

Council Presidency Report



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The Spanish presidency:

A relative success despite internal and external challenges

Héctor Sánchez Margalef

Spain held the presidency of the Council of the EU during the second half of 2023, which was the first of the 'trio' with Belgium and Hungary. Spain had to juggle with internal (general elections and a caretaker government) and external (such as the war in Gaza) challenges. Overall, coordination with the trio worked well. It was especially visible with Belgium during a joint trip to Israel and Palestine. This wasn't the case of Hungary but the fact that it was next in line generated the motivation to wrap up as many dossiers as possible.

The presidency was also a success in legislative terms (specifically on the Migration Pact, fiscal rules, the electricity market and the Al Act) but not so much on strategic terms, as there still needs to be much reflection and then action on the future of the EU.



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Background

Spain held the 'golden' presidency, as in the last fully operational presidency in legislative terms before the European Parliament's mandate ends and the next European elections are held in June 2024. This presidency was 'double golden' in the sense that Spain was supposed to have national elections in December 2023, coinciding with the Presidency's end.

International and European affairs do not decide elections as voters care much more about their national realities. However, current Prime Minister Pedro Sánchez has not shied away from international politics and has tried to be active in European debates, unlike previous premiers. He saw the presidency as an opportunity to shine both domestically and at the European level. He also emulated the French presidency of 2022, (that also coincided with presidential elections that saw Macron re-elected), as presidency meetings would take place in every corner of Spain. The calculations were that after a swift and successful presidency, the chances of being re-elected would be higher.

However, local and regional elections in May brought bad results for Sánchez's Socialist Party (PSOE). This led him to call snap elections in July 23, causing the government's priorities to shift from the Council presidency to re-election. Facing a disputed election and uncertain results, Sánchez chose not to present the Spanish presidency's priorities in the European Parliament in July as they had not yet been agreed with the opposition.

On July 23, the opposition Popular Party (a member party of the EPP) won the election but without enough seats to secure a government coalition. The PSOE (a member party of the S&D), Sanchez's party, against all odds, held enough ground to have a shot in forming a government. Negotiations were long but Sánchez formed a new government in November, only a month and a half before the end of the presidency.

Officials from the Ministry of Foreign Affairs working on the presidency gave reassurance that the elections and a caretaker government would not alter the presidency's course. However, the fact that Spain only had a full government in November affected the country's capacity to lead on legislation, act as honest broker and – especially – lead strategic conversations on the future of Europe. A caretaker government does not have the same political capital as an elected one no matter how well equipped the technical staff running the presidency are.





Was Spain's presidency strategically oriented enough?

Under the motto 'Europe closer', Spain wanted to highlight European unity. On the first day of the Presidency, Sánchez visited Ukrainian President Zelensky in Kyiv. By making a trip to Kyiv the presidency's first official event, Sánchez sent a political signal that the EU would continue to support the country and that one of the presidency's goals would be to open EU accession negotiations with Ukraine (and with the other states that had been given candidate status). Despite attempts to impede this agenda, accession talks were granted to Ukraine, even if Hungarian Prime Minister Viktor Orbán objected to continued financial support to Ukraine via the revision of the Multiannual Financial Framework.

After eight years of being in the wilderness, the Spanish presidency resumed the EU-CELAC Summits (a meeting with leaders from the EU and Latin America and the Caribbean). The rationale behind the summit was both economic and political. Economically, the goals of the EU's 'reindustrialisation' and achieving Open Strategic Autonomy is dependent on resources that Latin America has and the EU doesn't. Thus, Spain considered it vital that the EU reinterprets its relationship with Latin America and the Caribbean, giving the region paramount importance in its foreign policy and considering the countries of the region as potential allies, not just as raw material providers. One of the main challenges of the presidency was to unblock efforts to ratify the trade agreement with Mercosur but this didn't happen in the end - and was practically killed off by the Belgian presidency. Politically, the rationale was to build bridges with the so-called Global South given the uncertain geopolitical context. Latin American states had not condemned the Russian aggression against Ukraine with the vigour that the EU wanted (or expected). The final summit declaration was watered down for the sake of achieving as many signatures as possible, but Nicaragua nonetheless refused to be a signatory.

