The Priorities of the Swedish EU Presidency

Fredrik Langdal

Theme¹: This ARI outlines the six priority areas of the Swedish EU Presidency during the second half of 2009 and looks at its key challenges.

Summary: The climate-change agreement to be finalised in Copenhagen in December 2009 is the Swedish EU Presidency's top priority. The economic and financial crisis will also be central to the Presidency both in its own right and because of the way it affects the scope for manoeuvre in other policy areas. Constitutional and institutional uncertainties also affect the Presidency and the implementation of a new Treaty and the process leading up to a new Commission will require much attention from the Presidency. The Stockholm Programme –the successor to the Hague programme– in the field of freedom, security and justice will be finalised during the autumn, as will the first macro-regional cooperation agreement within the EU: the Baltic Sea Strategy. The Presidency will also give priority to the EU's external dimension, covering issues ranging from enlargement to the WTO.

Analysis:

Introduction
The Swedish EU Presidency during the second half of 2009 will face a number of challenges. Not only will it have to negotiate an extremely complex and contested successor to the Kyoto Agreement amidst the deepest economic crisis the EU and the world have seen for many decades, but the Union’s constitutional reform process will also enter its final stage and a new Commission will not take office until November at the earliest.

The Presidency's Work Programme (available at www.se2009.eu) lists six thematic priorities which to a large extent are exogenous. However, as will be outlined below, within these six priorities the Swedish government has partly chosen to highlight those policy challenges and possible solutions that are in accordance with its own priorities. Depending on its skill and circumstances the Presidency might affect the content and policy direction of these areas, but to assess their impact it will be necessary to analyse the Presidency in retrospect rather than, as is the case here, a couple of weeks into the Presidency. However, this analysis sets out to describe the priorities and to consider

¹ Researcher, Swedish Institute for European Policy Studies.

¹ This analysis draws substantially on a number of previous publications on the subject written jointly by the author and Göran von Sydow.
possible outcomes using available information on global, European and Swedish politics and research on the roles that Presidencies play in the Union’s policy-making processes.

The areas the Swedish Presidency intends to prioritise during its six-month term are:

- Economy and employment.
- Climate change.
- The Stockholm Programme.
- The Baltic Sea Strategy.
- The EU, its neighbourhood and the world.
- Institutional and constitutional questions.

**Economy and Employment**

The financial and economic crisis casts a long shadow over the Swedish Presidency and has forced issues of financial regulation and economic policy onto the agenda, something which had not been foreseen when the preparations for the Presidency began in 2006 or during the later Trio-programme negotiations.

There are a number of global economic and financial issues that will be relevant for the EU during—and well beyond—the autumn of 2009. On the global level the main forum for the EU and the Presidency will be the G20 meeting in Pittsburgh in September, which will focus on the action plan developed at the Washington and London meetings. The six pledges from the London summit were:

- Restore confidence, growth and jobs.
- Repair the financial system to restore lending.
- Strengthen financial regulations to rebuild trust.
- Fund and reform international financial institutions to overcome the crisis and prevent future ones.
- Promote global trade and investment and reject protectionism, to underpin prosperity.
- Build an inclusive, green and sustainable recovery.

The Presidency’s task will be to present the EU’s position at the G20 meeting, although as four EU Member States are members in their own right it is crucial for the Presidency to have a common position if it is to be seen as a relevant and important participant at the meeting.

Internal policy-making in the EU is very much related to the pledges made at the G20 meeting and the Presidency’s priorities in this area are three:

(1) Increased employment through better-functioning labour markets. Even though labour market policies are the competence of Member States, the Presidency sees the added value of the EU dimension through the exchange of experience and the commitment to policies for increasing employment, in effect bench-marking. Real progress in this area on a European level seems therefore quite unlikely in the near future.

