“The Spanish Presidency of 2002 and the European Union’s Eastern enlargement: a lesson on the potentials and limits of EU Presidencies”

José I. Torreblanca
j.torre@ceacs.march.es
UNED University / Real Instituto Elcano

DRAFT
Comments welcome!

CONFERENCE
The Spanish Presidency of the European Union
Supported by the Real Instituto Elcano, UACES (University Association for Contemporary European Studies), EWC (Europe in the World Centre) and the Instituto Cervantes
Foresight Centre, University of Liverpool, 12 October 2002

Abstract

The 2002 Spanish Presidency of the European Union conveys an important lesson for both academic researchers and policy practitioners. The Spanish government, having adopted an instrumental approach to the Presidency, attempted to advance as much as possible its domestic agenda on a wide variety of policy issues in which its preferences were overtly domestic or party-oriented. Quite unexpectedly, however, while it failed to advance a good part of this agenda at the European level, it did rather well on the two issues which reflected a true and uncontested European interest: the launch of the euro and enlargement negotiations. Whether and when the Stability Pact ran into trouble and enlargement negotiations stalled, the Presidency was not blamed for it and, at the same time, domestic performance scored well above the average. Paradoxically enough, Spain's national victories were obtained when defending European interests, not when advancing its domestic agenda at the European level. If this pattern is proven to hold in other cases, proposals for reforming the Presidency should duly take it into account and strengthen the instruments which could help Presidencies solve problems of collective action and provide European public goods.

Introduction

There are two possible ways of looking at the topic of the Spanish Presidency and Eastern enlargement. One can approach it from the perspective of EU enlargement policy and, hence, evaluate what has been the impact of the Presidency on enlargement negotiations and the enlargement process. But one can also see it from the more general angle of how do Presidencies perform and what are their potentials, limits and possibilities. Focusing only on the *results* of Presidency, it is evident that the Presidency failed to obtain a common position on the most decisive issues of enlargement negotiations and that, as a result, the 2004 enlargement deadline was put in danger. In contrast, focusing on the *performance* of Presidency, we can easily conclude that, contrary to the expectations, when it came to the management of the enlargement dossier, Spain performed rather well both as Presidency and as a Member State. Obviously, explaining why good performance did not translate into good results deserves a detailed analysis.

Despite the positive evaluation of the Presidency which President Aznar presented to the European Parliament on 2 July 2002, the failure of the Fifteen to reach a common position on the agricultural and budgetary chapters of enlargement negotiations during the semester of the Spanish Presidency can be seen as one of the most outstanding outcomes of the Spanish Presidency. The result of this failure is that the Fifteen failed to meet the road map agreed on in Götemburg in June 2001 and put enlargement at risk.[i]

According to the road map, and in line with the agenda of Presidency, the semester of the Spanish Presidency should have served to close the more important negotiation chapters (all those with financial and budgetary implications) so as to make possible for the Danish Presidency of the second half of 2002 to deal with all the technical left-overs, designate the final accession candidates, and draft the accession treaties. This would make possible for the Union to meet its commitment of admitting ten candidate countries in time for the election to the European Parliament in June 2004. But, in contrast to the agenda of the Presidency and the statements of previous European Council meetings, the Spanish Presidency witnessed enlargement negotiations becoming dangerously intermingled with two highly salient, utterly politicised and long ago unresolved issues: the imbalances in the Member States' net contributions to the EU budget and the reform of the Common Agricultural Policy. Clearly, the true political enlargement negotiations were opened, rather than closed, during the Spanish Presidency.

Whether and how this failure to reach a common position in these two delicate chapters will ultimately affect the outcome of EU enlargement negotiations is still to be seen. In any case, it will be showed in this paper, it will be difficult to blame the Spanish Presidency (or, for that matter, the Danish one) for any negative outcome of the enlargement game. On the one hand, the number of negotiation chapters closed and opened during the Spanish Presidency confirms

that enlargement is 'technically' possible. The Spanish Presidency can therefore been praised for having done its job. On the other hand, once the German government made clear its resistance to find any kind of compromise solution to the agricultural and financial dossier before the general elections of September 22, there was little which the Presidency or the Commission could do to get negotiations back into schedule.

The combination of these two elements, a technical success directly attributable to the Presidency and a political failure directly attributable to Germany, offers however an interesting result from the perspective of Spanish interests. Having been forced over the last years to deal with the bad reputation of being against enlargement and having been constantly accused in leading European media of paying only lips service to it, the Spanish government has taken now satisfaction in showing that it does not oppose enlargement (or, more cynically, that Germany can be as tough as Spain when it comes to enlargement). This side-result should not be underestimated. The new approach to enlargement showed by the Spanish government does not obviously presuppose a willingness to renounce to defend its interests in the process of enlargement, but it has served to highlight that in the enlargement game 'all' member states, and not only Spain, have particular interests which they want to make compatible with enlargement.

Placed in this context, the Presidency can be depicted (at least, on enlargement matters) as bad for Europe but good for Spain: for the moment being, Spain's enlargement record is clean. This might not be much, because the true financial, policy or institutional battle is not closed. Yet, this ultimately, represents a paradox because Spain has got more credit on a topic of European interest on which the odds were rather bad than on the more national matters on which the Spanish government had placed all the political emphasis of its Presidency.

The majority of items which Spain placed in the agenda of its Presidency correlated very well with national or ideological preferences and thus were rather predictable. In economic matters, it pushed its domestic agenda of deregulation and privatisation; in institutional reform matters, its proposals for reforming the Council were typical of a large country; in constitutional matters, it's position was fully congruent with the intergovernmental stance which the Aznar government has been defending since 1996; in foreign and security affairs, it privileged transatlantic relations over the European security identity; and in third pillar issues, it promoted those issues like control of immigration and fight against terrorism which had a more obvious domestic linkage.

Whether it would have made a difference in terms of enlargement negotiations had another country been in charge of the Presidency is difficult to tell. Of all the issues in the agenda of the Spanish Presidency, enlargement was (together with the launching of the euro) the item which more truly reflected a European interest. Leaving aside the question of the euro, which is not the object of this paper, it is evident that the enlargement agenda of Presidency was set, the goals markedly visible, the calendar very precise, and the principles rather solid. For that reason, exploring the performance of the Spanish Presidency may yield important insights on the potentials but also the limitations of EU Presidencies.

