote legal immigration. This means bringing in a change in the discourse to underscore the importance of establishing channels and mechanisms to guarantee the legality of migratory flows and thus include efforts to combat irregularity. With the same emphasis, the greatest efforts should be made to combat illegal activities that violate human rights and border security (smuggling and human trafficking, illegal hiring, etc.) and not penalising the victims of such abuse. In practice, therefore, the Spanish approach would not represent a significant change in immigration policies, but rather acknowledge the need to make an effort to publicise and explain such policies.

Designing a new institutional architecture

The approval of the Stockholm Programme will signal a step forward for the EU towards building a common immigration and asylum policy, and consolidate the establishment of a legal immigration policy, efforts to combat irregular migration and the creation of a common asylum system. It will fall to the Spanish Presidency to prepare the 'road maps' of this programme, setting out general guidelines and developing an agenda in line with the priorities approved in December 2009.

In addition to this process, it should not be forgotten that other instruments have been conceived for managing immigration in the EU over the last few years, particularly in response to new political circumstances and contexts. For example, the European Council of June 2010 will make an initial assessment of the European Pact on Immigration and Asylum, approved in 2008, and it will fall mostly to the Spanish Presidency to push forward this assessment.

The Spanish Presidency should work with the European institutions to make progress in building a European Immigration Policy that is both coherent and comprehensive

A new discourse is required in migration policy, which links the needs of the labour market with the promotion of legal migration, and which expresses interest in fighting against the clandestine activities associated with migration flows

The Spanish Presidency could propose to set up a European Immigration Agency to place migration in its own framework, not exclusively in internal security, to include the internal market, the labour market, citizens, social rights, etc.

Finally, the approval of the Lisbon Treaty will grant the European Parliament a co-decision role in the area of legal immigration. The working methods to be adopted or strengthened in order to facilitate appropriate, fast and flexible links between the European Parliament and the other European institutions in this area will be a further responsibility of the Spanish Presidency. This could affect the processing of the approval of the outstanding directives under the 2005 policy plan for legal migration, such as those concerning conditions for the entry and residence of seasonal workers; seconded employees and people undergoing paid practical experience.

The enhanced participation of the European Parliament in the preparation of immigration and asylum policy, along with the articulation of a working scheme defined by the Stockholm Programme and inspired by the European Pact on Immigration and Asylum confirm the increasing relevance of immigration policy within the EU. However, they also simultaneously show up the complexity of the process of generating and managing these policies, which involve an increasing number of players and instruments. In this connection, it seems insufficient to circumscribe the various dimensions of this policy to the area of freedom, security and justice, and the possibility (already discussed) of situating it within a possible future Security and Immigration Area is extremely worrying. To articulate coherently the discourses and related instruments that are already on the table and will surely continue to develop, requires greater coordination and an all-embracing approach to immigration and its management policy within the EU. As a result, the Spanish Presidency could moot the possibility of setting up a European Immigration Agency to: coordinate and adopt the specific work programmes in line with its mission, available resources and political policies; to place migration in its own framework, not exclusively in internal security; and link it to the internal market, the labour market, citizens, social rights, and so on.

TOWARDS A COHERENT AND GLOBAL EUROPEAN IMMIGRATION POLICY

The Spanish government will find it hard to convince its partners to take the positive view of immigration set out here. This is not due so much to the recession as to the internal political context of some of the more influential EU states. Possible advances that could be proposed in the institutional design of a new migration policy will also be hard to achieve during the Presidency semester. Nonetheless, in addition to the implementation of the Stockholm Programme, the first half of 2010 offers the opportunity to push forward specific actions in important areas, relevant for protecting people's rights, such as the external dimension of migration policy, integration policy and asylum.

Strengthening the external dimension of the European Immigration Policy

More specifically, the Spanish Presidency must push ahead towards the commitments established in the Global Approach to Migration approved in 2005. First of all, it should foster approval of the outstanding directives on seasonal workers, seconded employees and people undergoing paid

practical experience. The first of these is particularly important. Unlike the others, it can generate greater discrepancies among Member States due to structural differences of migratory flows.

Secondly, the Spanish Presidency must make progress in bolstering the external dimension of immigration policies. Efforts must be made to promote the incorporation of the political dialogue, both bilateral and multilateral, on migrations with third countries. New technical cooperation instruments for managing migratory flows should also be proposed to complement existing ones. Promoting dialogue with new countries and regions to reach visa facilitation agreements should be a priority, alongside assessing existing agreements, especially regarding the implementation of the Visa Information System that is due to begin in 2009.

Here, the regional dialogue on immigration takes on added importance. It is clear that the Spanish Presidency can provide added value in geographical areas traditionally considered a priority for Spanish foreign policy, such as Latin America, the countries of the Southern Mediterranean and, more recently, Sub-Saharan Africa. Of course, that does not mean that less attention should be paid to other scenarios such as the EU's eastern border, which fall under the European Neighbourhood Policy, and where the recent, rapid transformation of Spain into an immigration country can be considered as a benchmark process from which specific experiences can be gleaned. Against this backdrop, progress needs to be made in the negotiation and application of the visa liberalisation agreements for the Western Balkans, avoiding the dysfunctions mentioned in the first chapter of this report, and serious consideration given to the possibility of reaching a liberalisation agreement with Russia.

The migration phenomenon is becoming increasingly important with regard to the strategic partnership with Latin America and the Caribbean (LAC-EU), and the political agreements on which there is the greatest agreement are aimed at combating poverty and promoting orderly migratory flows. Integrating immigrants, facilitating ever-cheaper transfers of remittances or combating networks trafficking in human beings are all issues that need to be dealt with via a reinforced dialogue and greater cooperation. Here, the Spanish Presidency needs to make a special effort to explode any myths and misconceptions and correct feelings of mistrust that have arisen as a result of the recent approval of the Return Directive. The Spanish Presidency should assess the external impact of the priority given to readmission and return policies within the EU over the last few years, seen as a clear option to highlight the securitarian dimension of immigration policies. On the one hand, the EU has not been convincing in its argument that the Directive is not a step backwards in respect for human rights and the procedural guarantees of people who have been turned back while trying to enter the territory irregularly. On the other hand, the belligerent tone of some Latin American countries was misinterpreted by some European countries, who took this as an implicit approval of irregularity in migration flows from Latin America. In this connection, the LAC-EU summit can be considered as a good scenario for breathing new life into the Latin American dialogue on migrations and providing it with a European dimension, taking up the conclusions of the 2005 Salamanca Declaration which called upon Latin American leaders to "design a Latin American framework for migrations based on orderly channelling and sensible regulation of migratory flows".

Dialogue with new EU members and with third countries must be prioritized in order to reach visa facilitation agreements and to assess existing agreements

The external impact of the readmission and return policies of the EU, which have a strong security dimension, should be evaluated

The “5+5 Dialogue” could provide a good framework for the evaluation of proposals on migration cooperation, circular migration, and the facilitation of visas, all of which would be useful in the wider Euro-Mediterranean context

Some of the key challenges include ensuring respect for fundamental rights at borders, guaranteeing respect for the rule of law during the implementation of return initiatives, and establishing evaluation mechanisms

Within a renewed Mediterranean policy, the Spanish Presidency should explore ways to promote and facilitate mobility in the region, achieving readmission agreements and examining the possibility of implementing a pilot mobility agreement with one country in the Euro-Mediterranean Partnership. Taking advantage of the Spanish joint chairmanship of the 8th Conference of Foreign Ministers of the Western Mediterranean (Tunisia, 2009), the Spanish government should capitalise on the specific value of the “5+5 dialogue” to examine proposals on migration cooperation, circular migration, visa facilitation and borders, which could be useful within the Euro-Mediterranean dialogue.

Sub-Saharan African countries have become a priority for the external action of European and Spanish immigration policy. The combination of interests in this region must be harnessed to give a boost to the efforts and mechanisms emerging from the Euro-African conferences on Migration and Development (Rabat Action Plan), and to renew the Cotonou Agreement, especially with respect to Article 13. This Agreement states that it would be necessary to establish a closer link between the signing of readmission and return agreements by the ACP countries with strategies aimed at reducing poverty and improving living conditions in such countries.

Here, the Spanish Presidency should also propose innovative instruments for assessing the pilot mobility partnership with Cape Verde and examine more closely the potential of the link between migration and development, especially to determine how far migrations influence the effective development of countries of origin. At the same time, it would be advisable to make an initial external assessment of the CIGEM – Mali: the Migration Information and Management Centre, financed by the EU.

Finally, the Presidency of the Council must guarantee that concern for the security of European territory does not undermine the protection of fundamental freedoms and human rights. That is why external assessment mechanisms should be put in place to ensure proper transparency and accountability of the operations implemented by FRONTEX, the European Agency for the Management of Operational Cooperation at the External Borders. This is a major challenge to ensure the respect of fundamental rights at borders, guaranteeing respect for legal guarantees in return processes, and establishing assessment mechanisms to check this. Furthermore, specific support measures need to be implemented for especially vulnerable groups such as unaccompanied foreign minors or the victims of people trafficking. Here the top priority should be given to combating trafficking and smuggling networks by improving the transposition of existing directives, and to exploring the possibility of increasing penalties for networks trafficking in minors.

The integration policy: A commitment to equal opportunities

The fourth meeting of European ministers responsible for integration will be held during the Spanish Presidency. Considerable experience has been gleaned in previous dialogues on subjects such as intercultural dialogue, access to employment and diversity or the integration of women, to name but a few, and should therefore be understood as an important source of knowledge and good practices. Responsibility for integration policies lies at national level, which means that efforts must be channelled into a search for

convergence and to providing greater coherence to the various initiatives of the Member States. Integration policies are a vital element for guaranteeing the participation of immigrants in European societies and fostering social cohesion in the countries of the Union. At the same time, they must include efforts to combat discrimination based on gender, race or ethnicity, creed or convictions, age, disability or sexual orientation.

Establishing certain common minimum requirements for an 'initial reception' phase for immigrants, drawing on the debates and practices applied in the various Member States is an aim that fits in with a common agenda on integration policies in the European Union. However, aside from the initial admittance, the greatest efforts in integration policies must be put into social services and actions to guarantee equal opportunities and to removing discrimination in the access to the workplace, training, health-care, etc. The Spanish Presidency should therefore work to link integration with equal opportunities policies, and could perhaps back the organisation of a conference of experts to analyse such links.

At the same time, it should examine the possibilities of earmarking resources and instruments for worker training programmes, particularly for groups most vulnerable to unemployment, bearing in mind that incorporation into the labour market is vital for integration and social participation.

The European asylum policy

Implementing the road maps of the Stockholm Programme in terms of asylum and making progress towards building the Common European Asylum System (CEAS) are priorities that should be taken up by the Spanish Presidency in this area. In view of the disparities between Member States concerning the granting of asylum to seekers from the same country, progress should be made towards harmonising laws to attain convergence in decisions to allow a similar level of protection throughout the EU, thus enacting the transposition of Directive 2004/83/EC. The Spanish Presidency could make progress in this area by revising the 2003 report to assess the possibilities of developing a joint resettlement plan in the European Union.

CONCLUSIONS

A series of important events will converge in 2010 for a European immigration policy. The development of a new institutional framework, the need to improve dialogue and cooperation with third countries in the field of immigration and the responsibility of promoting the participation of newcomers in European societies to guarantee social cohesion are priorities that cannot be avoided over the next five years. The Spanish government has a chance to make progress on this agenda, paying special attention to elements with which it is all too familiar, as they have characterised its immigration policy over the last few years.

In the intra-European dialogue, the Presidency must act in line with the legitimate concerns of the Member States with regard to immigration, but must take a firm line to guarantee social and political rights, maintain efforts to fight against racism and xenophobia, and do its utmost to stop

The majority of integration policy initiatives should be directed towards social services and to activities that safeguard an equal access –without discrimination– to the labour market, to education and healthcare facilities, etc.

Given Member States' disparities in the granting of asylum to individuals of the same nationality, member states systems should be harmonised so that a similar level of protection is provided throughout the EU

Spain must take a firm line during its Presidency to guarantee social rights and policies, maintain efforts to fight against racism, xenophobia, and continue to avoid the criminalisation of immigration

immigration from being criminalised. Protection of and respect for human rights, and access to the basic mechanisms of the welfare state must be a key priority throughout the Presidency. In the area of external dialogue, the Spanish Presidency must capitalise on its own experience to foster the external dimension of European migration policy, in line with its undertakings under the Global European Migration Policy, and promoting a well-structured and credible dialogue with third countries, particularly its neighbours, without allowing the legitimate concern for readmission to monopolise the debates and distract from a more comprehensive vision of the causes of migratory exoduses.

In conclusion, the Spanish Presidency should attempt to implement a renewed and innovative discourse both inside and outside the Union. This discourse must help to develop flexible and effective instruments to promote and guarantee legal immigration linked to the needs of European labour markets and call on the need to foster equal opportunities and rights as the ideal instrument for guaranteeing integration and social cohesion in European countries.