After resuming high-level relations with CELAC, the EU must now show more commitment to maintain these relations, and it cannot depend solely on the will of Member States with more traditional ties to Latin America. If the EU seriously believes in its relationship with the Global South and still desires to become a relevant geopolitical global player, this summit must be a re-starting point and not a one-time blip.





Spain triggered the discussions on the strategic agenda for the next mandate (2024-29) in the informal EU Council hosted in Granada. The debate was influenced by the debate over Open Strategic Autonomy, which the Spanish presidency considered a priority. The debates were informed by the Resilient EU2030 report, compiled by more than 250 experts and 80 ministries from the 27 Member States, the European Commission and the Council of the EU led by Spain. The concept of 'openness' is key to understanding and fostering EU resilience in a world facing numerous crises and an EU facing enormous internal challenges.

Internally, the EU must strengthen its domestic production through reindustrialisation and reinforce the internal market. Externally, the EU must continuously foster trade relations to diversify supply resources. Trade relations must be mutually beneficial allowing for lasting and meaningful relations with third parties who can also benefit from such agreements. Both challenges must be addressed via sustainable means to respond to the climate emergency. Unfortunately, there is no universally agreed definition of strategic autonomy and it lacks political support, one of the reasons why it didn't feature in the Granada summit's final declaration, although the logic behind it permeates the whole text.

Among the strategic decisions that the EU must make in the following political cycle, enlargement and internal reform stand out. In Granada, EU leaders not only offered perspectives to Ukraine but made it evident that the EU's enlargement and reform processes must run in parallel to ensure success. This discussion initiated in Spain paved the way for the December 2023 European Council conclusions – 'Recalling the Granada Declaration, the European Council underlines that enlargement is a geo-strategic investment in peace, security, stability and prosperity.'

The decision to start accession negotiations with Ukraine and overcoming the very real prospect of a Hungarian veto was historical in scope. Additionally, leaders agreed to open accession negotiations with Moldova and grant candidate status to Georgia. Political support was strongly signalled although it fell short of guaranteeing financial support because of Hungary not (yet) giving in to a review of the Multiannual Financial Framework that would provide Ukraine with EUR 50 billion. This was the presidency's major shortcoming and was subsequently passed on to Belgium.





Juggling with a more divisive conflict

The ongoing conflict in Gaza is more divisive in the EU than that between Ukraine and Russia. When the crisis erupted on 7 October, the signals sent by different EU stakeholders did not respect the EU's official position on the Middle East Peace Process and not all of those who acted in an official capacity did so according to the competencies given by the Treaties. The disunited reactions and initially biased positions towards Israel are undoubtedly damaging for the EU. The Global South has yet more reasons to accuse the West in general (and the EU in particular) of having double standards and, at the same time, being openly divided highlights to third parties that this can be exploited.

As Member States have different approaches to the Israeli-Palestinian conflict, Prime Minister Sánchez argued in the Council that a 'horizon of peace' should be offered to the warring parties, an idea subsequently accepted by the European Council. He highlighted this with Belgian Prime Minister Alexander De Croo when they travelled together to Israel and the Rafah border crossing in late October, jointly insisting that Israel must respect international humanitarian law. Spain was not alone trying to put the European house in order vis-à-vis the conflict, but Sanchez's activism contributed to the European Council and the European High Representative reflecting on a future where the two-state solution is something more than a mere tagline in official declarations and documents.

The presidency's legislative successes

During its presidency, Spain organised more than 190 trilogues and closed more than 70 dossiers. Among these, there are four that stand out that allows the Spanish government to describe the presidency as a success for two important reasons – they were either dossiers that were very difficult to advance or they were politically very relevant and sensitive to Spain. The four dossiers are the Migration and Asylum Pact, the new fiscal rules, the reform of the electricity market and the Al Act, however the fiscal rules and the Al Act will need to be finalised during the Belgian presidency.

The **Migration and Asylum Pact** was the grand finale, finally putting an end to never-ending discussions and crossed red lines among the Member States. Spain managed both – to reach agreement on a common position in the Council and to close the deal with the European Parliament. The major novelty is that it introduces mandatory quotas for the first time to redistribute asylum





seekers or the obligation to pay if these quotas are not met. NGOs denounced the agreement because they believe that it toughens entry requirements and strengthens 'Fortress Europe'. Nevertheless, Spain can claim success because this reform had been pending since 2015 and it was seen as an impossible task to overcome because of Member State vetoes. The fear of a more right-leaning European Parliament unwilling to compromise after the 2024 elections might have been one incentive to finally close the dossier.