As it will be seen, the evaluation is dominated by both lights and shades. On the one hand, holding the Presidency proved to have a sizeable effect on the ambitions, agenda, positions and negotiating behaviour of the Spanish government. Spain temporarily put European interests above national ones and acted as an honest broker of general interests. The Presidency and the Commission acted together and co-ordinately, showing a common position in enlargement issues and maintained the Parliament involved in enlargement issues throughout the semester. Therefore, the Presidency fully dedicated its energies to realize the commitments and meet the agendas fixed by previous European Council meetings concerning enlargement. Paying tribute to this effort, enlargement negotiations received a significant boost which resulted the confirmation of the technical feasibility of 2004 as the entry date for the candidates. After the Spanish Presidency, it has been made clear, the outcome of the enlargement game is just a question of political will.

However, the semester also showed that the Fifteen's enthusiasm for enlargement was very limited. The Presidency showed unable to isolate enlargement negotiations from the extremely

politically sensitive and unresolved issues of EU finances and CAP reform. Having the Spanish government itself behaved similarly in April 2001, when it linked enlargement negotiations to the reform of structural and cohesion policies, it was difficult for the Spanish Presidency to isolate the reticent countries (Germany, the Netherlands, the UK and Sweden) and force through the Council the Commission's proposals on how to finance enlargement. With its hands tied, all the Presidency could do was to have EU Ministers of Foreign Affairs agree on the set of principles which should guide further discussions on direct payments, but not to agree on the shape or content of an eventual agreement. With pending elections in September in Germany pointing to Chancellor Schröder's unwillingness to compromise, and once that the Spanish government had made sure that it would not be blamed for the failure to close the agricultural chapter of enlargement negotiations, the Presidency had no other option than to move on to other issues and pass the enlargement dossier on to the Danish Presidency.

This argument is developed in more detail in the following sections. In section one, I give an overview of what enlargement represents to Spain in terms of economic, budgetary, security and institutional interests and examine the management and content of Spanish enlargement policy. In the second, I turn to examine the development of enlargement negotiations during the semester. In the third section, I discuss the performance of the Presidency and its outcomes. Then, I conclude with some observations on how Presidencies can help member states overcome problems of collective actions and provide public goods.

1. Spain's enlargement policy

Eastern enlargement has meant and still means and important challenge for Spain's European policy. At the economic level, the productive structures and labour markets of the candidate countries turn them into clear competitors of Spain in terms of both foreign direct investment flows and intra-community trade. Whether there are different evaluations about how serious this threat is, the truth is that Spanish firms had not taken so far advantage of the investment, trade or services opportunities presented by the candidates. Therefore, potential losses, no matter their size, had not or are not being offset yet by potential benefits (Jordán, 2002; Martín *et al*, 2002; Nava, 1999; SEAE 2001).

The magnitude of the challenge of enlargement for Spain is quite evident. Eastern enlargement will increase in more than a hundred million the number of persons living in regions below the 75% wealth average which entitles EU regions to receive structural funds. Also, it will mean a 29 percent increase in EU arable land and a 79 percent increase in the number of farms. This, it has been calculated, could translate in a doubling of EU expenditure in agriculture, already at 49bn €, almost half of the EU-15 budget (European Commission, 1997;Eurostat, 2000).

Contrary to what happened with previous enlargement, which were always financed with additional resources, the Agenda 2000 decision of freezing the EU budget at 1.27% of EU-15 GDP means that enlargement will be financed with existing resources, not with new ones. The implication of this has been to turn enlargement into a zero-sum game (resources from the poorest regions and EU-15 farmers would be transferred to the candidates) or, alternatively, into a negative-sum game (the main policies are reformed so the number of beneficiaries is reduced).

From the Spanish perspective, the implications are evident: in 2001, Spain received 13.6 billion € from the EU budget (6.1 billion of CAP funds and 7.1 billion for structural and cohesion policies) but contributed with only 6.6 billion to the EU budget. This means that net transfer from the EU budget was 7,7 billion €, approximately 1,24 per cent of Spanish GDP (European Commission, 2002).

Enlargement will mean that only two of the eleven regions which at present qualify for structural funds will continue being entitled to receive structural money. More importantly, being above 90% of the EU average, the country as a whole would stop qualifying for acceding to the Cohesion Fund and its financial position would be of a net contributor. The implication of this is new financial position within the Union cannot be underestimated. Economists estimate that during the period 1999-2006, the financial transfers envisaged by Agenda 2000 will have contributed to the Spanish economy with some 250,000 jobs and 3.5 percentage points of GDP

growth (Herce and Sosvilla-Rivero, 1999). All together, the shock of Eastern enlargement, if combined with an end of EU transfers in the 2007-2013 financial perspectives has been calculated to be of between one and three percent of the Spanish GDP (Martín *et al*, 2002)). The stakes have thus always been quite high.

From the institutional point of view, Spain apparently managed in the Nice Treaty to correct the imbalances created by its Accession Treaty, in which it had been given the status of big county in the Commission but not in the Council, and by the Nordic enlargement, which had aggravated the over-representation of small and Northern European member states (Elorza, 2001). However, as the only way to compensate the loss of collective decision-making efficiency derived of enlargement is to lower decision-making thresholds and generalise simple-majority voting (Baldwin *et al*, 2000) it is evident that enlargement will decrease the number of minimum winning coalitions in which Spain's position will be pivotal.

The new voting arrangements mean that whether the votes of the new members from Eastern Europe (101 votes) will grant them blocking power (established at 91 votes in EU-27), the block of four Mediterranean countries (Italy, Spain, Portugal and Greece) will only reach 80 votes. [ii] Also, as enlargement is likely to increase the heterogeneity of member states preferences for common policies (Alesina *et al*, 2002), an ensuing reduction of tasks and competences, done under the criteria of the 'lowest common denominator', means that that Spanish particular policy preferences (specially with respect to the Maghreb and Latin America) are less likely to form part of any likely policy package.