CHAPTER 4

THE ENERGY AGENDA: BETWEEN HOPE AND REALITY

Over the last three years, the EU has taken big steps towards setting up a joint energy policy with the declared intent of overcoming the disperse – and in any case failed – efforts that have been made since the mid-1990s. The Communication from the Commission entitled “An Energy Policy for Europe” in 2007 set the objectives to be followed and laid the groundwork for the approval of a new energy package, which among other measures included the revision of the electricity and gas directives. Along the same lines, the signing in recent years of multiple agreements and treaties with energy-exporting countries and regions bears witness to the growing will of the European authorities to cobble together a new energy policy where the external dimension will also play a prominent role.

Thus far this new architecture cannot be said to have made it possible to overcome the lack of results of the past. No substantial advances enabling the EU citizens to have increasingly affordable, safer and “greener” energy have occurred in areas like the specification of the internal energy market, or in guaranteeing supply or in sustainability linked to the reduction of greenhouse gases, which are the three major goals of European energy policy. The implementation of a true European energy policy still remains unresolved.

In fact, some observers might think that things have been moving backward from the starting position, for instance in the integration process of the EU energy markets. Many companies are prevented from competing in some countries where the market is impermeable and there is a dominant company that has state support; this generates grievances that predispose major actors against new reform processes. Something similar occurs with the inferiority position of companies that have been subjected to vertical disintegration (or so-called “unbundling”) processes and are in a liberalised market with virtually no protection mechanisms against other competitors that enjoy an edge because they continue to be vertically integrated.

The immediate causes of these problems are not hard to identify. The short-sightedness of governments reluctant to give up certain parcels of sovereignty (particularly in the regulatory field) for the common good or

No substantial advances have occurred enabling the EU citizens to have increasingly affordable, safer and “greener” energy

Given the lack of leadership in energy policy, it should come as no surprise that public opinion has not warmed to a debate where a lot is at stake

The Spanish Presidency will have to combine ambition and realism in order to overcome the resistance of many Member States to advancing in the integration of energy markets

We are facing a structural crisis that requires, above all, structural solutions, and the change in the energy model is without a doubt one of the most important drivers of future growth

fearful of going up against the territory to build indispensable interconnecting infrastructures teams up, in this case, with the resistance of many energy companies to accept changes that can often imply alterations (downsizing) in structure, size and functions. In light of the lack of leadership and clarity of ideas, it should come as no surprise that public opinion has not warmed to a debate where a lot is at stake (perhaps because of a lack of information and because they don't understand), from the cost of the electricity bill to the reliability of supply.

It is true, however, that some rays of light can be seen in this bleak scenario. For instance, the so-called 20/20/20 objective, which consists of improving energy efficiency, increasing the weight of renewable energies in the total mix, and reducing CO₂ emissions – in all cases reaching 20% by 2020 – has a potentially huge impact on EU energy policy. Also, the inclusion for the first time in the Lisbon Treaty of a chapter devoted to energy opens an interesting space to more intense and effective activism by EU institutions in this area.

The forthcoming Spanish Presidency of the Council of the EU during the first semester of 2010 must thus face a complex context regarding the establishment of an agenda for energy policy. On one hand, the ambitious goals that have already been set make it necessary to act decisively, boosting initiatives that are already under way and, at the same time, opening new perspectives for action in energy policy over the medium term. But on the other hand, it should be acknowledged that there are great limitations, primarily due to the resistance of many Member States to advancing in the integration of the respective energy markets. As occurs in many fields of the EU, the energy agenda of the Spanish Presidency will have to combine appropriate doses of ambition and realism in order to prevent poorly structured efforts from generating unnecessary conflicts.

Beyond the specific contents of this agenda, some of which are dealt with in the following sections, it is essential first of all to avoid succumbing to certain temptations derived from the crisis context that is affecting the global economy and could have very harmful effects on the progress towards a European energy policy. It may well occur that, from a short-term perspective, it might be thought that less economic growth is enough to contain the spread of polluting emissions or that budget funds initially assigned, for example, to R&D of new energy sources, could be diverted to cover more urgent social needs.

This approach would be a mistake, and avoiding it should be the top priority of the Spanish presidency's energy agenda. We are facing a structural crisis that requires, above all, structural solutions, and the change in the energy model is without a doubt one of the most important drivers of future growth. Far from there being a contradiction between economic and social development, on one hand, and environmental sustainability or security of supply, on the other, these drivers complement each other, particularly from a medium- to long-term perspective. One would be hard pressed to find more promising new job creation niches than those stemming from renewable energies or sectors linked to the development of energy-efficient instruments, fields that are directly related to the development of European energy policy. Progress towards this joint policy is thus shaping up to be a central pivot of any economic and social growth policy in the EU.

This last point ties in directly with the update of the Lisbon Strategy contents that is slated to take place under the Spanish Presidency. Of all that has been said thus far, it appears to be indisputable that this strategy must include, in no small proportion, the contents of the energy agenda, which is poised to become a great growth and job-creation driver in the coming years.

The following sections address a number of initiatives that, in our opinion, should be included in the Spanish presidency's energy agenda. By no means does it intend to be a comprehensive list or a complete programme of what should be done. On the contrary, the idea is to note some initiatives we believe may have a significant effect or may serve to open up new spaces that must necessarily be developed in the medium term.

In order to systematise the proposals, it was decided to group them according to the three main objectives of European energy policy: securing supply, the internal market, and the reduction of CO₂ emissions. The various proposals are deliberately presented in highly schematic form, since what we basically seek is to point out some initiatives judged to be of interest without going into great detail with regard to their possible development or execution.

Not only are interconnection infrastructures with energy producing countries important, but it is also essential for adequate interconnection to exist between EU countries

GUARANTEEING SUPPLY

Guaranteeing supply has doubtless become the top short-term priority of European energy policy: The growing instability of many energy exporting countries and the increasing volatility of oil prices (which, in spite of such a pronounced decline in the second half of 2008, will spike upwards sharply in the medium term according to International Energy Agency forecasts) weaken the EU's position as a net importer and bolster the importance of policies aimed at assuring the continuity of supply.

Infrastructures

Interconnection infrastructures for both gas and electric power are destined to become essential elements in assuring this supply. Although they are sometimes neglected, not only are interconnection infrastructures with energy producing countries important, but it is also essential for adequate interconnection to exist between EU countries in order to ensure that energy from abroad can adequately reach end-consumption centres. Intra-European infrastructures therefore play an essential role both in ensuring the proper functioning of the internal market and in guaranteeing supply.

From the viewpoint of the Spanish Presidency, it would thus seem appropriate to promote Spain's position as an energy transit country from producing countries to the Union. This is particularly important in the case of gas, where the spectacular increase in Liquefied Natural Gas processing capabilities in recent years offers a very interesting opportunity for diversifying the EU's current dependence on Russian gas.

The Spanish Presidency should thus serve to accelerate (or at least ensure often-delayed compliance with) the timetable for extending gas interconnections through the eastern as well as the western Pyrenees.

The Spanish Presidency could spur the creation of the 'Supergrid', a project that could make the European electric power market a reality, make it cheaper to reach the 2020 goals and overcome the limitations posed by most European distribution systems

Though it may seem contradictory, the EU can reduce its energy vulnerability by increasing interdependence with its exporting neighbours

With regard to the electric power interconnection, it is urgent to at least advance in compliance of the Barcelona Summit agreement establishing that interconnections should guarantee a minimum of 10% of peak demand in each country, a goal that remains very distant in the case of the Spain-France electric power connection.

Finally, also in the area of infrastructures, it might be interesting to spur the so-called Supergrid, a grid that is mostly underground or underwater and is designed to transport large amounts of electric energy over great distances. In addition to improving the reliability of the power supply, the Supergrid can play a major role in making the European electric market a reality. Not only could it make it cheaper to reach the 2020 goals, but it is also the only way of overcoming the limitations posed by the current shortcomings, saturation, lack of connectivity and tremendous expansion difficulties of most European electric power systems for the non-manageable renewable energy quotas in the power generation mix.

The creation during the Spanish Presidency of, for example, a European Supergrid Planning and Management Agency, and the definition as concessionary of its development, could be Spain's biggest contribution to the future development of this infrastructure.

Agreements with third countries

In recent years, the EU has signed numerous energy agreements with third countries, particularly with neighbouring states or regions that are major energy exporters. In most cases these agreements have been driven by the Commission, which has attempted to export certain technical principles guiding the European energy market integration process to its cooperation with such third countries (with the limitations that this implies, given the problems affecting the development of the European internal market). This approach is nevertheless interesting, as a way of reducing the EU's energy vulnerability is by increasing interdependence with our exporting neighbours, though at first glance this may seem contradictory.

There is room, however, to develop a more strategic approach for these cooperation agreements so that energy policy can be developed as a priority hub within the Common Foreign and Security Policy. In practice, this means that the High Representative for Foreign Policy should doubtless play a greater role in designing and executing this energy cooperation policy.

A way of making this new approach tangible would be to organise a ministerial summit under the Spanish Presidency focusing on the Mediterranean Solar Plan, one of the priorities of development of the Union for the Mediterranean. The launch of this project in the framework of the Euro-Mediterranean partnership would doubtless contribute to strengthening this idea of interdependence in energy cooperation between both shores of the Mediterranean. It might also be interesting, in this context, to try to determine a timetable for the construction of a thermo-solar plant that would begin to supply the EU from a Maghreb country.

Diversification of the energy mix

The goal of ensuring supply also means that the EU cannot turn its back on any form of energy. In this regard, coal and nuclear energy will continue to be indispensable for ensuring supply for some time.

This reality should lead the Spanish Presidency to promote two types of actions in relation to coal and nuclear energy. With regard to coal, it is necessary to promote and allocate aid to R&D&I oriented towards developing CO₂ collection and storage technology programmes. Spain should not let the opportunity of competing in this technology go to waste. However, to do this, it must urgently and with a country vision undertake the tasks of identifying, developing, commissioning and managing CO₂ storage.

As for nuclear energy, Spain should not turn its back on this source of power generation at the present time, particularly bearing in mind the high level of foreign dependency with regard to primary sources. Given the external factors of all kinds (both negative and positive) affecting nuclear energy, the Spanish Presidency should promote a debate at the European level that can contemplate the benefits of this technology – from the triple perspective of sustainability, competitiveness and secure supply – as well as the risks deriving from operational safety and the processing of radioactive waste.

The goal of ensuring supply means that the EU cannot turn its back on any form of energy

Another inadequacy is the lack of a genuine policy at the EU level geared towards promoting efficiency

The solution to the problem of asymmetries in companies' ability to compete lies in the strict application of competition policy

DEVELOPMENT OF THE EUROPEAN ENERGY MARKET

The shortcomings of the internal energy market span a multitude of areas, ranging from the asymmetries mentioned earlier in the actual competitive ability of various companies (either because the weapons with which public and private companies can compete are actually very different, or because companies with vastly different degrees of vertical integration often compete in the same market, giving a clear edge to the more integrated firms) to the insufficient harmonisation of regulations and the lack of a joint vision in planning and operating networks. Another inadequacy is the lack of a true policy at the EU level geared towards promoting efficiency.

Finally, there is a serious problem of interconnection of national energy systems, which, as noted in the previous section, affects the reliability of supply at the EU level but also, as one might easily guess, highly conditions the good functioning of the energy markets in terms of competition.

The solution to the problem of asymmetries in companies' ability to compete lies basically in antitrust policy, and it would be very important for the Spanish Presidency to seek out channels to overcome the existing grievances. Given the interests at stake, and knowing the positions of the various countries, this does not seem an easy task. However, it is essential to achieve progress in resolving these asymmetries if suitable conditions for competition are to be created in the European energy market. This is an issue that should be thoroughly developed in the revision of the Lisbon Strategy.

The following sections include proposals relating to the other problem areas mentioned.

A window of opportunity can be opened at the Copenhagen Summit for the EU and the US to lead the fight against climate change at the global level in the post-Kyoto scenario

Promoting the Agency for the Cooperation of Energy Regulators

The Spanish Presidency should boost the creation of the Agency for the Cooperation of Energy Regulators, enabling it to start developing its functions (which are very important in regulating international connections and drafting a 10-year investment plan from an EU perspective).

Promoting a European Energy Efficiency Campaign

This would involve recovering a project proposed earlier by the Energy Commissioner Adria Pielbags. Beyond the impact such a campaign might have in terms of energy savings (which would indeed be significant, since available evidence in countries like Spain shows that energy waste is still significant), it could serve to bolster European energy policy in the eyes of consumers and thus help overcome – at least in part – the tremendous lack of knowledge of this issue among European citizens.

From this perspective it would doubtless involve a long-term investment, but an investment that in any case would seem to be convenient if one wishes to avoid building a European energy policy that consists solely of a top-down process, which European citizens ignore or fail to perceive as their own, which could end up being a big obstacle (indeed, it already is) to its full development.

IMPROVING THE ENVIRONMENTAL BALANCE OF ENERGY POLICY

The 20/20/20 objective is, in itself, a fundamentally environmental objective that will nevertheless have a very big impact on the full spectrum of European energy policy. Obviously, many of the initiatives mentioned earlier also have a positive effect in terms of improving the sustainability of European energy policy.