(2) Efficient financial markets through better supervision and regulation. In this field there are, on the contrary, a number of concrete issues that will need to see progress during

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the Swedish Presidency. First, there is the structure of supervision that concerns both systemic stability and coordinated micro-level supervision, for which proposals will be presented in September 2009. Secondly, work will be done on the Capital Requirements Directive, The Prospectus Directive and the Directive on Alternative Investment Fund Managers during the Presidency. Finally, the Presidency will also prioritise the EU’s crisis management and resolution capabilities in the financial area. (3) Long-term growth and employment in the coming decade, ie, the successor to the current Lisbon Strategy which is to be approved during the Spanish Presidency in 2010. The Strategy is made up of a whole range of policy areas and those emphasised by the Swedish Presidency Work Programme include investment research and innovation, open and efficient markets, efficient labour markets and modern social insurance systems. However, and this is crucial, the Presidency stresses the importance of national and regional ownership of the process and efficient benchmarking and evaluation as tools which should be interpreted in the sense that the Swedish Government basically wants more of the same when it comes to the successor to the Lisbon Process in terms of instruments and power of balance.

Finally, though it is an impossible task to sum up the Swedish positions in relation to all these policy areas, a few sentences about the general economic approach of the Swedish government will –it is hoped– contribute to an understanding of the Presidency’s attitudes concerning these issues. First of all, the commitment to the Stability and Growth Pact and, more generally, sound and sustainable public finances are very important to the Swedish Government. Secondly, increased labour market participation, including increased labour migration, has been a theme of the government in its domestic priorities and it is clear that it wishes to export these policies in some form to the European level (see also the Stockholm programme below). Thirdly, the government is market oriented and very much in favour of free trade and against protectionism; thus it is not unlikely that it will prioritise issues concerning the functioning of the internal market and be highly sceptical against state aid and soft loans and such like.

Markedly absent from the Presidency’s priorities are issues of economic governance and this has partly to do with an essentially intergovernmental perception of European integration and the fact that Sweden is not a member of the Euro-group, which puts it in a structurally awkward position when it comes to this kind of issues. It will rather try to lead by example, even though youth unemployment is currently rising sharply, as is public debt.

Climate Change
Negotiating a deal at the United Nations Climate Change Conference in Copenhagen in December 2009 remains the Swedish Presidency’s top priority despite the economic and financial crisis. The successor to the Kyoto Protocol will have to address a number of thorny and interrelated issues, with the intermediate aim of limiting the planet’s warming to two degrees by 2050. The most important questions that will have to be resolved are how much the industrialised countries –including the US– are to reduce their emissions of greenhouse gases, how major emerging economies –like China and India– can be incorporated into the global framework for fighting climate change, how adaption to climate-smart policies will be financed for the developing world and what the financial infrastructure will look like. The Presidency tends to describe the current economic crisis as an opportunity to transform economies towards eco-efficiency, which –according to this line of reasoning– will spur growth and employment.
The EU will base its approach to the climate change negotiations on the 20-20-20 deal agreed at the European Council in December 2008 (Council of the European Union 17271/1/08 & 17215/08). This deal essentially entails that the EU, by 2020, will cut its carbon dioxide emissions by 20% compared to the levels of 1990, increase energy efficiency by 20% and that renewable energy should make up 20% of the energy mix. While this package was approved by the European Parliament it should be said that the agreement was reached before the full force of the economic crisis had hit the European economies. Furthermore, the EU has come forward with an offer to reduce carbon dioxide emissions by 30% if a deal is struck with comparable commitments from other actors in Copenhagen, although it remains to be seen under exactly what circumstances the offer would be implemented. Three of the major intra-EU challenges for the Swedish Presidency in this area will be to uphold the commitments made, to negotiate a deal regarding the distribution of costs and on all aspects of financing at the European Council meeting in October 2009 (Council of the European Union 11225/2/09) and to represent the EU in Copenhagen.

The Swedish position with regard to climate change can best be described as a front-runner or outlier, depending on the point of view. The domestic targets for 2020 include, inter alia, a 40% reduction in climate-change-inducing emissions and 50% renewable energy in the energy mix. While these targets have been described by the government as the most ambitious in Europe, the opposition is very critical both of the level of ambition, which it thinks is too low, and of the instruments chosen. Thus, apart from its own commitment to tackle climate change, the Swedish government has added pressure from the domestic arena to keep ambitions high both when brokering intra-EU negotiations and as a representative in the final global negotiations in Copenhagen.