For these reasons, much as it has happened with other member states, Spain was initially very reluctant to accept the idea of enlargement (Torreblanca, 2001a). Since 1995 however, coinciding with the second Spanish presidency and the chairing by Foreign Minister Westendorp of the Reflection Group on the Future of Europe, the Spanish government sought to play a more constructive role. [iii] Obviously, Spain's historical experience both with authoritarian rule and exclusion from the European integration process played an important role in this policy reformulation which resulted in a new doctrine proclaiming the 'special sensibility' of Spain towards Central Eastern Europe's membership aspirations. The result was an enlargement policy whose philosophy was to make enlargement compatible with Spanish national interests and also with the strengthening of the European Union institutional and policy structures. From 1995 on, support for enlargement is and has been unanimous across both Socialist and Conservative governments, all political parties, both chambers of the Parliament and a resounding majority of citizens (Eurobarometer 56.2/ 2002; Torreblanca, 1999, 2002). [iv]

Spain's enlargement policy has been determined by the coexistence of a quite negative constellation of material and institutional interests with a natural feeling of solidarity with Central and Eastern European governments and peoples' 'return to Europe'. For obvious reasons, putting together this two elements: one, the belief that enlargement was a moral and historical obligation which Spain had to wholeheartedly support; and two, the need to ensure that enlargement was made compatible with the preservation of key economic and political interests, has never been an easy task (Barbé, 1999; Ortega, 2000; Powell 2002; TEPSA, 1998, 1999, 2000a, 2000b, 2002).

This helps explains why supporting enlargement has not prevented the Spanish governments from being very critical with the way enlargement was being dealt with in budgetary terms with (Bastarreche, 1999; Elorza, 1999). Linking enlargement policies to institutional or policy reforms issues can thus be seen as a rather coherent policy. Spain's own accession negotiation experience has had something to do with this somehow uncompromising stance on enlargement matters. Very revealingly, Spain's accession negotiation had also been halted because a familiar combination of events of evident resemblances with today's events: Presidential elections in France in 1981, a budgetary row around the British cheque and the finances of the Union and very pessimistic forecasts about the impact of Spanish agriculture on the CAP (Bassols, 1995).

The result was that Spanish accession treaty, signed in June 1985, established lengthy transition periods for the EC to give Spain access to its main policies (seven years for the free circulation of workers, ten for its full access to the CAP and seventeen, the longest in EC

history, for the common fisheries policy). At the same time, it envisaged very little initial financial transfers: Spain was to be a net contributor to the budget during its first year of membership and a very moderate net recipient over the next years despite being well below 75% of EC average per capita income (Herce and Sosvilla-Rivero, 1999).

Drawing on their own experience, successive Spanish governments have felt legitimised to block, delay, threat to veto or impose given conditions on EU Eastern enlargement policies and process. Spain has thus been particularly active in trying to shape an EU enlargement which served both EU and Spanish interests: this has been seen in how Spain has always defended a non-discriminatory approach to enlargement (the so-called 'regatta' approach), but also in its insistence in making administrative capacity and the integrity of the *acquis communautaire* an important membership condition. In budgetary terms, Spain has always resisted the idea to limit the costs of enlargement by imposing GDP ceilings on EU expenditure. Then, when this has proven impossible to change, it has supported a variety of elements (GDP capping thresholds, co-financing limits and transitional periods) which would help to make compatible a smooth phasing-out / phasing-in of Southern European and Central and Eastern European regions from the EU budget.

At the end of the day, the Spanish government has seemingly managed to contain the most negative forecasts on the impact of enlargement: despite public laments about Bulgaria and Romania not joining in 2004, the exclusion of these two countries from the first wave, together with the two-year delay of the original enlargement date, have allowed Spain to preside the Union from the tranquillity of having deflected the threat of a imminent and sizeable loss of EU budgetary transfers. With this important issue solved, the 2002 Presidency allowed a satisfied Spain to envisage a closure of accession negotiations in which the anti-CAP front, led by Germany, and not the Cohesion group, led by Spain, would look as the main obstacle to enlargement. Having for many years been forced to live with a bad reputation concerning Eastern enlargement, Spain could now appear as a supporter of the Commission and a defender of the Community's orthodoxy.

However, as the motto goes: "there is nothing like a free lunch". Attempts to break the zero-sum game in which enlargement had turned into have had important repercussions: first, the negotiations of the 1999-2006 financial perspectives in Berlin in March 1999 left Spanish-German relations in a historical low (Torreblanca and Rodrigo, 2002). More lately, in April 2001, coinciding with the attempt to link enlargement negotiations and the reform of structural policies on grounds of the so-called 'statistical effects of enlargement', Spain's image heavily suffered. At the same time, a question mark was opened concerning the impartiality of the incoming Spanish Presidency for managing the difficult enlargement agenda which it had been assigned by the Götemburg road map. The issue ended up with a very tough editorial in the *Financial Times* titled "Spain's sacrifice", in which it could be read: "The Spanish government is treading a fine line between fighting for legitimate national interests and holding the European Union to ransom [..] Spain has enjoyed Europe's solidarity over the past 15 years. Whether it is prepared to make some sacrifices for Europe has become a test of its political maturity".[v]

The Spanish Presidency opened thus with a question mark, when not a negative prejudice, on whether the Spanish Presidency, having so much at stake at the national level in the question of enlargement, would be able to efficiently conduct enlargement negotiations and represent EU overall interests.[vi]

2. - Enlargement negotiations during the Spanish Presidency

The Programme of the Spanish Presidency of the EU, released on 7 January 2002 under the title 'More Europe', identified enlargement as a the fourth priority of the Presidency, after the 'combating of terrorism in an area of freedom, security and justice', the 'successful introduction of the euro' and 'the impetus to the Lisbon Process'. [vii] Concerning enlargement, the programme flowed quite naturally out of the Conclusions of the Nice, Göteborg and Laeken European

Council meetings of 7-9 December 2000, 15-16 June 2001 and 14-15 December 2001, respectively. [viii] According to the road map presented by the European Commission in its Strategy Paper of 8 November 2000, the Spanish Presidency would have to deal with four of the most difficult chapters of enlargement negotiations: agriculture, regional policy, budgetary and financial provisions, and institutional issues. This would make possible for the Danish Presidency to close the negotiations in December 2002 so as to start the national ratification procedures and allow for the first countries to become members in time for the elections to the European Parliament in 2004.