Therefore, beyond the measures that have already been proposed, there are three additional initiatives that appear to be particularly timely:

Taking advantage of the EU-US summit

There is an especially interesting opportunity for dialogue between the EU and the US to delve more deeply into environmental aspects and, together with them, into energy policy. The arrival of the Obama administration has brought about a radical change in the US's position with regard to environmental issues in general and to the urgent need to reduce CO₂ emissions in particular.

Depending on the results of the Copenhagen Summit (December 2009), a window of opportunity can be opened for the EU and the US to lead the fight against climate change at the global level in the post-Kyoto scenario. This coordination is fundamental, taking into account that the problem of environmental sustainability is basically one of externalities, and therefore cooperative solutions are the most efficient – and perhaps the only – way of providing an effective response. Cooperation in the field

of energy should therefore be close to the top of the agenda at the EU-US summit scheduled for June of 2010.

Supporting R&D in new technologies/energy sources

The 20/20/20 objectives are oriented towards building a new, “low-coal” economy. But this goal can only be met if energy technologies that are capable of reducing emissions, improving energy efficiency and contributing to the reliability of supply are developed.

As with any new economic activity, the deployment of private investment needs a suitable public framework for the promotion of such new activities. The European Strategic Energy Technology Plan adopted by the Council in 2007 defines a framework for R&D&I incentives.

However, expenditures in R&D&I policies measured in real terms are even lower now than in the early 1980s. The 2.3 billion euros allocated to the 2007-2013 period of the Seventh Framework Programme seem scant given the magnitude of the challenges.

Consequently, it would seem necessary for the Spanish Presidency to try to bolster the funds for energy-related R&D&I policies, in particular in such diffuse sectors as transportation, which have been the biggest culprits in increasing CO₂ emissions in recent years.

In this regard, support for the development and dissemination of electrically powered vehicles is becoming a more clearly defined and peremptory need. The Spanish Presidency could promote the drafting of a white paper or even a directive on electric vehicles that would facilitate the creation of the appropriate infrastructure under compatible regulations in the Member States. Such an initiative would have implications for the energy market, but it would also have a great impact on the automotive industry and the ancillary industries surrounding it.

Towards convergence of the “polluter pays” principle

Although the “polluter pays” principle is commonly accepted, it is also true that, for instance, in the case of CO₂ emissions, there is no common price per ton discharged into the atmosphere. In general, there are no specific taxes linked to CO₂ emissions, and fuel taxes – which perhaps most closely resemble a tax on CO₂ – present great differences depending on the origin, even in the same sector. For example, in Spain, road transport generates very high fuel taxes, while transport by rail, air or ship is virtually exempt from such taxation.

Without a doubt, the convergence of taxation per ton of CO₂ discharged into the atmosphere, regardless of its origin, is a debate that is still pending in the EU. In spite of the concurring limitations (fiscal policy is basically a competence of the Member States), the Spanish Presidency should try to encourage such a debate in the EU. Similarly, it would appear convenient to promote the proposed Emissions Trade Directive as a mechanism for levying charges on greenhouse gas emissions, minimising the effects that it may have on the competitive standing of European companies.

Expenditures in energy R&D&I policies measured in real terms are even lower now than in the early 1980s

Spain could promote the drafting of a White Paper or even a directive on electric vehicles that would facilitate the creation of the appropriate infrastructure under compatible regulations

The Spanish Presidency could open the debate on the convergence of taxation per ton of CO₂ discharged into the atmosphere, regardless of its origin

PART TWO:
THE EUROPEAN UNION
AS A GLOBAL PLAYER

CHAPTER 5

TOWARDS A NEW EUROPEAN SECURITY ARCHITECTURE

It is now quite commonplace to affirm that for European citizens security and defence policy is a priority area of European integration. Successive Eurobarometers show how support for Common Foreign and Security Policy and for the European Security and Defence Policy remains steady over time and relatively homogeneous from one state to another. However, this is also one of the more sensitive areas when it comes to national sovereignty.

European security in the 2010 horizon contains certain elements that have changed the international context in recent years and that will inevitably condition the Spanish Presidency of the Council. European security cannot be understood without taking into account the evolution of two of the world stage's main actors: Russia and the United States. On one hand, the conflict that broke out in August 2008 between Russia and Georgia for the control of South Ossetia, coupled with Russian pressure to prevent the expansion of NATO towards the former Soviet bloc republics, have shown the profound difficulties that condition relations between the European Union and its biggest neighbour. The track record of Putin's Russia on the international scene seems to be oriented towards recovering certain areas of influence that the Soviet Union enjoyed during the Cold War over the entire European continent. On the other hand, the change in the U.S. Presidency is serving to relaunch multilateralism as a means of resolving international conflicts, with direct consequences for US-EU relations. Transatlantic relations will doubtless recover the prominent role that they never should have lost in the first place.

No significant advances are expected to occur in EU foreign and security policy or in its security and defence policy during the 2009 six-month presidencies. While the highly Atlantist-leaning Czech government sees NATO as the only mechanism for ensuring European security, the Swedish government, with a far more nuanced position, has not traditionally shown itself to be very active in this field of European cooperation. Thus, the semester during which Spain will hold the Presidency of the Council of the European Union will be a good time to bring to the table some of the hottest issues that have been building up on the European security agenda.

Three major issues regarding European security will have to be addressed in 2010: the drafting of Common Foreign and Security Policy objectives, the need to boost European Defence Policy, and the readjustment of EU-Russia security relations

Challenges and threats have broadened with the upsurge of piracy or attacks on cybersecurity, while others like weapons of mass destruction, terrorism and organised crime have gained stronger footholds

According to our analysis, three major issues regarding European security that Spain should address can be seen on the 2010 horizon: (1) The necessary drafting of common foreign and security policy objectives; (2) The need to boost European defence policy; and (3) The search for ways to adapt to the new circumstances in relations between the European Union and Russia.

A COMMON FOREIGN AND SECURITY POLICY MORE IN SYNCH WITH THE DOCTRINE OF HUMAN SECURITY

Advances in the more political areas of the European Union have always occurred in rather turbulent contexts. With the fall of the Berlin Wall and the demise of the Soviet Union, the European partners set out to replace the European Political Cooperation with a Common Foreign and Security Policy. In light of the US determination to attack Iraq in February 2003 without a mandate from the United Nations, and in spite of the European Union being openly divided, the EU decided to take one more step in the construction of a European security policy by reaching a consensus on a European Security Strategy that describes the main threats facing the Union and the instruments available for it to meet these challenges. For the first time, the European Union ceased to show itself as a strictly civilian power and reinvented itself as a global player with military as well as civilian instruments in its arsenal. More specifically, in this security strategy the European Union and its Member States backed effective multilateralism as the only way to “maintain global security and build a better world”.

Five years into the European Security Strategy, the European Council thought it necessary to undertake a sweeping revision of the objectives and instruments presented in this document. Finally, the revised Strategy, which was approved by the European Council in December 2008, was limited to simply updating the Union’s security policy objectives and instruments. The geopolitical context has doubtless evolved substantially over the last five years. The challenges and threats have broadened with the upsurge of piracy or attacks on cybersecurity, while others like weapons of mass destruction, terrorism and organised crime have gained stronger footholds, at the same time that the civilian and military instruments available to the Union have been consolidated. The European Security Strategy is a precise and forceful declaration of the relationship that exists between security and development. Indeed, the European Union proposes to become not just another player on the multilateralism stage, but rather the “most effective and capable” body for “leading the renewal of the multilateral order”.

Spain has traditionally presented itself as a pro-European country that is deeply involved in the development of a common European security and defence policy. Spain’s international status has doubtless been reinforced by its membership in the EU and the success of the Common Foreign and Security Policy. Except a brief, more Atlantist-leaning hiatus between 2002 and 2004, Spain has been a loyal defender of the European Union as a global player and of the need to advance in improving its instruments. The National Defence Directive approved in late 2008 ascertains that “national security is intrinsically and inextricably linked to the security of Europe”. In fact, the structure of the directive presents many similarities with the European Security Strategy when it comes to identifying global threats and challenges.

However, some of the more recent actions of Spanish foreign policy are a departure from this pro-Europe stance that is more committed to multilateralism. The cases of Iraq, on one hand, and of Haiti and Kosovo, on the other, are good examples of these unilateralist tendencies evidenced by Spain. It is well known that the government of Prime Minister José Luis Rodríguez Zapatero's first decision in April 2004 was to withdraw Spanish troops immediately from Iraq. This decision was not understood by his European partners, given the speed with which it was announced, nor above all was it well taken by the United States, which chose to dampen bilateral relations. Moreover, Spain's participation in the UN mission in Haiti (MINUSTAH), comprising a contingent of 200 troops and the cooperation of the Royal Moroccan Forces, was folded abruptly a few days after the presidential elections in late March 2006. Although the standards establish that the rest of the deployed forces must be apprised at least nine months in advance of a decision of such magnitude, Spain gave notice only 45 days before its withdrawal. Finally, the recent case of the withdrawal from the NATO mission in Kosovo (KFOR) also represents another example of this "unilateralist syndrome". Once again, and for purely domestic reasons, Spain decided that Spanish troops should withdraw from Kosovo by the end of the summer. And yet again, Spain's allies criticised its uncooperative way of announcing a decision that affects the rest of the countries with deployed troops. Although none of these missions were under a European Union mandate, Spain's prestige among its European partners as a committed, reliable country when it comes to resolving conflicts and keeping the peace has diminished.

European security is no longer limited to the defence of the territory, but also to the defence of human beings and the protection of their freedoms

In the first semester of 2010, Spain could find itself in a favourable scenario for firmly promoting the relaunch of the Common Security and Defence Policy. The new provisions of the Lisbon Treaty consolidate the European Union's global dimension through greater visibility (President of the European Council and High Representative of the Union for Foreign Affairs and Security Policy) and better instruments (European External Action Service, enhanced cooperation and permanent structured cooperation).

We share the analysis of a number of prestigious European institutions like the European Union Institute for Security Studies (EUISS) when they state that the security of the European Union is *de facto* human security. The Lisbon Treaty sets democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, equality and solidarity as the Union's common foreign policy principles and goals. At the same time, in its revision of the European Security Strategy in 2008, the European Union for the first time includes the principle of 'responsibility to protect' the population against war crimes, genocide or ethnic cleansing. Indeed, European security is no longer limited to the defence of the territory, but also to the defence of human beings and the protection of their freedoms.

In this same regard, and although the doctrine of human security is not the official line espoused by the European Union, Spain could also do its part to include some other basic principles of this doctrine in the European approach to security and defence. One of the most characteristic traits of Europe's approach to security is the complementary nature of the military and civilian instruments. While the former are necessary to put an end to violence, the latter are indispensable for consolidating peace.

If the Spanish Government wants to be credible in its proposal of reinforcing civilian command of the European Security and Defence Policy operations, it needs to improve its Spanish civilian contributions to international missions

The future lies in prioritising the rights of persons over the rights of the states, and to prevent crises and provide humanitarian aid over the strictly military resolution of conflicts

All of the European Union's peacekeeping operations should be governed by a clear and transparent strategic direction, that is, by a legal authorisation, transparent mandates and a coherent overall strategy. Furthermore, this direction should be under civilian command, because it would then have the necessary capability to better understand local and international political complexities and establish closer ties between the affected population and the European and national authorities in charge of the operation. The civilian command should be at the forefront of an intervention plan whose goal should be to solve the political problems that created the conflict and to help the civilian population to establish a legitimate political authority. In this regard, for a proposal by the Spanish government to reinforce civilian command of the European Security and Defence Policy operations to be credible, Spanish civilian contributions to international missions need to be improved. This is one of the biggest shortcomings in its current policy.

The formulation of a European security doctrine that is credible, effective and efficient must be directly linked to European public opinion. Human security can fulfil this premise, as its principles go beyond a strict defence proposal and include other elements such as the involvement of the local population in the search for long-term solutions to the conflict situation being experienced (establishment of a legitimate political authority, regionalisation). Solidarity with people who find themselves immersed in a conflict should be greater than the geopolitical consequences that some states may defend when undertaking an intervention operation. Indeed, public support is necessary to give legitimacy to any mission, whether it be civilian or military, and to support the risks and costs that any operation entails.

The human security doctrine has made its way forcefully into the centre of debates on European security. The Spanish commitment to this doctrine should be more explicit in developing the Union's future common Security and Defence policy. The only possible path for Spain and the EU is to prioritise the rights of persons over the rights of the states, and to prevent crises and provide humanitarian aid over the strictly military resolution of conflicts.