The agreement on the new fiscal rules had been also pending and the final deal with the Parliament and the Commission will have to be concluded during the Belgian presidency. When the fiscal rules were suspended during the pandemic, they had already been outdated for some time. The challenge was how to balance public finances after spending an enormous amount of money to counter the effects of the pandemic, while also considering the amount of public investment needed to fund the digital and green transitions. A compromise was reached within the Council, namely that debt and deficit reduction will be based on specific targets to which the Member States had to commit to, but with some flexibility. Member States will have between four and seven years to reduce their public debt if they make investments to facilitate the digital and green transitions and adjustment plans would be negotiated between the Commission and the individual Member State. The compromise manages to combine debt reduction with incentives for investments and, additionally, puts an end to the stigma that southern European Member States carried during the financial crisis. It's symbolic that Spain managed to seal a compromise after having suffered from severe austerity measures during the financial crisis and finding itself labelled as non-reliable partner.

The other politically crucial achievement of the presidency was the reform of the electricity market. Spain built on the political capital it had won after achieving the 'Iberian exception' in March 2022 to play the role of an honest broker. The 'Iberian exception' made it possible to unlink gas prices from the final price of electricity in Spain and Portugal. By complying with the green transition to reduce carbon emissions, as well as being less dependent on Russian gas, Spain had bet its future competitiveness on renewable energy and was able to lead by example on the electrical market reform. The reform aims to stabilise energy prices through longer contracts, has compensation mechanisms in the case of an unforeseen crisis disrupting prices stability, reinforces renewable energy in the face of investors, and allows for market intervention during an energy crisis. The reform of the electricity market thus responds to the presidency's four criteria – it contributes to strategic autonomy, it advances the green transition and strengthens European unity by reinforcing





the energy supply through its bet on renewable energies, and it promotes greater social and economic justice by protecting consumers from price instability. Its problem will be a possible disruption within the internal market through state aid as the reform opens the door to public intervention and larger Member States will have more capacity to intervene to ensure that their companies remain competitive.

Finally, the Al Act. The EU will be the first jursidiction in the world where Al will be regulated. The agreement between the Council and the Parliament will have to be ratified in 2024 and if it is, it will be fully in force as of 2026. The agreement still has its critics as some claim it doesn't protect users enough, that there is not enough transparency, and it is focused on solving the direct impacts of the technology but with no solution for underlying problems (such as the bias and discrimination powered by AI, ethical dilemmas when it comes to decisionmaking or exacerbating inequalities because of job displacement). In any case, the agreement happened under the Spanish presidency. This is a success because reaching an agreement had to take into consideration that the between protecting citizens from the negative been debate has consequences of AI versus the need to be competitive and not curtail innovation in a sector that will be crucial for global economic and geopolitical affairs (if it is not already). The EU, again, trusts its own regulatory power to influence global affairs (the Brussels Effect). It became a model with the GDPR and now it aspires to do the same with Al.

Conclusion

The Spanish presidency of the Council of the EU has been a success despite internal challenges in Spain. A caretaker government hindered the presidency's ability to start at full speed but its momentum improved towards the end. It has been one of the most successful presidencies in terms of legislative action, quantitatively but also qualitatively, reaching agreements on dossiers that had been on the table for a long time and were considered difficult to close. However, not all the priorities were met and some of the Spanish legislative priorities were not successful. For example, a European law against gender violence was not among the presidency's successes because of a disagreement among Member States to include consent as basis of an offense.





Politically, the presidency fulfilled its goal of maintaining European unity most of the time, but Spain should have aspired to do more in terms of leadership and reflection about where the EU is going and what the next steps are for it to become a true shaper of global politics rather than a follower. Big strategic questions such as what's next steps for achieving real strategic autonomy (or even better, finally reaching a decision on what it actually is), what a geopolitical Europe will do if Donald Trump is re-elected, or how to give a real political impulse to reform the EU while taking in new Member States, all remained unanswered. While Spain may not have definitively provided the necessary answers during its presidency, finding them is becoming more vital than ever as the EU's future remains deeply uncertain.