Very revealingly of this preoccupation with the reputation of Spain, the section on enlargement in the Spanish programme for the Presidency opened saying that 'Spain and the Spanish public opinion have always wholeheartedly supported the enlargement process'. The fact that the Spanish government considered necessary such an opening statement says a lot about the atmosphere in which enlargement negotiations had taken place over the last years. Anybody not aware of such a context would have found strange that as late as January 2002, a Member State had to publicly state and prove its support for Eastern enlargement. As said, however, it was long ago that Spanish diplomats felt unjustly treated by the European press, who tended to present Spanish positions relating to enlargement as unfair delaying tactics, if not openly incompatible with a sincere support for enlargement. Seeking to fight this bad reputation, all the statements, speeches or documents related with enlargement produced by Spanish diplomacy over the last years invariably started describing enlargement as an historical and moral duty and signalling to Spanish support to the process, from the King to the last citizen (Torreblanca, 1999; Viguera, 1999).

For that reason, though enlargement was not really a true national priority, the Presidency offered a good opportunity to show that Spain could promote European interests with the same dedication and efficacy as national ones. Therefore, one was allowed to expect a high commitment to the dossier. This was clearly seen in how, coinciding with the release by the government of an Action Plan for the Candidate Countries (SEAE, 2001), the Spanish Presidency upgraded the usual official discourse on enlargement to affirm that Spain had 'objective' economic and political interests on the matter (not only moral or historical duties). Enlargement, was it argued in various speeches during the Presidency, would result in a strengthening of the group of countries in favour of cohesion policies and would benefit Spanish firms. Whether realistic or not, the message was, for the first time, that Spain not only supported enlargement out of a moral obligation, but out of self-interest. For that reasons, the Presidency declared enlargement to be 'both a European and a national project'.[ix]

In the programme of the Presidency, the Spanish government declared its will to make a 'decisive contribution' to ensure that negotiations could be concluded in the second half of 2002 with those countries which met the political and economic criteria (all candidates but Romania and Bulgaria). It also showed its willingness to speed up negotiations with Romania and Bulgaria, which had made important progress toward meeting the economic criteria for accession; announced that it would begin the process of verification of the fulfilment by the candidates of the third enlargement criteria (effective implementation of the *acquis*); it committed to establish the Drafting Group for the Act of Accession, and promised to closely follow the situation of Cyprus and Turkey. [x]

Any analysis of the negotiation skills, potentials and opportunities of a rotating Presidency must take into account the fact that, on the one hand, enlargement has it own *acquis*, which results in a highly norm-oriented process. At the same, time, its wider linkages with other EU policies and financial questions turn it into a highly politicised issue within the EU. Actually, the lack of flexibility of the EU when it comes to enlargement negotiations is so pronounced that the term 'negotiations' is itself misleading: enlargement is about the time-frame for applying to the candidate countries a pre-existing catalogue of norms (the *acquis*) which it is not itself the object of negotiation and which it has to be applied in full by the candidates, without exceptions or derogations. Moreover, since the financial ceilings of the enlargement had already been defined by the Fifteen in Berlin in March 1999 and could not be changed, enlargement negotiations with the candidates are mostly about a mutual exchange of transitional periods (the EU postpones as much as seven years the opening of its labour markets to workers from the candidate countries and the candidates postpone seven years the acquisition of land by EU citizens).

Therefore, the commitment of the Presidency to the enlargement negotiations dossier had to be evaluated at the two levels at which it developed: the 'external' negotiations between the EU and the candidates, and the 'internal' negotiations among the fifteen.

Dealing with *accession negotiations* with the candidates, the Presidency had to deal with eighty-five chapters still under negotiation and, at the time, open thirty-eight new chapters. The reason for presenting the challenges of the Spanish Presidency in quantitative terms was fairly simple: in practical terms, enlargement negotiations consisted on the negotiation which each candidate country of the thirty chapters on which the *acquis communautaire* had been divided.

However, the figure of 360 chapters was somehow misleading: as it is recurrent in EU's international negotiations, what counted, what was most time-consuming and what was most difficult to reach agreement on was on a common negotiating position among the fifteen Members States on each and everyone of these thirty chapters, not between the EU and the candidates. The reasons for this is that once the member states had reached a common position, they adapted it with minor variations to the needs of each negotiating candidate. As a consequence, the true negotiations tend to take place within the EU, not between the EU and the candidates, and evolve around the negotiation of common position among the Fifteen, not so much around the negotiation of particular chapters with the candidates.[xi]

Dealing with the *internal negotiations*, the Presidency endeavoured to reach common positions among the fifteen Member States on the three chapters with most delicate financial implications: agriculture (Chapter 7), which was also the largest of the negotiation chapters; regional policy and co-ordination of structural instruments (Chapter 21); and finance and budgetary provisions (Chapter 29). The task was thus to reach agreement on how much enlargement was going to cost and how would it affect the two main EU policies (structural and agriculture). Having the Commission the right of initiative on these matters, the responsibility of the Presidency on this matter was to be shared with the Commission: the Commission would draft the proposals and the Presidency would try to obtain agreement among the Fifteen. Obviously, the more balanced the original proposals from the Commission were, the more likely that the Presidency could reach agreement. Conversely, the most dispersed Member States preferences were, the more the Presidency's negotiating skills would be needed.

To facilitate the Presidency and the Commission reaching an agreement, there was a set of very tight and detailed principles which framed and constrained enlargement negotiations. Besides the obligation to safeguard in full the integrity of the *acquis* and the commitment to confine any proposal with budgetary implications within the ceilings of the Berlin 2000-2006 financial framework, negotiations were based on three principles: 'differentiation', 'relative merit', and 'possibility of catching up'. These principles were a natural consequence of the non-discrimination policy adopted in Madrid in December 1995 and the 'regatta' approach agreed on in Helsinki in December 1999 and, as the Spanish State Secretary for European Affairs, Ramón de Miguel, made clear on 5 December 2002 during a hearing at the Joint Committee for European Union Affairs of the Spanish Parliament, the Spanish Presidency intended to fully adhere to these principles. [xii]

As the schedule of meetings planned by the Presidency showed, this rather precise road-map and set of principles unanimously agreed on, negotiations were on the right track and should have remained so.[xiii] However, when the negotiations on the Common Position were opened on 30 January, coinciding with the Commission's presentations of its proposals, it soon became clear that the ground on which agreement had to be found was very narrow.

3. - The outcome of enlargement negotiations

Commission proposals made room for ten candidates (all but Bulgaria and Romania) joining the EU by 2004. Since Agenda 2000, approved in Berlin in March 1999, had envisaged that six countries would join in 2002, the new provisions represented a substantial saving from the

original ones: whereas Agenda 2000 earmarked 42.6 billion euro for enlargement, enlargement was now going to cost 28 billion euro over the period 2004-2006 (Table 1).