A FINAL PUSH TOWARDS IMPLEMENTING THE EUROPEAN SECURITY AND DEFENCE POLICY

After more than ten years since the start-up of the European Security and Defence Policy, the European Union can now take stock of the achievements and shortcomings in this area of action. The Anglo-French agreement reached in December of 1998 in the French city of Saint Malo gave Europe's foreign policy an instrument that enables it to act autonomously in managing and resolving crises beyond its borders. In this regard, the achievements of the European Security and Defence Policy have been obvious, with the creation of its basic structures (Political and Security Committee, European Union Military Committee, European Defence Agency, among others) and, above all, with the launching of more than twenty civilian and military operations in many far-flung locations of the planet. The first and last of these missions are good examples of their variety and scope. The EU's first operation was a civilian mission to train the police force in Bosnia and Herzegovina (EUPM), while the most recent one is, for

the first time, a complex naval mission to provide military surveillance and protection against acts of piracy and armed robbery affecting the fishing vessels in the Indian Ocean (EU NAVFOR Somalia/ATALANTA).

Among its shortcomings, the European Security and Defence Policy must cope with certain restrictions in the capacities that the Member States place at its disposal, not to mention severe budget constraints. On one hand, the lack of capacity and slow deployment often mean that the contingent (particularly civilian) is very small, usually less than 100 experts, which hinders the achievement of the goals set for such missions. In addition, dependence on NATO and the lack of its own general headquarters make planning and direction of the missions a hard task for the Union. On the other hand, the basic financing principle of any European mission is that each state must pay the costs of the troops it provides (*costs lie where they fall*). This can generate the perverse effect that some states fail to provide contingents because they cannot fund all the deployment costs. A partial solution was the creation of the Athena mechanism in 2004, which seeks to finance common costs of military operations. However, this mechanism only covers 10% of additional costs. In effect, the lack of will of the Member States in providing the necessary instruments and capabilities to the European Security and Defence Policy drastically limits the widely accepted goal of turning the European Union into a genuine player in the global security arena.

The lack of will of the Member States in providing the necessary instruments and capabilities to the European Security and Defence Policy limits the real projection of the EU as a player in the global security arena

Although Spain's political will is unquestionable, its military capacity prevents it from playing a greater role in developing the common security and defence policy. Based on 2007 data, Spain's defence expenditures account for 1.16% of its GDP, while the European average is close to 1.70%. Moreover, the Spanish government has repeatedly shown the difficulties it faces bearing the total economic cost of deploying troops in each of the European Security and Defence Policy missions in which it participates. In spite of its political will and availability of resources to take part in missions, the added economic costs could prevent Spain's participation in such missions. As for the contributions of human resources to the various missions of the European Security and Defence Policy, the Spanish government favours a model consisting of more operative and smaller multinational groupings, thus demonstrating its limitations with regard to troops effectively deployed abroad. What's more, Spain has even more trouble providing civilian resources than military ones. In short, Spain favours the European Union's current trend of developing peace-keeping operations with precise mandates that are limited in time.

Undoubtedly, the relaunching of the European Security and Defence Policy will only be a reality if some of the more deeply committed Member States take a step forward. It would be advisable to organise a Saint Malo II, with the difference that in 2010 it could not be circumscribed to an initiative between France and the UK. Germany should play a key role in such a new initiative, which should also include Italy and Spain, which can take advantage of its term of Presidency of the Union to promote this idea. The intent would be to take, as in Saint Malo, a new step forward in the process of building and implementing a genuine common security and defence policy over the coming decade.

Without needing to await this relaunch, the Lisbon Treaty has already provided for two new instruments aimed at facilitating the progress of a

It would be convenient to relaunch the Defence Policy led by France, Great Britain, Germany, Italy, and from the EU Presidency, Spain

The Spanish Government could propose the creation of common defence plans – that is, the common management of part of the national defence budgets

In order to deploy more missions simultaneously, it is necessary to increase capabilities; one way would be to integrate existing European forces like the Eurocorps or Euromarfor

few Member States in shaping a more efficient European policy, like the application of enhanced cooperation in the field of defence and the establishment of permanent structured cooperation efforts. In fact, what is intended with these initiatives is to advance at first with the most deeply committed states, and then, at a later stage, to encourage the rest of the states that are more hesitant to join this incipient future European Defence scheme.

Without going into the operational differences between the enhanced cooperation and permanent structured cooperation efforts, we can point out three defence areas that, in our opinion, Spain should boost during its Presidency through the cooperation of a small group of states. Firstly, it should establish a collective financing system for the missions that the Union carries out abroad. While some advocate national defence budget increases to 2% of GDP, the Spanish government should propose the creation of common defence plans, that is, jointly managing part of the national defence budgets. The present European system, where individual countries offering troops for a mission also finance their transport and logistics, is unsustainable. A system more closely resembling that of the United Nations should be set up, in which jointly-financed incentives are offered to countries that accept to send troops to an operation that has been agreed through consensus.

Secondly, it should promote joint training programmes for the national armies that will at some point in time take part in EU military missions. Through the existing but as yet not very operational European Security and Defence College, joint courses could be taught on developing the Common Foreign and Security Policy and the instruments of the European Security and Defence Policy. In this way, national troops participating in a European mission would share the same basic skills when the time comes to act in the field. Another proposal could be the creation of military exchange programmes, similar to the Erasmus Programme, to increase ties between the various armed forces.

And thirdly, it should increase the volume of European military capacity in order to deploy more missions simultaneously. Increased military capacity means, on one hand, improving coordination between the Member States in equipment procurement practices, either through the specialisation of individual states or through the pooling of resources. On the other hand, increasing military capacity will only be possible through the creation of multinational capabilities. A simple option for the time being would be to include the existing European forces like the Eurocorps, Eurofor, Euromarfor and Eurogendfor (the European gendarmerie force created in 2006) in the European Security and Defence Policy, as proposed by France during its six-month Presidency of the Council in 2008. This would ensure an increase in the capacity of the European Security and Defence Policy and enable the rest of the interested European countries to join in these initiatives.

In conclusion, Spain's pledge to multilateralism will only be feasible if the required economic, military and civilian resources are made available. The European unity that Spain advocates so forcefully in its speeches is the result of the efforts of each and every one of the Member States in developing joint policies addressing the priority areas of European foreign policy. Spain's contribution to the various international operations cannot

be fundamentally based on its national interests (for instance, the mission to defend the Spanish fishing fleet in Somalia), and should at all costs avoid unilateralist temptations to act on behalf of domestic causes without proper coordination with its partners.

THE EUROPEAN UNION AND RUSSIA: SO NEAR AND YET SO FAR

The deterioration of relations between Russia and the EU has been glaringly clear since the year 2000. As noted by Javier Solana in his speech at the Munich Security Conference in February 2009, "it often seems easier to be strategic partners than good neighbours". Economically, the EU is Russia's number one trading partner and a major source of investment after 9/11 (although, as is well known, commercial relations in the gas market undergo periodic crises due primarily to the bilateral confrontation between Russia and the Ukraine). However, in the security and defence area, the mutual distrust reminiscent of the Cold War has reared its ugly head again, hampering greater coordination in facing the threats that affect European security.

The fate of Euro-Russian agreements bears witness to this deterioration in relations. On one hand, the Partnership and Cooperation Agreement signed in 1994, whose goals were to offer a framework of political dialogue, boost trade and investment, and promote economic, social, financial and cultural cooperation, expired ten years after it went into effect without a proposal to deepen or at least renew the pact. On the other hand, the ambitious project involving four common areas (economy; external security; freedom, security and justice; and education and research) has failed to fulfil many of the objectives it had set for itself. Although Putin's Russia showed signs of rapprochement and support for the United States after the 9/11 terrorist attacks, subsequent miscues have distanced Russia once again from the West. In recent years, Euro-Russian political relations have been the subject of serious misencounters, like the successive EU and NATO expansions, the "colour revolutions", the majority recognition of Kosovo's independence, the Russia-Georgia war of the summer of 2008, the gas crisis of early 2009 or Russia's opposition to US installation of an anti-ballistic missile defence system in European countries like Poland and the Czech Republic (a project that was finally shelved by the Obama administration).

Internal divisions in the European Union regarding the conditions under which cooperation with Russia should unfold hamper understanding with this neighbouring country even more. Some countries like Poland, the Czech Republic or the Baltic countries show open mistrust towards Russia, due mainly to political motives. Others like France, Germany, or Italy maintain stable bilateral cooperation relations based on a pragmatism that will ensure energy but at the same time would evidence a lack of sincere concern for the development of a joint European security policy.

In June 2008, Russian president Dmitri Medvedev laid out a proposal in Berlin to review the overall security architecture of Europe. This proposal is still in the preliminary stages of defining objectives and commitments. For Russia, it is necessary to newly redefine the principles and institutions that make up the collective security system, following the example of the

In recent years, Euro-Russian political relations have been the subject of serious misencounters; the time has now come to revamp the relationship

Following the example of the 1975 Helsinki Conference on Security and Cooperation in Europe, Russia seems to propose a new definition of the principles and institutions that make up the European Security System

The Spain-Russia Partnership rests on an asymmetric base and is inspired by an acritical approach on Spain's part; this relationship weakens the European Union as well as Spain's position within the EU with regard to Euro-Russian relations

1975 Conference on Security and Cooperation in Europe that brought together all the countries of the Euro-Atlantic region to sign the Helsinki Final Act. Following Medvedev's speech at Evian in October of 2008, the new European security architecture should be governed by five premises: 1) The principles that the treaty should include and that will govern inter-governmental relations in the Euro-Atlantic zone should be the commitment to fulfil in good faith obligations under international law, respect for sovereignty, territorial integrity and political independence of states, and respect for the United Nations Charter; 2) the inadmissibility of the use of force or the threat of its use in international relations should be clearly affirmed in the new treaty; 3) the principle of equal security should be guaranteed; 4) maintaining peace and stability in Europe cannot be achieved unilaterally by the action of a single state or international organisation; and 5) arms control and limits on military construction should be the foundation for establishing new cooperation mechanisms in areas such as weapons of mass destruction proliferation, terrorism and drug trafficking. In other words, with this initiative Russia seeks to prevent the Atlantic Alliance from becoming the priority framework for European security and that relations with the European Union be on a strict equal footing. In short, Russia's "hard" security concept is diametrically opposed to the Union's "soft" security approach.

What role should Spain play in a new phase of Euro-Russian relations? According to our analysis, the geographic and political distance between Russia and Spain explain in good measure the scant diplomatic, trade and cultural relations between the two over most of the 20th century. At the same time, the lack of perception of the "Russian threat" by Spain during the Cold War, which other closer-lying countries suffered intensely, has also influenced Spain's scant interest in developing a foreign policy towards this country until relatively recently.

In the 1990s, and well into the present decade, relations between Spain and Russia had to a large degree been subject to European Union guidelines, which were strongly influenced by the geo-strategic and energy interests of some European countries. Recently, Spain has clearly structured a foreign policy based on more intense cooperation with Russia that is openly independent from the policy developed by the Union. Spain's non-dependence on Russian gas, unlike most European countries, no doubt enables it to develop a broader cooperation agenda, as shown by the signing of a Strategic Partnership Declaration in March 2009. The intent of the Spanish-Russian Strategic Partnership is to broaden the range of dimensions of cooperation, perfect intergovernmental consultation mechanisms, and above all raise relations to the level of a strategic political partnership profile. Precisely, the low intensity of historic relations between Spain and Russia also entails a lack of open disputes, misunderstandings or problems, enabling Spain to be well situated within the European Union to adopt a significant role in building a new strategy for relations with Russia. However, an asymmetry can be perceived in relations at this initial stage of the Spain-Russia Partnership. Spain presents itself more as an acritical partner of Russia than as a strategic and privileged one. This weakens Spain's position within the European Union with regard to Euro-Russian relations.

Improving relations with Russia is one of the challenges that the European Union has on its agenda for the coming years. Spain, as the European

country farthest from the Russian border, can underline the need to build closer cooperation ties with the EU (and its Member States). Beyond cooperation in the economic and energy fields, European security is a key issue in dealing with Russia. The six months in which Spain will hold the Presidency of the Council of the European Union can be a good time to boost Euro-Russian cooperation in some of the priority areas of European security and defence, like cooperation against terrorism, the fight against organised crime, non-proliferation of weapons of mass destruction, or even Russia's possible involvement in some of the European Security and Defence Policy missions.

As for the Russian proposal to develop a new pact for the European security architecture, the European Union needs to give a joint reply as soon as possible. For the first time in recent years, Russia has shown interest in Euro-Russian cooperation in the area of security, and therefore it is necessary for the Union to react seriously and in concerted fashion to this proposal. Some of the more distinguished politicians from countries like France, Germany, Italy and also Spain have already shown their support for the Russian idea of creating a new European security architecture. At the Munich conference, Javier Solana expressed the interest of European institutions in considering the proposal with a view to rebuilding mutual confidence between the main players in European security. However, this new pact should not be limited to security, following in the wake of the Helsinki Final Act of 1975 that also included cooperation proposals in areas such as the economy, science, the environment, culture or education. In this same spirit, we cannot, as Spaniards and as Europeans, set aside the issue of human rights as a basic principle of international relations.

No one should expect the Spanish government to become a sort of mediator between the European Union and Russia during its Presidency. We propose that more effective cooperation between the main players in ensuring the security of the continent should be promoted during the months of the Spanish Presidency. That is, Spain should play a role as facilitator between the Member States in order to find common ground among those that are more reluctant to increase cooperation with Russia and those that are more favourable to the idea.