The G8 meeting in L’Aquila and the informal environmental Council meeting in Sweden in July have set a positive tone, confirming the importance of the two-degree target. However, a positive tone alone is very far removed from concrete results and by October the tough decisions on financing and distribution of costs will have to be taken. This will be the Presidency’s first real test in this area. The success of the subsequent global negotiations in Copenhagen will be central to any evaluations of the Swedish Presidency.

The Stockholm Programme
Cooperation in the area of security, freedom and justice has for a decade been framed by five-year programmes. The second of them, the Hague Programme, will expire during the Swedish Presidency and is to be replaced by the Stockholm Programme, to be approved at the European Council meeting in December. The challenges to be addressed in the programme cover a wide range of policy areas, from migration and asylum to criminal law and police matters. Although it will not contain legally-binding measures, it is important since it sets the general direction of the whole policy area for the next five years.

European-level challenges have been discussed by public consultation and by an informal high-level advisory group, leading to a Communication from the Commission that sets out the priorities for the future (Communication from the Commission, COM 2009 (262)). The Communication focuses on four broad priorities which will be the likely basis for the Stockholm Programme:

(1) The protection of fundamental rights is a core value, and privacy and the protection of personal data should be preserved.
(2) Justice, dealing with issues such as access to courts and deeper integration between the judicial systems of the Member States.

(3) 'A Europe that protects', concerning strengthened cooperation in the field of police and law enforcement, especially in relation to organised crime and terrorism.

(4) The common asylum system and immigration policy with a focus on solidarity and labour migration.

The Communication also contains many other proposals related to these four thematic priorities.

The Swedish government’s vision in relation to the Stockholm Programme is ‘a more secure and open Europe where the rights of individuals are safeguarded’ (Work Programme for the Swedish Presidency, p. 7). Domestically, the government has been under pressure regarding privacy and surveillance issues and it cannot afford to be seen to be too tough a promoter of policies that threaten privacy. However, the Minister for Justice has repeatedly emphasised the importance of the Schengen Information System and the Visa Information System. Apart from this, the Swedish government is a firm supporter of the common asylum system, including elements of burden-sharing and also of increased labour migration and is likely to pursue these issues in the negotiations around the Stockholm Programme.

The Presidency’s main task in this area will be to broker a deal between the 27 Member States, with an important first informal meeting of the JHA Council being held in Stockholm in mid-July and negotiations continuing through the autumn. The talks will certainly be intensive and complicated as the areas covered touch the core of Member-State sovereignty (the judicial systems) and highly sensitive areas such as migration and privacy. For example, the patchy political success of the far right in the recent European elections and increasing unemployment within the EU will in all likelihood affect the possibilities of agreeing on a liberalised migration regime and a generous uniform asylum system. One further complicating factor is the uncertainty of the constitutional framework –for instance, discussions regarding family law are expected to be put on hold until after the Irish referendum–, although uncertainty is not expected to be a decisive factor in the negotiations (Södersten, p. 6f). However, it seems highly unlikely that the Member States will fail to agree to the Stockholm programme in the end; the question is rather in which general direction policy will develop and to what degree the issues and measures will be specified.

**The Baltic Sea Strategy**

The Baltic Sea Strategy is the EU’s first macro regional strategy and is the clearest example of the Swedish Presidency’s long-term agenda setting (Langdal & von Sydow, p 12). The strategy covers the eight Member States around the Baltic and Russia’s participation is expected via the framework of the Northern Dimension. It is important to note at the outset that the Strategy is meant to take place within Community structures. A Commission Communication on the Strategy was issued in June 2009 and is currently under discussion by Member States and the European Parliament. The strategy will cover four pillars:

(1) An environmentally sustainable region, particularly covering the marine environment.