Table 1: Financial framework for enlargement 2004-2006 (in million euro) [xiv]

Commitment appropriations for enlargement	**2004**	**2005**	**2006**
Agriculture	2,048	3,596	3,933
Structural actions	7,067	8,150	10,350
Internal policies	1,176	1,096	1,071
Administration	503	558	612
Total commitment appropriations for enlargement	10,794	13,400	15,966
Total commitment appropriations for enlargement in Agenda 2000	11,610	14,200	16,780

As Table 1 shows, enlargement was going to be much cheaper than originally expected, at least for the 2002-2006 period. The fact that this was soon ignored shows that the true problem which made enlargement negotiations stall was not the costs of enlargement, but the fact that some countries were linking enlargement negotiations to the reform of the Common Agricultural Policy, whose mid-term review was to be presented by the Commission in July 10. In fact, despite more than doubling agricultural spending, no Member State protested Commission plans for structural expenditure in the new members. The problem was not therefore the overall bill of enlargement, but the fact that Central and Eastern European farmers would be entitled to receive 'direct payments' from the EU budget at a rate of 25% in 2004, 30% in 2005 and 35% in 2006, reaching 100% in 2013.

Direct payments had been initially introduced in the EU to compensate farmers for the cuts in support prices introduced by 1992 and 1999 CAP reforms, but after ten years of implementation they had lost part of their compensatory character and had instead become simple direct income payments. The Agenda 2000 agreement reached by the Berlin European Council in March 1999 did not contain any explicit statement on this question, but it did not rule out either its extension to the candidates. Since direct payments were part of the CAP *acquis* and, at the same time, the full application of the *acquis* to the candidates was one of the main elements of EU enlargement policy, the Commission included them in its proposal for a common position on Chapter 7 (Agriculture), which it also included market (price) support measures and rural development funds totalling some 4bn € for 2006. Once again, as Table 2 shows, the proposed figures were very modest. Out of a current 45 bn € budget for agriculture in an EU-15, direct payments to Central and Eastern European farmers were going to represent less than 1.5 bn € in 2006.

Table 2. Commission's proposals for agriculture. [xv]

Commitment appropriations	**2004**	**2005**	**2006**
Total direct payment	977	1,173	1,418
Market expenditure	516	749	734
Rural development	1,532	1,674	1,781
Total	**2,048**	**3,596**	**3,933**

However, Germany, the UK, Sweden and the Netherlands felt that reforming the CAP would be made more difficult once its benefits were extended to the candidates. Anticipating that the candidates, once members, would block the 2007-2013 financial perspectives if they did not envisage a 100% level of access to direct payments, they decided to put on hold the Commission's common position on enlargement negotiations until they had made sure that the CAP was going to be reformed in line with their budget-reduction views.[xvi]

Whether the Commission's decision to extend direct payments to the candidates reflected a hidden agenda of the Commission and some other countries (France and Spain, e.g.) to sustain an expensive CAP after enlargement was something that *had* to be proven: in the meantime, as the Council's Legal Service reminded, direct payments were part of the *acquis* and had thus to

be applied to the candidates. Besides, the European Parliament was also in favour of extending direct payments to the candidates, at least until 2007. If, due to the reforms adopted between 2002 and 2006, direct payments were to disappear from the next budget, that would not represent a problem. However, denying direct payments to the farmers of the new member states while farmers of older member states were enjoying them was impossible to justify and could risk a break of the negotiations with the candidates when not provoke serious ratification problems in the candidate countries and, more particularly, in Poland. [xvii]

The Spanish government was among the countries who fully shared the approach of the Commission concerning both the general financial framework of enlargement and the more particular issue of direct payments to the candidates.[xviii] Thus, the government did not need to make any special effort to defend the Commission's figures when acting as President of the Council. President Aznar declared on 30 January that the proposals of the Commission were "very reasonable" and Foreign Minister Piqué described them as both "well-balanced" and "fully compatible with the *acquis communautaire* and the financial ceilings agreed on in Berlin". [xix]

However, the first debate of EU foreign ministers on the Commission's proposal of a financial framework for enlargement, held on 9 February at the Gymnich meeting in Cáceres, gave the first signs that agreement on the financial package of enlargement was going to be very difficult to reach. In May 2001, the German Foreign Minister, Mr. Fischer, had warned Spain that its attempt to link enlargement and reform of EU structural policies represented an attempt "to bind together what does not belong together".[xx] Now, in January 2002, the message sent by Germany was exactly the opposite one. As a German official declared: "there must be a linkage between the costs of enlargement and the costs of agriculture. Germany can't agree a final negotiating position on enlargement until we have a clear picture of where agricultural policy is heading.[xxi]

For sure, electoral politics turned into a serious obstacle against which the Presidency could do little. The raise of the Front National in the first round of the Presidential elections held in France and the spectacular results obtained by Pym Fortun's party in the Dutch general elections were hardly compatible with a forceful push to unblock enlargement negotiations. A further politicisation of enlargement negotiations risked turning the attention of the xenophobic sectors in all countries on Eastern enlargement, thus making it even more difficult to conclude negotiations in time. Also, the tight results anticipated by German polls for the general elections to be held in September 22 did not counsel to put enlargement issues at the forefront, especially when the debate on German financial contributions to the EU (*Nettozahlerdebate*) and the Sudetenland question had brought Eastern enlargement to the domestic political agenda in ways which were scarcely compatible with the proposals of the Commission.[xxii]

Therefore, while negotiations between the Commission and the candidates proceeded swiftly at the technical level during April, May and June (allowing to provisionally close fifty-two chapters and open twenty-two), political negotiations within the EU collapsed. The result was that, in accordance with the road map, the negotiations were practically closed at the technical level, but completely blocked at the political level.