The European Union, not its individual Member States, should show itself to Russia as the partner with which to build a new European security architecture. Consequently, all the Member States should give up part of their international prominence in order to reinforce the European Union as a truly strategic player in the global security system.

CONCLUSIONS

2010 could be a good moment for the European Union to give a definitive push to the development of a more coherent, credible and effective security and defence policy. This policy should rest on three principles: the defence and protection of human beings, the consolidation of peace, and the dialogue with the main players on the international stage. The Union and its Member States are already working in this direction, but it is necessary to do so with even greater decisiveness and conviction. Spain can play a pivotal role in achieving these goals.

For the first time in years, Russia has shown interest in Euro-Russian cooperation in the area of security; the EU should react substantively and in concerted fashion to the Russian proposal

Spain can play a role as facilitator between the Member States in order to find common ground among those that are more reluctant to increase cooperation with Russia and those that are more favourable to the idea

The EU's intervention in foreign conflicts should be based on the priority of human rights, the responsibility to protect and the idea that prevention is better than intervention

European security is human security. The European Union should not, and indeed cannot, take part in all the planet's existing or latent conflicts. However, the decision of which missions should be deployed cannot rest on geographic proximity criteria or on the interests of some Member States. The Union's biggest responsibility in resolving international conflicts should be to protect people, together with their rights and freedoms. That is, it should be based on the priority of human rights, the responsibility to protect and the idea that prevention is better than intervention. The Spanish government has expressed its commitment to human security on multiple occasions. The Presidency is a good time to take a new step in this direction and consolidate the civilian perspective of all of the European Security and Defence Policy's operations.

European security also means to contribute more and better towards consolidating peace, whether through aids for development, humanitarian aid or military and civilian intervention to resolve conflicts. Once the European Union has shown that it is capable of deploying military and civilian missions in multiple conflict scenarios, 2010 is the time for it to consolidate its role as a global player. It is necessary to solve the funding problems of missions, avoid vacillations in the decision to deploy troops wherever and whenever needed, and better coordinate the civilian and military levels of each international operation of the European Union. Spain's commitment to multilateralism should be *de iure* and *de facto*, that is, its commitment to the decision-making process and the execution of missions under the European Security and Defence Policy should be exemplary.

Finally, European security cannot neglect dialogue and cooperation with the main players in the international arena. The United States and Russia are two of them. Setting aside transatlantic cooperation, which is back on the multilateralism track after Barack Obama's election, dialogue with Russia is transcendental for European security. Spain can play a decisive role in improving cooperation between the EU and Russia provided that it also facilitates dialogue between the Member States closest to Russia and those more reluctant towards it. This means that Spain cannot be viewed by the rest of the Union as acritical towards Russia. The Spanish Presidency should be a time to provide content to Spanish-Russian relations and thus gain credibility among the European partners and begin to build a genuine, effective cooperation between the EU and Russia. The construction of a new European security framework can be a crucial element for this new Euro-Russian relationship.

CHAPTER 6

THE MEDITERRANEAN AND THE MIDDLE EAST: A RISK PRIORITY

The Mediterranean and the Middle East are of special interest to the EU and to Spain. Due to proximity and urgency, they will range high in the agenda of the Presidency during the first semester of 2010. While in recent years we have witnessed the entrenchment of internal and regional conflicts and the rise of new threats, we have also seen how the instruments for attaining peace, stability and prosperity in this region have changed substantially since the Barcelona Conference of November 1995.

This region is a top priority in Spain's foreign and European policy. As shown in the past, the best way to assert one's own interests is by playing a leading role in the EU's Mediterranean policy, asking the EU to pay greater attention to its neighbours, particularly to the Maghreb, and contributing to the resolution of the conflicts in the Middle East through determined European involvement.

In this regard, Spain has three main priorities when it takes on the Presidency of the Council in the first semester of 2010: (1) Implementing the Union for the Mediterranean, preserving the heritage of the Barcelona Process and making the most of the new instruments; (2) A qualitative leap in the EU's relations with neighbouring countries; and finally (3) Peace and stability in the Middle East.

The Spanish Presidency must cope with a risky scenario. Although some elements may have a positive impact, like the new US government or the breaking of the deadlock of the Lisbon Treaty, others may undermine the chances of success. The economic crisis will continue to have a negative impact in terms of resources and ambition, but the most unpredictable and dangerous factor will be the course of events in the Middle East. The evolution of the Arab-Israeli conflict and the Iranian dossier can jeopardise any attempt to take qualitative steps forward in Euro-Mediterranean relations or in the Peace Process. On the one hand, the existence of risks should not discourage the Spanish Presidency, which should establish early warning mechanisms enabling it to redirect the agenda. On the other hand, this should push Spain to be modest when it comes to creating expectations.

The Spanish Presidency should establish early warning mechanisms enabling it to respond to potential crises deriving from the Arab-Israeli conflict and the Iranian dossier, two issues that could jeopardise any attempt to achieve progress in the Euromediterranean project

THE UNION FOR THE MEDITERRANEAN: SEEKING CONSOLIDATION

Since the launch of the Barcelona Process in 1995, Spain has reiterated its commitment to the Mediterranean in spite of the difficulties

The initial Mediterranean union proposal not only represented an attempt to torpedo the Barcelona Process, but also posed a threat to Spain's leadership in the Mediterranean space

The year 2010 will be marked by the will to reinforce regional integration dynamics in the Mediterranean, as it has occurred in the context of the Barcelona Process. This Process is characterised by ambitious and transversal goals, by the involvement of a wide range of players, and by the will to coordinate and work together with other countries of the Euro-Mediterranean area. In spite of some advances in liberalising trade and maintaining regular political dialogue, the results of the Barcelona Process have failed to meet initial expectations.

We should note here that this process was launched precisely under the Spanish Presidency of 1995, and in spite of multiple difficulties, Spain has reiterated its commitment and has placed its political and diplomatic capital at the service of the "Barcelona model". All the Spanish governments since then have stood firmly behind this process, even in highly adverse circumstances, as in 2002 with the organisation of the Valencia conference, and more recently with the organisation of the first Euro-Mediterranean summit in Barcelona in 2005, under the British Presidency.

Over the years, Spain has been committed to preserving a high-level political dialogue to make progress in trade liberalisation (although with reservations in the area of agriculture), to introducing cooperation in matters of justice and home affairs, and to promoting cultural and educational programmes. It has also fostered greater institutionalisation, increased budget allocations and the development of the civil society dimension in Euro-Mediterranean relations.

Based on a common view that the Barcelona Process was unable to meet its goals, France proposed the creation of a Mediterranean Union in 2007. However, this project was not conceived as a complement of the Barcelona Process but rather as an alternative. It did seek to exclude EU countries that did not have Mediterranean shorelines and was perceived as an instrument serving French interests. The rhetoric of the project did not manage to hide the intention of offering Turkey a new space in exchange for its possible exclusion from the European Union, or of creating a new hegemonic space for a France that saw itself displaced from the EU's centre of gravity following subsequent enlargements.

The initial Mediterranean Union proposal not only represented an attempt to torpedo the Barcelona Process, but also posed a threat to Spain's leadership in the Euro-Mediterranean space. Under such circumstances, Spain opted to Europeanise the French proposal and bring it in line with the Barcelona Process without seeking open confrontation with Paris. Moreover, it managed to add issues of special interest for Spain to the agenda, such as solar energy or business development and above all, the rest of the countries were persuaded that Barcelona was the best site for the permanent secretariat of what had already been renamed the "Union for the Mediterranean". This was the result of the good coordination between administrations (Barcelona City Council, Autonomous Government of Catalonia, Ministry of Foreign Affairs) and excellent work by the Spanish diplomatic service,

Basic decisions regarding the Secretariat remain to be made. The agreements made in the Paris summit and the ministerial meeting of Marseilles are a complex balancing act with a full range of ambiguities and contradictions. Will this institution be operational by 2010? What role will the undersecretaries-general play? Is an institution with so many diplomatic-geographic tradeoffs in its direction functional?

A new institutional structure was also introduced, with a co-presidency shared by an EU country and non-EU partner from the South. On the European side, the issue of who will take on the co-presidency remains unresolved, and in spite of the agreements, France seems willing to retain these functions during the Spanish Presidency of the EU. On the partner-country side, the first co-presidency term (two years) fell to Egypt. The enhanced Arab role in the process has clearly positive effects, particularly as the Arab countries took on joint responsibility. Although this arrangement made it possible to block the deployment of the Union for the Mediterranean as a result of the Gaza crisis, it is no less true that Egyptian diplomacy worked hard to bring the Arab states back to the table in mid-2009, when work was resumed under a semblance of normality. We do not know if these attempts to hinder progress will be repeated in 2010 or how to avoid them, or at least minimise their impact. In any case, it will be necessary to prevent European countries from vying against each other for prominence.

The Union for the Mediterranean adopted a new functionalist method of cooperation based on six cooperation areas (solar energy, decontamination, infrastructures, higher education, civil protection and business development). These projects should be developed based on and generating concrete solidarities. Only those countries truly interested in such projects should become involved, and these should be flexible and appealing enough to mobilise private capital. We also ignore whether these projects will be under way by 2010, or if they will have achieved adequate funding in a global economic crisis context.

Finally, the Union for the Mediterranean inherits the Barcelona *acquis*. The goals and principles continue to be the same, only a few new items have been added to go even farther and overcome the traditional limitations. However, doubts regarding the transition between the two frameworks have not been dispelled. What role will the Commission play in this new phase? How will projects managed under the previous framework be structured? What will happen to the civil society dimension that had such a prominent presence in the Barcelona Process?

Each and every one of these uncertainties place us before a Union for the Mediterranean that has generated high expectations but is still in a process of definition. Its consolidation is one of the greatest challenges that the Spanish government will face during the first semester of 2010.

With the 2010 horizon in mind, Spain has set for itself the goal of getting the secretariat off the ground, together with some of the projects, and successfully carrying out a new Euro-Mediterranean summit, probably to be held in Barcelona. This goal calls for open cooperation on the part of France. The Spanish government seems willing to hand over its prominent role to France provided that it can hold the Presidency of the Union

The enhanced Arab role in the Union for the Mediterranean has clearly positive effects, particularly as the Arab countries took on joint responsibility, in spite of blocking the process for some time

The consolidation of a Union for the Mediterranean that meets the highest expectations, will be one of the greatest challenges that the Spanish Government will face during the first semester of 2010

By 2010 it is necessary to complete the implementation of a powerful general secretariat, headquartered in Barcelona, endowed with enough drive and able to overcome the existing divisions

It is necessary to focus attention on human development issues and bridge the gap between the Union for the Mediterranean and its intended recipients: the citizens

for the Mediterranean until 2012. However, this attitude could generate broad resistance in other European foreign offices, and it could contradict the Lisbon Treaty. The same alienating effects that the initial French proposal had on most of the Member States could repeat themselves if the partners get the impression that Spain and France are splitting up the leading role between themselves without taking the others into account.

We believe that the Presidency should be firstly an opportunity to demonstrate that the Union for the Mediterranean is an initiative that is consistent with the spirit of the Barcelona Process. Specifically, its actions should attempt to preserve all of the virtues of Barcelona (inclusive vision, spirit of consensus, common values and goals) and correct some of the criticised aspects (Euro-centrism, underfunding, scarce visibility and flexibility). In this regard, and without putting a strain on cooperation with France, Spain should try to drop some of the ballast inherited from the French Presidency. In the first place, it should place the general interest ahead of the temptation to vie for the limelight among nations. This principle, which can be materialised in many specific actions, should guide the six months of the Presidency and Spain's subsequent involvement in the Union for the Mediterranean.

Secondly, the dysfunctions of the new institutional structure should be resolved, and the Union for the Mediterranean should be preserved from suffering the jolts of regional conflicts. It is necessary to make the most of the logic of flexibility or variable geometry in launching and developing projects, as well as in promoting the political dimension of the Union for the Mediterranean. The Western Mediterranean can and should be a hard core of Euro-Mediterranean construction. For this to occur, we believe that the 5+5 Mediterranean Dialogue should be given greater substance in its present form. In parallel, coordination groups should be formed at the Western Mediterranean level for each of the Union for the Mediterranean's projects. Additionally, it is necessary to make gains towards setting up a powerful general secretariat that is endowed with enough drive and has the will to overcome the existing divisions. Together with the technical functions and the search for funding, the new secretariat should be able to have an impact on the Union for the Mediterranean's agenda, present proposals for action and call meetings.

Thirdly, it is necessary to focus attention on human development issues and bridge the gap between the Union for the Mediterranean and its intended recipients: the citizens. Projects should be approved by 2010, together with a working plan dealing with issues like food safety, rural development or improving living conditions in the major Mediterranean cities. Specific projects, with or without the support of private capital, should be launched in these areas. The contribution of civil society, a dimension that was absent in the initial development of the Union for the Mediterranean, should also be highlighted.