At the General Affairs Council meeting held in Luxembourg on 10 June, the Fifteen approved common positions in ten negotiation chapters but were not able to agree on the issue of direct payments. As Foreign Minister Piqué reported, four countries (Germany, Netherlands, UK and Sweden) had rejected the 'non-paper' presented by the Presidency. After what Piqué describe to be an "intensive" debate, the Presidency had obtained a four point compromise: first, direct payments were part of the *acquis*; second, enlargement negotiations and CAP reform had to be kept separated; third, whatever the Fifteen's common position on agriculture ended being, there would not be two CAP regimes, one for EU-15, another for the new members, after transitional periods were completed; fourth, all member states accepted a *rendez-vous* clause by which the issue will be settled by October in the special summit to be held in Brussels.[xxiii]

Though the Presidency still fuelled expectations that the COREPER meeting of 12 June and the next CAG meeting on 17 June, which was to precede the European Council meeting in Seville, would solve the issue, it was evident that the four point compromise was all what the Presidency could obtain. First, the comments of the Spanish State Secretary for European

Affairs during a hearing on enlargement held by the European Parliament on 12 June 2002 already discounted that the Presidency would not be able to solve the deadlock. Second, Chancellor Schröder completely watered down any perspective of agreement when the day before the Council meeting he declared: "we cannot go along with this. The limit of Germany's financial capacity has been reached".[xxiv]

The CAG meeting of 17 June could not thus go beyond the position of 10 June ("direct payments are part of the *acquis* and the *acquis* must be applied") and merely committed itself to find agreement in an unspecified "due time". All the odds were therefore set not to make an issue at Seville of the question of direct payments and the financial chapter. Seville Presidency Conclusions therefore restated what was already known, namely: that "the Council will have to take the appropriate decisions in order to communicate all the items lacking in the financial package to the candidate countries in early November".[xxv]

The Presidency had obtained a major success when dealing with the negotiations between the EU and the candidates. All the important aspects of the four chapters it had been assigned, but the financial issues, had been satisfactorily closed, thus meeting the Götemburg road map. Moreover, the Accession Treaties drafting committee had been set up, so the ratification processes could start as soon as possible after the negotiations were closed. However, dealing with the direct payments issue, all it could obtain was a compromise about direct payments being the *acquis* and an October 2002 *rendez-vous* clause. Still, Chancellor Schröder insisted once again in making it difficult for President Aznar to celebrate the compromise reached: in spite of the European Council declaration that the issue should be settled in early November, Schröder hinted in his press conference that the final financial package for the ten countries - including an offer on farm subsidies - might not be ready until December. [xxvi]

The preliminary review done by the Presidency in its webpage concluded that "the Spanish Presidency helped the enlargement process move forward throughout the six months, always in accordance with the *acquis* and with the financial perspective approved in Berlin for the period up to 2006". The final (printed) version added however a more forceful sentence affirming that the Presidency had been geared to "prevent that premature attempts to reform common policies could interfere or delay enlargement negotiations". Clearly, the sentence did not want to vindicate a success, which had not happened, but to emphasize that Spain had done it best to prevent this from happening. Once again, the theme of cleaning Spain's bad reputation on enlargement was quite evident.[xxvii]

Conclusion: the role and value of Presidencies. National and European agendas, collective action and public goods.

Consistent with the European policy which the Spanish government has been following since 1996 (Barbé 1999; Powell 2002; Torreblanca 2001b), its European agenda for the Presidency was dominated by themes very akin to the ideological preferences and collective project of the government of the People's Party (PP): the Lisbon agenda of liberalisation, privatisation and deregulation; the strengthening of transatlantic relations; the fight against terrorism, crime and illegal migration; the preservation of the status and power of the largest countries in the Union's institutional structure; and the attempts to preserve the institutional status quo and contain federalist pressures.

On these matters, it can be argued, the Presidency was severely constrained by the lack of consensus among EU member states. Some of the more important aspects of the Lisbon process (the liberalisation of public services and energy markets) were successfully resisted by some member states. The boost to transatlantic relations after September 11th was severely weakened by internal divisions on how to react to US demands on immunity concerning the application of the International Criminal Court (ICC) to its citizens and the reactions to the White House's agenda on Iraq and the Middle East. The fight against illegal immigration provoked divisions when the issue of how to deal with non-cooperative states was placed on the table. A good number of the proposals to reform the Presidency and the Council stalled upon the opposition of small countries. At the same time, the Spanish government started to watch with anxiety the constitutional and federalist tide emerging from the Convention on the Future of

Europe and had to dedicate a good deal of effort to water down the more radical aspects of the institutional reform proposals put forward by the European People's Party (EPP). Last but not least, holding the Presidency proved of no use to fine tune more in line with Spanish national interests the proposals for a mid-term review of the Common Agricultural Policy (CAP) which the Commission drafted during the Presidency.[xxviii]

In contrast, the Spanish government got credit in the two issues which reflected a true and uncontested European interest: the launch of the euro and enlargement negotiations. It is true that the Presidency showed unable to contain the deterioration of the Stability Pact or to reach a final common position on the agricultural and budgetary chapters of the enlargement negotiations. However, the Presidency was praised rather than blamed for having done its utmost to prevent this from happening. Though this paper only concentrates on enlargement, having efficiently dealt with these two issues proved having important domestic and European consequences. The Spanish government acceded to power in 1996 seeing how Germany was specifically targeting the Stability Pact at countries such as Spain, which were scornfully described as the 'Club Med' countries. Now, it was seeing that Germany was coming close of triggering the 'excessive deficit' clause of the Stability Pact.

The Presidency left the Spanish government in a better position than it could have foreseen in January 2002, when it opened the Presidency marked by suspicions about the true commitment of the Spanish government to enlargement negotiations. Spain had always suffered from having a bad reputation concerning Eastern enlargement negotiations and had often been accused by Germany of blocking the enlargement process. Now, the veto of the German government to the agricultural and budgetary proposals of the Commission - together with the linkage it made of enlargement negotiations, September 2002 general elections, and the mid-term CAP review - focused all the attention on German problems with enlargement and helped restore Spanish reputation. Therefore, one can conclude, Spain obtained national victories when defending European interests, not when pushing its domestic agenda at the European level.

This might have at least one important implication. One of the reasons which could explain why the Presidencies of small countries appear to be more successful than those of large countries is that small countries can effectively anticipate that they will not be able to use the rotating Presidency for advancing domestic agendas (Friis, 1998). Big countries, however, are logically more prone to fall to the temptation to promote domestic agendas. Therefore, the discussion of whether small countries should be prevented from acceding to the rotating Presidency in an enlarged Union might not only be approached from a normative angle (whether it is more democratic or not), but also from an efficiency angle (whether it is functional for the Union or not). Deciding on this could then be a mater of empirical research, not just the outcome of a struggle between power politics and normative arguments. Further research should thus test hypotheses on the capacity of Presidencies to solve collection action problems and make more likely the provision of key public goods and, also, specify the mechanisms through which this could occur.