A NEW DEAL FOR THE EU'S NEIGHBOURS

The EU is usually viewed as a transforming power, which has trusted in the goodness of the convergence of third states with European rules and practices. The EU is also presented as a player that promotes the resolution of open conflicts, particularly among the countries that are within its

sphere of influence. Enlargement is the policy that best reflects this dual will. Since 2004 the EU has the European Neighbourhood Policy in place, characterised by its gradualism and by offering an *à la carte* integration without accession. The Mediterranean countries take part in this policy, but with differing degrees of enthusiasm. Paradigmatic cases include Morocco, which is receptive to this differentiating philosophy, and Algeria, which rejects the vertical logic and unilateral convergence proposed by the Neighbourhood Policy. Incentives, in any case, are not enough, and it would be convenient to think about a *New Deal* that is far more appealing to the Southern and Eastern Mediterranean countries.

The year 2010 will be an important year for the development of the European Neighbourhood Policy. Firstly because financial perspectives up to 2013 need to be reassessed. Although the manoeuvring room is small, the prospects should be updated on a country-by-country and areas of action basis. Secondly, because this year the development of the advanced status with Morocco will be hashed out; the first EU-Morocco summit being called as proof of the enhancement of the relationship. Thirdly, because the Action Plans with several Mediterranean partners need to be renewed. And fourthly, because an answer should be given to countries like Jordan, Tunisia and Egypt, which seek to follow the trail blazed by Morocco.

In this context, the EU should ask itself whether the Neighbourhood Policy and/or Advanced Status arrangements are attractive enough to generate far-reaching transformations among those states that have shown to be predisposed to advancing in this direction. It has already been noted in an earlier chapter that the inclusion of Mediterranean countries in the same political framework as the countries participating in the Eastern Partnership benefits neither of them. On one hand, it is necessary to explore what kind of policy should be established with countries like Algeria (beyond the energy partnership) or Libya (offering a framework agreement), which continue to show little interest in this dynamic and see the Neighbourhood Policy as nothing less than a way of interfering with their internal affairs.

Although its role in the launch of the Neighbourhood Policy has been discreet, Spain has been favourable to the philosophy of this policy and has defended the inclusion of regional programmes and cross-border cooperation. Spain has also advocated a two thirds-one third distribution of funds from the European Neighbourhood and Partnership Instrument for the Mediterranean countries and for the Eastern European countries, respectively. Finally, it has backed the idea of an advanced status for Morocco with the EU. In fact, Spain was the first EU country to support Morocco's request, and it has played an active role in garnering a line of opinion in the EU in favour of exploring a qualitative leap in EU-Morocco relations. That is, upgrading political dialogue, favouring Morocco's participation in EU policies and institutions and fostering legislative harmonisation, all accompanied by increased financial aid. The Spanish government does not exclude the possibility to export this formula to countries like Egypt, Jordan and Tunisia. However, the priority is a success of Morocco's advance status.

In the case of Spain it is well known that the Maghreb receives the greatest attention among all the EU neighbours. It is no coincidence that Spain has

The EU should ask itself whether the Neighbourhood Policy and/or Advanced Status Arrangements are incentive enough for far-reaching transformations and, if not, it should think about a new European deal

It is high time to propose a 'New Deal' to Mediterranean partners, whose main ingredients could be agriculture, mobility, financing and energy security

During its Presidency, Spain should make an extra effort with the Algerian Government, which is adopting an increasingly critical stance towards the EU

established the highest level of bilateral relations with the three countries of the central Maghreb through the Friendship and Cooperation Treaties. Its agenda with Morocco is complex, dealing with issues like controlling migratory flows, fishing, the fight against drug trafficking and terrorism, or the growing Spanish investment in this country. Noteworthy interests also exist in Algeria, although in this case they are far more focused on energy issues. Spain has opted to build a network of interests with these countries in order to neutralise the risk of a possible bilateral crisis.

The great challenge to the Presidency is to develop the content of the advanced status, which could be contemplated as a good practice for future similar frameworks adopted with other neighbours. Only in this way will the EU retain its appeal. This means promoting a *New Deal* for the region, whose main ingredients could be agriculture, mobility, financing and energy security.

In agriculture moves should be made towards greater liberalisation, but prioritising job sustainability and rural development both to the north and south of the Mediterranean. The Spanish Presidency should promote the idea that the future of the Euro-Mediterranean agricultural sector does not lie in protectionism, but rather in its commitment to quality production, better use of natural resources, and comprehensive rural development policies.

In mobility, the priority of this Presidency should be to facilitate and speed up the visa granting process, focusing on specific target groups. Formulas like the mobility partnerships already being applied with neighbouring countries like Moldova should be explored for specific countries. In such cases, the EU's calls for greater cooperation in the area of readmission criteria should be accompanied by a necessary flexibility in the circulation of seasonal workers.

As for funding, the Presidency should address a substantial increase in funds starting in 2014. Neighbouring countries ought to benefit (even if to a lesser degree) from regional policy funds as well as infrastructure and industrial restructuring funds, which have had a positive impact on the development of the poorest regions and countries of the EU. Any increase in these amounts would be offset, in part, by a rationalisation of Common Agricultural Policy funds.

Finally, energy should be a shared goal. The Mediterranean countries should commit to the EU's energy security in the same way that the EU should commit to the sustainable development of these countries. In cases like Algeria, this commitment could be accompanied by EU support in matters of special interest to Algiers, like its accession to the World Trade Organisation. In addition to supporting Morocco, Spain should make an extra effort during its Presidency with the Algerian government, which is adopting an increasingly critical stance towards the EU, which not only jeopardises EU-Algeria relations but also affects the entire Euro-Mediterranean area.

This *New Deal* would not resolve by itself some challenges like integration of the Maghreb. The deteriorated relations between Morocco and Algeria, with the Sahara conflict being the main (but not only) bone of contention, continue to compromise the future of a potential "North African

tiger". Although the talks concerning the Sahara continue their course, in 2010 the EU will very likely have to address the sluggish pace of recent years and the players who benefit from maintaining the status quo will probably continue to impose their preferences. All in all, the situation in the Maghreb is far more favourable than that in the Middle East, and not surprisingly, cooperation in this area is viewed as a mean to overcome the obstacles deriving from the Middle East conflict and keep the Euro-Mediterranean Process *acquis* alive.

IN SEARCH OF A POLITICAL ROLE IN THE MIDDLE EAST

Obviously, the Arab-Israeli conflict (or rather, conflicts) continues to be the central issue in the Middle East, afflicting the political, economic and social development in this region. The situation will remain unchanged in 2010. According to our analysis, several factors can positively shape the evolution of this conflict. Firstly, US involvement in the peace talks and the possibility that the Obama administration can finally be viewed as an honest broker in the region. Secondly, the evolution of the Israeli government, since the peace process could only resume if the current government is willing to negotiate from the two-state perspective. Thirdly, the course of the reconciliation process between the Palestinian factions and the possible formation of a national-unity or consensus government. And fourthly, the possibility of some kind of progress at the regional level if, beforehand, talks are resumed between Israel and Syria, and subsequently with Lebanon. However, all of these elements can evolve negatively if the US continues to be viewed as a partial player, if the Netanyahu government shows itself to be inflexible, if Hamas continues to stay away from the table, if the clashes between Hamas and al-Fatah (and even within al-Fatah) recur, and finally if new sources of tension arise, for example in Lebanon.

Notwithstanding the potential situation, calls for greater EU involvement in the peace process are being heard both in Europe and in the Middle East, and not merely as a provider of funds. For the EU to adopt a political role in 2010, it should present itself as a more united player and able to react quicker than in recent crises like that of Lebanon (2006) and Gaza (2008-2009).

With regard to the Arab-Israeli conflict, Spain has distinguished itself for defending the Presidency of the Palestinian National Authority, even when it was reviled by other international players (see the US stance towards the end of Yasir Arafat's mandate) or when it faced internal opposition (Hamas). It has also stood out for its advocacy of a solution to the conflict that necessarily involves regional talks, and for its position that Syria should be viewed as part of the solution rather than part of the problem. Finally, the Spanish government has been noted for its commitment to peace and stability in Lebanon.

Spain's voice is being listened to with special attention thanks to its engagement in resolving the Middle East conflict (since it hosted the Madrid peace conference in 1991) as well as its diplomatic track record in the region. However, on some occasions, the Spanish government has overestimated the role it can play, like in 2006, when it sponsored a peace initiative apparently without enough consensus in the EU and in the region.

For the EU to adopt a more prominent political role in the Middle East in 2010, it should present itself as a more united player and able to react quicker than in recent crises like that of Lebanon (2006) and Gaza (2008-2009); the new institutional framework of the Lisbon Treaty can contribute to this goal

The Spanish Presidency must come to terms with the fact that the peace process will only bear fruit if it is based on a dialogue without exclusions

The Spanish Presidency should be willing to correct some mistakes of the past without giving away any of its trump cards. Firstly, it should come to terms with the fact that the peace process will only bear fruit if it is based on a dialogue without exclusions with all the representative forces. The exclusion of players representing large parts of society undermines the value and reliability of the commitments. Forces like Hamas will never become EU allies or partners. Yet, they should take part in the process, even more so in critical situations like the current one. Along this inclusive vision, we believe that the EU should back the creation of a national-unity or consensus government in Palestine. This inclusive approach also implies adopting a regional perspective. Taking advantage of revitalised transatlantic relations, the Spanish Presidency can and should make use of its diplomatic capital to promote Israel's peace processes with Syria and Lebanon, provided that the Netanyahu administration adopts a stance that is more favourable to reconciliation.

The Presidency should join Washington in brokering an imaginative peace initiative taking into account the fact that the solution to the conflict becomes increasingly more complex as the months go by and that there is growing convergence with the US in international affairs and growing fears in Israel towards the ongoing Iranian nuclear plan by an even more radical government in Tehran. The possibility of offering transatlantic guarantees to the security of Israel and of the future Palestinian state in case of an attack by a third country should also be explored, provided that Israel and the Palestinian National Authority first manage to reach a peace agreement akin to the Arab Peace Initiative offer (two states following the 1967 borders, recognition of the state of Israel by the Arab nations, negotiated solution to the refugee drama, and Jerusalem as the capital city of both states).

In addition to the Arab-Israeli conflict, the region will also be affected by unfolding events in Iraq and, above all, in Iran. The EU's (and even more so, Spain's) ability to change the course of such events in Iraq and Iran is limited, but this does not mean that both issues should be left unattended, especially because they may have an impact on the regional configuration. Moreover, as is the case with the Arab-Israeli conflict, the EU has shown a divided front in both cases, and Spain has contributed to this division. Unity, dialogue, responsibility and regional vision should be the guiding principles of the Spanish presidency's strategy.

With respect to Iraq, the EU understands that the stability and reconstruction of the country following the (full or partial) withdrawal of American troops is a priority. The effects of the invasion and of the subsequent period of instability are quite visible. Insecurity in everyday life, sectarianism and communitarism, and the interference of external players will continue to be present in 2010. The biggest challenge will be to prevent the US withdrawal from prompting an increase in violence and in the threat of dismemberment of the country. EU policy should be aimed at supporting the complete emancipation of this country. Among other measures, it can offer the Baghdad government to reinforce the EUJust LEX democratic governability mission and cooperation with refugees and internally displaced persons.

Finally, in the context of a broad regional perspective, it would be important for the rapprochement with Iraq to gradually move away from an exclusively post-war outlook. Following the inclusion of a large number of Arab countries in the Euro-Mediterranean processes (Barcelona and now the Union for the Mediterranean), and as talks and the dialogue with the Gulf

Cooperation Council progress, some gaps remain in the European strategy towards the Arab countries, and Iraq is the most important of these. The Spanish Presidency of the Council of the European Union could be an appropriate occasion to design a framework for cooperation for non-Mediterranean Middle East countries. In this context, in addition to an agreement with the Gulf Cooperation Council, it might be a good idea to consider the possibility of negotiating Partnership Agreements with Yemen and Iraq, and of leaving the door open to an agreement with Iran once the current climate changes. If the German Presidency of the EU fostered a Strategy for Central Asia in 2007, perhaps the Spanish Presidency could propose an equivalent strategy for the Gulf and the Arabian Peninsula.

Iran has taken on an increasingly prominent role in a broader area of influence. The international community focused its attention in recent years on the development of its nuclear programme and its potential ability to develop atomic weapons. In this regard, Tehran continues to disregard the international community's demands for transparency. In the EU, such demands have come from Germany, France, the UK and the High Representative. The upscale in tensions between Israel and Iran would confront us with one of the worst-case scenarios that could arise in 2010. In addition, as a result of the latest elections, the internal political situation has generated doubts regarding the balance of power and stability in Tehran. Hope is placed in the US offer of talks with Iran as the best policy for backing down from a scenario of regional confrontation with a global reach. However, the delicate domestic situation only multiplies doubts regarding the evolution of this *dossier*, and the EU should be prepared to make quick decisions.

However, confrontation with Iran would be the worst-case scenario for the Spanish Presidency of the Council of the European Union. The Presidency should use up all the diplomatic channels, structuring the EU's position with that of the major global players and making efforts to integrate Iran in forums and dialogue initiatives. The Presidency should send Iran the message that this country can and should contribute to stability and security in the Middle East, the Gulf, Central Asia and Afghanistan, and that it is through such a constructive policy that Iran will consolidate its position as an indisputable regional power. However, in the likely case of a negative reply from Iran to the offer of international cooperation, the Spanish Presidency should pour all its efforts into preventing the EU from presenting a divided front in the face of a new crisis. In other words, the image shown in 2003 with the invasion of Iraq should be avoided at all costs: this involves working in advance to achieve solid consensus in the EU that will not only avoid divisions but will go beyond minimum-common-denominator policies.

CONCLUSIONS

The Mediterranean and Middle East agenda is chock-full of difficulties and its success is far from being a safe bet for the Spanish Presidency of the Council in 2010. Yet, so many interests are at stake that a country like Spain, which combines its pro-European and pro-Mediterranean vocation, is obliged to set the Mediterranean and the Middle East as a top priority. All the same, this involvement should take place without creating exaggerated expectations and contemplating European interests as dissociable from national interests.

The Spanish Presidency might be a good occasion to design a framework for cooperation for non-Mediterranean Middle East countries, starting with Iraq, with a regional strategy akin to that adopted in 2007 for Central Asia

Direct confrontation with Iran is one of the worst-case scenarios that must be avoided, but it is necessary to be prepared for it

The virtues of the Barcelona Process and the innovations of a modified Union for the Mediterranean must be exploited to the utmost

Only by something akin to a 'New Deal' representing a new and sufficiently appealing offer will Europe be able to ask its Southern neighbours to embark on greater reforms

Spain needs a strong European policy in the Mediterranean, and this will only be possible if all the Member States buy into this policy. The virtues of the Barcelona Process must be exploited to the utmost, and the innovations of the Union for the Mediterranean must be used, correcting some of its structural problems. It will be necessary to put the collective interest before the will to enhance national prestige, clarify and rationalise the institutional structure, and put the spotlight of the Union for the Mediterranean on its intended recipients: the citizens.

It is necessary to address relations with our neighbours with greater ambition: more forcefully introducing agricultural policy, mobility, energy and active development policies can generate transforming dynamics. Europe will be able to ask its southern neighbours to embark on the necessary reforms, only by something akin to a New Deal representing an appealing offer. Such reforms should be assessed taking into account objective criteria including the will to move forward in the resolution of open conflicts between the southern states.

In 2010, the Arab-Israeli conflict and also the delicate situation in Iraq and Iran will continue to mark the region's future. It might be a good time to back a dialogue with no *a priori* exclusions. It may even be a good idea to offer Israelis and Palestinians transatlantic security guarantees if they make progress down the road to peace. In any case, it would be indispensable to cooperate with an American administration acting as an honest broker. A regional approach to the Gulf region, promoting agreement with the Gulf Cooperation Council as well as with Yemen and Iraq would serve to set the framework for involvement in an Iraq emerging from American stewardship. The greatest threat to the EU's role and interests in the region is the divisions among its Member States, in particular with regard to Iran. To avoid such divisions, internal and external dialogue mechanisms must be set up to face a potential reactivation or appearance of sources of tension in the region.

CHAPTER 7

LATIN AMERICA AND EUROPE: GLOBAL PARTNERS

The holding of the 6th Latin America-Caribbean-European Union Summit in Madrid in May 2010 during Spain's Presidency of the Council of the European Union is no coincidence. Spain has taken on the responsibility of leading a renewed drive in favour of the Bi-regional Strategic Partnership launched in 1999 and helping Latin America consolidate its position as an undisputed European partner. Spain's attempts to build on this relationship was pushed into the background following the EU's northward and eastward enlargement. Placing Latin America and the Caribbean low down on the international agenda creates a sense of comparative grievance *vis a vis* other regions; it also dilutes European credibility, testing its genuine will to turn strategic elements of the relationship into effective policies. Latin America and the Caribbean are key areas of interest for any player seeking global status like the EU. Greater commitment to the relations between the two regions should garner mutual benefits and strengthen the EU's position in the international arena.

Placing Latin America and the Caribbean low down on the international agenda creates a sense of comparative grievance and affects the EU's credibility in the region

The Spanish government should make the most of the European and Latin American spaces of agreement consensus and make the incentives of strengthening transatlantic ties quite clear, not only at the inter-regional level, but also to consolidate a new, effective multilateralism. It is necessary to break with the reluctance to expand the Latin American political agenda that in Europe is associated with increased financial demands to the detriment of other regions. Highly differentiated political processes and economic structures coexist in Latin America and the Caribbean to shape a heterogeneous, dynamic region. Their tensions and potentialities represent challenges that the EU should be capable of meeting by playing an active role promoting a more balanced multilateral cooperative base. The Spanish Presidency, which coincides with the bicentennial independence celebrations of a number of Latin American countries, offers an unparalleled opportunity to promote rapprochement, mutual knowledge and cooperation between Europe and Latin America and the Caribbean.

TENSIONS AND UNCERTAINTIES IN 2010

While some consolidated integration projects – like the Andean Community of Nations – are weakened, initiatives led by Brazil (UNASUR), Mexico (Mesoamerica) and Venezuela (ALBA) have flourished

As noted by the main international organisations, in 2010 Latin America and the Caribbean will begin to recover from the effects of the international crisis, which brought a period of economic bonanza to a halt. Although the five years of economic growth before the crisis began a slow yet steady poverty-reduction process that benefited 27 million people, the region continues to suffer from high levels of inequality and social exclusion. Socio-economic tensions combined with increasing violence and organised crime have laid the ground for recurrent political governability crises; therefore, creating scenarios characterised by low institutional quality and crises of political representation. On the international front, the region faces an increasingly fragmented regional integration map and a reshaping of its international reinsertion strategy in terms of the reform of the multilateral governance architecture, hence affecting its relations with the EU.

The economic downturn poses a threat to the struggle against social exclusion

From 2004 to 2008, most Latin American and Caribbean countries enjoyed a period of sustained growth at an average annual rate of 5.3%, driven by a rise in commodities due to higher demand. Some countries strove to consolidate autonomous monetary policies, reinforce fiscal policies, reduce or do away with their foreign debt, and build up reserves. However, the global economic downturn has generated an economic deceleration that has had a strong impact on remittances and exports, causing prices of raw material to go into a tailspin, reducing direct foreign investment, strangling credit flows, increasing capital costs and shrinking tourism revenues, all of which affect the countries unevenly. On the other hand, the region, as a whole, is better prepared to face the recession compared to previous crises, as the Brazilian signs of recovery prove. Even so, with 33.2% of the population mired in poverty (182 million people) and a tremendous accumulation of wealth in few hands, Latin America and the Caribbean continue to be the most unequal region in the world.

Governability crisis and fragmentation of the regional map

The Spanish Presidency should launch a more determined European policy in a region that accumulates governability problems, where the social discontent with the effects of the neo-liberal model of the 1990s resulted in more left-leaning governments over the last decade. The political polarisation in contexts of unfinished democratic transitions and the tensions resulting from continuous changes in the legal-institutional framework led to the interruption of presidential mandates in some countries. Although most of them managed to keep their democratic institutions relatively intact, the shadow of the coups d'état once again hovers over the region after the events in Honduras. Moreover, irregularities in some electoral processes undermine the legitimacy of the political class. The region is torn between a liberal conservative political outlook (Colombia, Mexico, Panama and Peru) and progressive trends with various nuances. The governments identified with "21st-century socialism" led by the Venezuelan

president constituting the radical populist side of the progressive trend; this one is charged with a rhetoric that is highly antagonistic towards the United States (Bolivia, Cuba, Ecuador, Nicaragua and Venezuela). The current governments of Argentina, Brazil, Chile, El Salvador, Paraguay and Uruguay lean, with subtle differences, towards a more moderate, social democratic outlook.

The end of a favourable macroeconomic context opens up a 2009-2011 electoral cycle that will test the “leftward turn” that took place at the start of the decade in a scenario of crisis. These political tensions are coupled with the uneven development of Latin American integration, which is getting bogged down and even weakening, as is the case with the Andean Community of Nations, while new initiatives like UNASUR (led by Brazil), Mesoamérica (Mexico) and ALBA (Venezuela) emerge. This points to a struggle for regional leadership and the absence of a unified political-strategic perspective. Nevertheless, the responsible leadership of Brazil in integrating most of the countries of the southern region emerges as the most plausible scenario for preventing and solving conflicts, making the most of regional strategic resources and strengthening international multilateralism.

The search for an international insertion model

This complex situation has been compounded by the fact that, in the last decade, misunderstandings between the United States and several countries of the region, following the crisis brought on by 9/11, prompted a greater search for regional autonomy; this in spite of a common strategic vision and a consolidated regional leadership. However, the 5th Summit of the Americas held in Trinidad and Tobago in April 2009, with the leadership of President Obama in the United States, seems to point towards a substantial change in relations that will bring about a greater presence in the region. In the last decade, China has increased its role in Latin America and the Caribbean, not only as trading partner that imports large quantities of raw materials and sells low-cost manufactured items (it is now Brazil’s number one trading partner), but also as a rising investor seeking to assure imports and even supplying development funding, as shown by its formal inclusion in the Interamerican Development Bank in 2009. These factors, along with the growing role of emerging powers in international forums like the G20, reinforces the importance for Europe of improving the quality and increasing the intensity of relations with Latin America.

10-year assessment and ground rules for reinvigorating the Strategic Partnership

Ten years after the launch of the Strategic Partnership between the EU and Latin America and the Caribbean is a good time for the Spanish Presidency to take stock of the situation. If national security is intrinsically and inextricably linked to the security of Europe is important to face challenges like the freezing of the Doha Round and the impact of the global economic crisis, coupled with strong socio-economic asymmetries between the players and their differing degrees of integration, which hamper the effective configuration of a common space. Unlike European

The responsible leadership of Brazil emerges as the most plausible instrument for preventing and solving conflicts, making the most of regional strategic resources and strengthening international multilateralism

The new presence of powers like China and the United States in the region and the inclusion of Latin American states in groups like the G20 reinforce the importance of Latin America for Europe

The existence of opposing regional interests, low trade volume and Eastward enlargement have resulted in a diversion of European interests away from Latin America and the Caribbean

Promoting strategic dialogue between the EU, Brazil and Mexico, and even with other states, could erode the role of bi-regional dialogue, increase regional asymmetries and exacerbate struggles for leadership in the region

integration, whose geographic expansion has consolidated a common legal *acquis* and a complex yet common institutionality, Latin America and the Caribbean do not have comparable institutions covering the entire regional geographic space. The 2005 Communication on “A reinforced partnership between the European Union and Latin America” laid out the groundwork for the relationship. However, this has failed to reactivate the regional dimension of the strategies and continues to be mired in sector-based and national interests. New responses are needed to establish solid and viable foundations for bi-regional partnership.

Spain is assuming the Presidency of the Council of the European Union at a time when the political agenda is charged with rhetoric. On the political side, Latin America, the Caribbean and the EU proclaim to be allies in the strengthening of global governance, and they approve declarations on issues affecting human rights, democratic principles and the management of global public assets. However, this rhetoric is not mirrored by progress on the international agenda or in commitments met. There are serious discrepancies on issues like redesigning financial institutions, negotiating with the World Trade Organisation, United Nations reform and shared responsibility in the face of a long list of global challenges; among them, environmental conservation and climate change, the fight against organised crime and drug trafficking, migrations, terrorism, the arms race or the food crisis, none of which are adequately addressed in political dialogue.

The existence of opposing regional interests, the low share of Latin America and the Caribbean in the total European trade (just 6%, compared to Europe’s 14.5% share of Latin American and Caribbean trade) and the EU’s eastward enlargement have caused a diversion of European attention away from the region. The “new Europe” of the latest enlargement is made up of countries with per capita income levels that are in many cases similar to those of some Latin American countries; consequently, it would be incomprehensible for them to focus on relations with Latin America and the Caribbean in the classic terms of North-South relations. This, added to their status as agricultural nations, makes a common position towards Latin America and the Caribbean more difficult and widens existing inter-regional asymmetries. On the Latin American side, although Europe is its main source of development aid, its second trading partner and its second investor behind the United States, the interest shown towards the European partners is also far from even. Mexico and Central America are economically interwoven with the United States, while their relations with Europe are secondary, even though the crisis has highlighted the lack of diversification of their economic relations. On the other hand, South America has leaned more towards a balance between three poles, namely the US, Europe and the emerging Asian market. As we have already noted, China has already become Brazil’s number one trading partner. In this context, promoting strategic dialogue between the EU, Brazil and Mexico, with a view to other emerging countries in the region, could erode the role of bi-regional dialogue, increase regional asymmetries and exacerbate struggles for leadership.