Collective action problems appear when actors are unable to cooperate to obtain a benefit from which all will benefit. Two types of solutions are possible: centralised solutions, which rely on authority and coercion; and decentralised ones, which are based on self-interest, altruism, social norms, or a combination of some of these. However, as Elster (1996: 133) has shown, a small number of altruists may suffice to trigger a chain reaction leading to self-interested universal cooperation. Since decentralised solutions suit better the nature of the EU, following this logic, we may conceive that to the extent to which Presidencies could identify those policy issues in which instrumental interests and normative interests overlap or can be accommodated, altruistic Presidencies could succeed in solving collective action problems and helping provide public goods.

If it is proven that Presidencies of small countries tend to focus on issues of wide European interests more than large countries and, at the same time, it is showed that they are likely to do it by relying more on persuasion, normative arguments and general principles than large countries (which should be more likely to rely on power asymmetries to impose their views), we could easily conclude that small countries are in a better position to solve collective action problems and provide public goods than large countries. Therefore, it would seem sensible to

demand that any reform of the Presidency of the Council should specifically focus on how to strengthen those features of the Presidencies which are more useful (such as the provision and management of public goods) and progressively corner those in which Presidencies obtain less returns (domestic or ideological agendas).

Notes

[i] Speech of the President of the Government at the European Parliament. Strasbourg, 2 July 2002, http://www.ue2002.es (2365esp.pdf).

[ii] Treaty of Nice, *Official Journal*, C Series, No. 80 of 10 March 2001, p. 82.

[iii] See González's speech to the European Parliament on 15 November 1995 (*El País*, 30 November 1995, p.4).

[iv] Report of the Joint Committee for European Affairs of the Spanish Parliament on the 1996 Intergovernmental Conference, *Boletín Oficial de las Cortes Generales*, 29 December 1995, A Series, No. 82, p. 18; *Elements for a Spanish Position in the 1996 IGC*, Ministry of Foreign Affairs, Madrid, March 1996, points 17-20; Parliamentary debate on the European Council meetings held in Luxembourg in December 1997 and in Berlin in March 1999: *Diario de Sesiones del Congreso de los Diputados*, Plenary no. 127, VI Legislature, 1997, p. 6660; and *Diario de Sesiones del Congreso de los Diputados*, Plenary no. 226, VI Legislature, 1999, pp. 12020-12023.

[v] *Financial Times*, Editorial, "Spain's sacrifice" (16 May 2002).

[vi] *Financial Times*, "Germany rejects Spanish aid plea" (16 May 2001); *Prague Business Journal*, "EU enlargement row makes sparks fly" (17 May 2001); *Electronic Telegraph*: "Italy threatens EU enlargement over loss of aid to south" (18 May 2001); *Frankfurter Allgemeine Zeitung*: "From Negotiator to Rabble-Rouser: Spain Calls a New EU Tune" (27 May 2001); *International Herald Tribune*: "EU Delays Anger East" (28 May 2001).

[vii] 'More Europe: Programme of the Spanish Presidency of the EU. First Half of 2002'. SN 4876/2/01 REV 2. Brussels, 7 January 2002.

[viii] European Council. Presidency Conclusions: SN 400/00; SN 200/1/01 REV 1; SN 300/1/01 REV 1.

[ix] Just a few months before the Presidency, the State Secretary for European Affairs released a Framework Plan for the Candidate Countries. The 2001-2004 Framework Plan jointly prepared by the Ministries of Economy and Foreign Affairs was the first attempt to identify and reap the potential benefits of Eastern Enlargement for Spanish firms and interests (SEAE, 2001).

[x] 'Work Programme of the Spanish Presidency for Enlargement'. España 2002. Presidencia de la Unión Europea ue2002.es. Brussels, 15 January 2002.

[xi] The First Intergovernmental Accession Conference of alternates during the Spanish EU Presidency took place in Brussels on Thursday 21 March 2002. Twenty-three chapters were negotiated, of which nine were provisionally closed.

[xii] 17th Meeting of the Joint Committee for European Union Affairs. Hearing of State Secretary of European Affairs, Ramón de Miguel, on 5 December 20002. *Diario de Sesiones del Congreso de los Diputados*, Comisiones 60/2001, p.1353.

[xiii] The Presidency had envisaged the following meetings: 21 or 22 March, 19-22 April 31 May or 30 June at deputy negotiators level and 10 or 11 June at foreign ministers level.

[xiv] Appropriations are higher than actual payments because most of structural and agricultural money is refunded out of next year's budget. Therefore, in terms of payments, the cells corresponding to 2004 should be in blank. Figures from: European Commission. "Common Financial Framework 2004-2006 for accession negotiations". SEC (2002) 102 final of 30 January 2002. See also IP/02/170 of 30/01/2002 "Commission offers a fair and solid approach for financing EU enlargement".

[xv] European Commission "Enlargement and Agriculture: Successfully integrating the new Member States into the CAP. Issues paper". SEC (2002) 95 final of 30 January 2002, p.25. See also Commission's IP/02/176 of 30/01/2002 "Enlargement and agriculture: an integration strategy for the EU's new member states".

[xvi] The European Parliament had estimated that, without CAP reform, enlargement would cost 39bn € each year (European Parliament: "Report on the financial impact of the enlargement of the European Union
Doc.: A5-0178/2002. Procedure : Own-initiative report. Debate : 12.06.2002).

[xvii] Commission's IP /02/1026 "Towards Sustainable farming: Commission presents EU farm policy mid-term review". Brussels, 10 January 2002.

[xviii] European Parliament, "Report on enlargement and agriculture: successfully integrating the new Member States into the CAP (2002/2059(INI) Document A5-0200/2002. Procedure : Own-initiative report Debate : 12.06.2002. Vote: 13.06.2002

[xix] "Aznar considers the European Commission's Proposals on enlargement to be reasonable" http://www.ue2002.es of 31 January 2002; Speech by Foreign Minister, Mr. Piqué, to the *Instituto de España* on 7 March 2002 (http://www.mae.es/textos).

[xx] *Frankfurter Allgemeine Zeitung* 6 May 2001.

[xxi] Financial Times: "EU states divided over enlargement funding plan" (30 January 2002).
[xxii] Financial Times: "Far-right poses risk to EU enlargement" (28 May 2002); Spanish State Secretary for European Affairs, Mr. de Miguel, had already warned in July 2001, that elections in France and Germany would make it difficult to discuss the most complicate issues before June or even October 2002 (*El Mundo*, 7 June 2001).
[xxiii] 2434th General Affairs Council Meeting meeting in Luxembourg 10 June 2002 (Presse 170). Document: 9415/02; European Broadcasting Service, EBS-25336 of 10 June 2002.
[xxiv] De Miguel quoted from: http://www.ue2002.es Speech of State Secretary Mr. De Miguel to the European Parliament, Strasburg, 12 June 2002). Schröder quoted from: *Frankfurter Allgemeine Zeitung:* "EU Denies Chancellor's Claim That Enlargement Cannot Be Financed" (16 June 2002).
[xxv] 2437th General Affairs Council meeting in Luxembourg on 17 June 2002. 9717/02 Presse 178 of 17 June 2002; Council of the European Union. "Note on Enlargement from the Presidency to the European Council. Brussels, 20 January 2002, 9765/02 ELARG 213; Presidency Conclusions, Seville 21-22 June 2002, SN/2002/02 p.5.
[xxvi] Financial Times: "Bitter battle likely over EU enlargement" (23 June 2002).
[xxvii] Review of the Spanish Presidency, http://www.ue2002.es Document 2368ing.pdf, p. 7. No date. *Boletín Noticias Euro 2002*, "Evaluación de la Presidencia Española", p.10.
[xxviii] Spanish Agriculture Minister, Mr. Arias-Cañete, would be very critical of the Commission's proposal for a CAP mid-term rewiew. *El País*: "La revisión a medio plazo de la PAC desde la perspectiva española" (20 September 2002). See also *El País*: "Aznar rebajará en Cerdeña el tono federal de los conservadores europeos" (9 September 2002).

References

Alesina, Alberto, Ignazio Angeloni, and Ludger Schuknecht (2002), "What Does the European Union Do?" *CEPS Discussion Paper* (3115).

Baldwin, Richard, Erik Berglöf, Francesco Giavazzi, and Mika Widgrén (2000), "The EU Reforms for Tomorrow's Europe", *CEPS Discussion Paper* (2623).

Barbé, Esther (1999), *La política europea de España*, Madrid, Ariel.

Bassols, Raimundo (1995), *España en Europa: historia de la adhesión a la CE, 1957-85*, Madrid, Estudios de Política Exterior.

Bastarreche, Carlos (1999), "España y la Agenda 2000", *Cuadernos del CERI* (3-4).

Elorza, Javier (1999), "La Agenda 2000 y España", en *España y las Transformaciones de la Unión Europea*, edited by FAES. Madrid: Fundación para el Análisis y los Estudios Sociales.

Elorza, Javier (2001), "La UE después de Niza", *Política Exterior* (79), pp. 85-103.

Elster, Jon (1996), *Tuercas y tornillos: introducción a las ciencias sociales*, Madrid, Gedisa.

Eurobarometer (2002) "EB 52.2: Public Opinion in the European Union". Luxembourg: Office for Official Publications. Commission of the European Communities.

European_Commission (1997). "Agenda 2000: For a Stronger and Wider Union". Luxembourg: Office for Official Publications.

European_Commission (2002), "Allocation of 2001 operating expenditure by Member State". Brussels: September 2002.

Eurostat (2000), "Per capita GDP in 41 out of 53 regions below 50% of the EU average in 1998", *Eurostat News Release*, 31 (15 March), pp.

Friis, Lykke (1998), "The End of the Beginning of Eastern Enlargement: Luxembourg Summit and Agenda-setting", *European Integration Online Papers*, 2 (7).

Herce, José A., and Simón Sosvilla-Rivero (1999), "Los efectos macroeconómicos de la Agenda 2000", *FEDEA Working Papers* (99/21)

Jordán, Josep M. (2002), "La ampliación de la UE hacia al Este: repercusiones para España", *Boletín Económico del ICE* (2733), pp. 9-40.

Martín, Carmela, José A. Herce, Simón Sosvilla-Rivero, and Francisco Velázquez (2002), *La ampliación de la Unión Europe: efectos sobre la economía española*, Servicio de Estudios de la Caixa, Barcelona, La Caixa.

Nava, Javier de la (1999), "La empresa española y la apertura del Este europeo", *Economía Exterior* (11), pp. 79-86.

Ortega, Andrés (2000), "Spain and the 'regatta' of enlargement", *European Policy Centre Documents* (6 July 2000).

Powell, Charles (2002), "Spanish membership of the European Union revisited", *Real Instituto Elcano Documentos de Trabajo /Workling Papers* (17 June).

SEAE (2001), *Plan Marco Países Candidatos a la Unión Europea 2001-2004*, Madrid, Secretaría de Estado de Asuntos Europeos.

TEPSA (1999), "Enlargement Watch", *TEPSA Online Documents*, 1.

TEPSA (2000a), "Enlargement Watch", *TEPSA Online Documents*, 2,

TEPSA (2000b), "Enlargement Watch", *TEPSA Online Documents*, 3.

TEPSA (2002), "Enlargement Watch", *TEPSA Online Documents*, 4.

Torreblanca, José I. (1999), "España y la ampliación: mito y realidad", *Economía Exterior* (11), pp. 111-118.

Torreblanca, José I. (2001a), *The Reuniting of Europe: promises, negotiations and compromises*, Aldershot, Ashgate.

Torreblanca, José I. (2001b), "Ideas, Interests and Institutions: explaining the Europeanization of Spanish Foreign Policy", *ARENA Working Papers* (01/26), pp.

Torreblanca, José I. (2002), "El marco institucional y político en la Europa ampliada: más allá de Niza", *Papeles de Economía* (91), pp. 228-38.

Torreblanca, José I., and Fernando Rodrigo (2002), "Germany on my mind? The Transformation of Germany's and Spain's European policies", in *Germany's (new)*

European policy - External Perceptions, edited by H. Schneider, M. Jopp and U. Schmalz. Berlin: IEP / Europa Union Verlag, 71-88.

Viguera, Enrique (1999), "Las negociaciones para la ampliación: la posición española", *Boletín Económico del ICE* (2629), pp. 21-42.