The Partnership Agreements are the most powerful instrument for strengthening Latin American and Caribbean – EU ties. Consequently, promoting a network of agreements serving as a legal and institutional basis for the bi-regional partnership is a priority for the Spanish Presidency. However, there is no need for the dynamics of sub-regional talks to be in synch with the summits. It is true that the differences between partnership frameworks with in-

dividual countries in the region hamper a common approach, but the Presidency should avoid closing bad deals because of the hurry to show concrete results. A revision of the bilateral agreements with Mexico (1997) and Chile (2002) would be informative, but the level of negotiation with integration blocks is the most complex: the CARIFORUM countries are immersed in a revision of the Cotonou Agreement, while the situation in Honduras has impeded progress with the members of the Central American Economic Integration System. For their part, talks with MERCOSUR are the most important in terms of trade volume for the EU, but they have been at a standstill since 2004 because of MERCOSUR's demands in agriculture and Europe's own demands in the area of industrial products. Meanwhile, negotiations with the Andean Community of Nations have been virtually abandoned, and the negotiation mandate now only encompasses Colombia, Peru and Ecuador (with serious doubts as to the latter), contradicting the European tradition of encouraging sub-regionalism in the region.

In 2005 the Commission set regional integration and social cohesion as priorities, but the cooperation agenda remains unclear and the means used to support it have been limited. The bilateral cooperation policies of the Member States are hardly coordinated or complementary to those of the EU or of each other. In December 2008, the first meeting between the EU, Latin American and Caribbean cooperation agencies was held with the aim of improving joint efforts in the region. This meeting considered the application of the Paris Declaration on Aid Effectiveness and the approval of the Code of Conduct for a division of work between EU Member States, opening up a useful reflection process on the framework of cooperation within the region. This process should be advanced under the Spanish Presidency with a view to simplifying instruments, coordinating policies and ensuring that the agreed priorities are used to guide the instruments, and not the other way around.

THE CHALLENGE OF ACHIEVING AN INTEGRATING AND EFFECTIVE BI-REGIONAL STRATEGY

Spain's effort to reinforce ties and increase the importance of Latin American and Caribbean issues in the European institutions has been emblematic of Spanish foreign policy since it began negotiating its accession. As its fourth term in the Presidency of the Council of the European Union approaches, the results of this policy have been mixed. It cannot be denied that there has been great progress since 1986, most notably the launch of the Strategic Partnership in 1999, but the implementation of instruments and policies has since ground to a halt and faces serious limitations. The main challenge for the European Presidency is to lay out the contents of the Partnership in the shape of strategically designed policies and give them the proper muscle in terms of effective resources and instruments.

The shaping of a strategic agenda requires a revision of the 2005 Communication on a Stronger Partnership. The partnership contemplates relations both in bi-regional and bilateral terms and is based on summits, political and sector-specific dialogue where social cohesion and the reduction of social and territorial inequalities are central issues in the current Latin American context. One of the goals of the Spanish Presidency is to include specific dialogues on social cohesion, the environment, security,

The Presidency should avoid closing bad deals in the Latin America and Caribbean - EU summit because of the hurry to show concrete results

In addition to implementing the Paris Declaration and the code of conduct, Spain should work to improve cooperation instruments and reverse the trend towards withdrawal of donors

The 6th Summit should end with an Action Plan facilitating a new European Strategy and the convergence of Member States' policies

Bi-regional institutions should be more balanced, with a smaller European accent; a good starting point would be the Euro-Latin American Foundation proposal

drug trafficking and migrations in the agenda and turn them into benchmarks for monitoring progress. These are precisely the issues that present the greatest complementary aspects of relations and that have already been the subject of partial sector-specific initiatives; all of them with the underlying goal of increasing the ability of both regions to influence the great debates that are on the international agenda. As preparations for the 6th summit are ongoing, one goal remains imperative: to finish the meeting with a specific Action Plan that will serve as the foundation for the new European strategy and a starting point for greater convergence of the Member States' policies.

The bi-regional institutions should be infused with a new sense of balance, meaning primarily a reduction of the Euro-centric bias. This could begin with an elaboration of the 'Latin America–Europe Foundation' proposal included in the Lima Declaration that will be detailed in the forthcoming summit. This could become a source of strategic thought that can serve to partially fill the current gap between bi-annual summits and catalyse invigorated relations between governments, regional institutions and civil society in its many forms. This could help reduce the current shortcomings in terms of social participation in the Strategic Partnership. We believe that it is also important to move from the EU's traditional institutionalist approach to a more pragmatic one. This could be achieved by supporting the sector-specific dynamics that contribute to reducing asymmetries between the states and increasing competitiveness, and taking into account the disparity in integrationist vocation from one Latin American country to another.

The security agenda between these two regions must be linked to regional, as well as international stability, for instance, developing the idea of drafting a 'Euro-Latin American Charter for Peace and Security', as well as to other areas of internal security are particularly pressing issues in Latin America. Among these areas, the fight against drug trafficking needs to be reviewed - there has been a coordination mechanism in place since 1995 but years of relative failure requires a new approach. Local security and the fight against violent crime has become one of the region's biggest challenges and also needs enhanced cooperation. As for more traditional security aspects, the EU should strongly support regional frameworks for the prevention and resolution of conflicts as a response to recent rearming in the region.

Adding social participation to the institutional and political dimension is also a major challenge in forging a Strategic Partnership that is in touch with the citizens. The Latin American and Caribbean countries and their regional institutions are responsible for designing their own integration models and deciding how they must contribute to social cohesion, establishing corrective measures that will enable the benefits of economic integration to fit in with economic and social cohesion policies. These incentives and corrective measures should be included in inter-regional relations between the EU and Latin America and the Caribbean.

The European experience cannot be replicated, but it serves to illustrate some effective instruments offered by regional integration to achieve more balanced social development: funding of infrastructures, cross-border development plans, harmonisation of labour laws, international labour mobility, income transfers or grants to vulnerable social sectors,

industrial policies, promotion of innovation, financial stabilisation or tax breaks for certain territories. The EU should support these types of policy in the Latin American and Caribbean regional integration frameworks, taking into account the fact that innovative initiatives now exist, most of which are related to improving infrastructures and their funding. In our opinion, it is hardly realistic to think that the EU can shoulder the burden of the volume of financial resources needed to address the problem of intra-regional asymmetries in Latin America and the Caribbean. Nevertheless, it is conceivable for policies supporting regional cohesion to be given flexible, committed and reliable financial mechanisms that may serve to leverage national policies or bolster the institutions involved in integration processes, like MERCOSUR's FOCEM, FONTPLATA, the Andean Development Corporation (CAF), or the Central American Economic Integration Bank (CAEIB).

Environmental sustainability and energy security, which are essential elements for managing global public assets, should also be taken into account in negotiating and developing the bilateral and regional Partnership Agreements (see, for example, the risks noted in studies on sustainability drafted in relation to the partnership agreements with Chile and MERCOSUR regarding potentially harmful environmental effects of increased agricultural and mining activity). Environmental clauses and preliminary environmental impact studies in connection with the agreements, as well as technology transfer to reduce this impact has to be part of them. Additionally, the Spanish Presidency, which begins immediately after the Copenhagen climate summit, should strive to include the necessary actions for compliance with the commitments adopted at this summit in the energy cooperation agenda.

As we have argued in the corresponding chapter, the handling of migration has become one of the main points of contention between the two regions, and it will have to be addressed from a flexible, multidimensional perspective. The recently launched dialogue relating to this sector should focus on co-responsibly managing migration and addressing practical issues, resisting the temptation to unilaterally impose policy. The Partnership Agreements could include the migratory issue with non-discrimination clauses, guarantees with regard to working conditions, remuneration and dismissal, mechanisms for speeding up official recognition of academic and professional degrees, equal treatment relating to social security benefits, the unhindered transfer of pensions, etc. Provisions can also be included to prevent and control illegal immigration, with the obligation of readmitting nationals found to be illegally in the territory of another party and the obligation of guaranteeing the rights and dignity of illegal migrants in return processes. Another initiative aimed at improving dialogue would be to create a mechanism enabling the EU entry visa requirements to be reversed according to objective indicators of migratory flows.

In the area of development cooperation policy, we have already pointed out that the most urgent issue is to apply the Code of Conduct on the Division of Labour in the region in the context of an accelerated decrease in the number of bilateral donors in Latin America and the Caribbean. Here it is necessary to try to restructure cooperation and ensure that there will not be an overall decline in resources; Spain is clearly the country that is called to lead European coordination in relation to cooperation with Latin America, including decentralised cooperation. The debate on cooperation

The EU should support regional frameworks for the prevention and resolution of conflicts in response to recent rearming in the region

Policies supporting regional cohesion could be provided with financial mechanisms that could serve to leverage existing national integration policies or regional integration institutions

It is necessary to ensure that there will not be an overall decline in European resources allocated to Latin America

It is necessary to extend the cooperation agenda in the area of human rights advocacy with new positive measures that should be added to clauses containing democratic and social conditions present in bilateral and sub-regional agreements

with middle-income countries should also be reinforced with a view to transforming it into national and regional operational strategies. Another issue that should be studied is the way in which Triangular Cooperation can be increased, involving more countries that, like Brazil, Chile or Mexico, are already committed to South-South-North projects. Given the financial constraints, rather than proclaiming new initiatives that will accentuate the dispersion of resources, it is preferable to reinforce and perfect the available instruments, reach solid agreements on the guiding principles of policies following international quality standards, and establish mechanisms for co-ordination, monitoring of results and mutual accountability.

Since the 1990s, when the vast majority of countries in the region recovered their democratic institutions, the commitment to protect fundamental human rights and respect the democratic process has been consolidated as the benchmark for relations between Latin America and the Caribbean and the EU; it has been reiterated at the highest level of inter-regional dialogue. Nevertheless, beyond the democratic and social conditions included in bilateral and sub-regional agreements and in other cooperation instruments, there is no positive formulation of a cooperation strategy in the area of human rights advocacy. The application of conditions by the EU has been frequently challenged by Latin America and the Caribbean, which have accused Europe of using double standards depending on the country, and above all in relation to other regions. Given the tensions which the fragile democratic institutions in some countries of the region must face, particularly in Central America and in the Andean region, a more strategic action is required to reinforce the actions that have been carried out through civil-society organisations. This includes involving the new democracies of Central and Eastern Europe whose experience may be valid, and whose level of involvement in the region is, in general, very low.

CONCLUSIONS

Neither travel companions nor marriage of convenience; relations with Latin America and the Caribbean are based on shared values that should underpin a common project with a medium and long-term vision where the heterogeneous nature of both regions is taken into account. Going beyond a trade-off of opposing economic interests under a veneer of solidarity elements, it requires a translation of the shared vision into measurable goals.

For relations between Europe and Latin America and the Caribbean, a preliminary step is to agree on the backbone for renewing the multi-polar international governance structure. This rests on the pillars of human rights and democracy, preserving peace and security, economic stability and a co-responsible management of public assets that takes into account the asymmetries in capacities and resources. The practical materialisation of this includes addressing common positions before competent international institutions; being consistent according to the goals to be reached, the available resources and the obstacles to overcome and establishing each party's responsibilities.

In institutional terms, the Spanish Presidency should rationalise and simplify the political dialogue and avoid measuring the success or failure of the 6th Summit on the conclusion of the Partnership Agreements. Rather than hurrying to sign an agreement, it is better to establish the principles

that should govern relations defining how the asymmetries are to be handled, the special and differential treatment, the offsetting measures required to address the necessary reforms, the legal instruments formalising the political and financial commitments, and the instruments required to monitor and account for the defined policies. EU support for regional integration should refrain from attempts to transpose the European model to the region. It should help strengthen institutionality through balanced political dialogue. Europe should direct its cooperation towards implementing policies that generate integrationist dynamics and contribute to economic and social convergence in the region like infrastructures, social cohesion funds, harmonisation of laws, regulatory policies, effective mechanisms for solving controversies, labour law harmonisation policies, and responsible management of migratory flows, as well as industrial policies aimed at linking productive sectors.

It is necessary to join efforts in order to save on resources. In the current context an increase of European cooperation finance for the region is unlikely, although there is still a great deal of room to improve the effectiveness and impact of that which does exist. This means allocating the Member States' resources to the framework of application of the Code of Conduct for the Division of Labour in negotiated form with the partner countries, concentrating them where they are most needed and establishing more flexible financing mechanisms like pooled funds or trust funds that can accommodate joint public-private efforts and triangular cooperation.

Security problems have re-emerged with a growing destabilising role for democratic institutions, with problems of public safety and organised crime. In this situation, it would be convenient to analyse the effects of national security and rearmament policies on the region's stability, and on the role of the countries' law-enforcement bodies. It is also necessary to revise the instruments for setting up democratic conditions and to draft a strategy promoting multilevel democratic governance.

Europe and Latin America do not always reach a middle ground when it comes to defending their interests. However, they share many fundamental principles, especially a clear multilateralist vision that, during the Spanish Presidency of the Council of the European Union, must be called upon to reinforce an international agenda plagued with uncertainties. The response to global challenges must be consistent with inter-regional relations, and requires renewed alliances that are built on commitments to common responsibilities.

Europe and Latin America do not always reach a middle ground when it comes to defending their interests but their shared a vision of multilateralism must be called upon to reinforce an international agenda plagued with uncertainties

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