(2) A prosperous region, covering, *inter alia*, innovation and research, removing barriers to trade and sustainable agriculture and fisheries.
(3) An accessible and attractive region, focusing in particular on energy, transport and tourism issues.

(4) A safe and secure region, covering maritime safety and the fight against cross-border crime (Communication from the Commission, COM 2009 (248)).

Linked to these pillars are some 80 flagship projects that will make up the bulk of the strategy’s content (see Commission Staff Working Document, 2009).

In terms of policy content the Commission Communication is well in line with the approach envisaged by the Swedish government, with its focus on environmental issues, prosperity and cross-border crime. The Swedish government’s intention is naturally to try to shift the focus towards the Baltic Sea Region and can be seen partly as a response to the initiative of the Union for the Mediterranean. Even though the structure is different—being an intra-EU process—it is likely to face similar challenges of momentum and continuity as it disappears from the limelight, as it is almost exclusively dependent on the stakeholders’ commitment to move forward. The Strategy seems to be far too weak to justify an analysis in terms of differentiated integration and it is most unlikely that it will amount to a threat to the Union’s coherence. However, if successful, the Swedish Presidency hopes that it can serve as a model for other macro-regions within the Union as regards policy-making models. Such an evaluation can only be made with the benefit of hindsight but an a priori analysis gives reason to be slightly sceptical regarding the real impact the strategy might have, especially as there seems to be no additional funding for it.

The EU, its Neighbourhood and the World

The prioritisation of external relations in the broad sense is best seen as a residual category to signal that these issues are of generic importance. The Presidency’s Work Programme lists issues ranging from the EU as a global actor, European Neighbourhood Policy and democracy-building to free trade, enlargement and the EU’s role in the Middle East. This area includes relations with a large number of counterparts, different instruments and complex processes. In relation to external actors the Presidency will to a large extent act as the Council’s representative. It is impossible to outline the global and European setting in relation to all of the issues covered under this heading, but a few examples, on which the Swedish Government has clear preferences, are given below.

The Union’s enlargement confronts the Presidency with some intricate problems concerning the three candidate countries (Croatia, Macedonia and Turkey) and the five potential candidates from the Western Balkans. In addition, on 23 July Iceland handed in its application for membership to the Swedish Presidency, which forwarded it to the Commission for its opinion. From a Swedish point of view, an Icelandic EU membership would be welcome, not least because it would strengthen the Union’s Nordic dimension. Although the same rules will apply to Iceland as to any other applicant, it can be assumed that the negotiations will be comparatively quick as Iceland is a member of the EEA and Schengen and has thus already implemented a large part of the EU’s regulatory framework. However, the road will not be completely smooth and stumbling blocks during the negotiations could include the traditional concern for fisheries and the repayment of debts incurred during the financial crisis and, of course, at least one referendum on membership.

Turning to the other candidate countries, the picture is bleaker. At the GAERC Council on 27 July Slovenia continued to block the opening of further chapters for Croatia due to a border dispute and Greece continued to block the opening of negotiations with Macedonia.
because of the controversy over its name, and these are bilateral processes in which the Presidency will not intervene. Moreover, the Turkish negotiating process is progressing slowly, partly due to resistance from France, but also because of a slowdown in the reforms in Turkey itself. There will be a number of recommendations from the Commission concerning visa liberalisation for the potential Western Balkan candidates and progress during the autumn might lead to visa-free travel for the citizens of some of these countries before the end of 2009. It is difficult to know exactly what will happen during the Swedish Presidency concerning these processes but it seems clear that the Presidency is keen to avoid further politicisation of the enlargement issue and will focus its efforts on keeping the process moving forward and minimally avoiding stalemate.

Enlargement has been a consistent priority for Sweden’s political parties across the political spectrum and was one of the three main priorities of the Swedish Presidency of 2001 (along with employment and the environment). Looking at the Work Programme from a Swedish Perspective it is slightly surprising that enlargement has not been given a more prominent place. However, from a European perspective one realises that enlargement has become increasingly contentious and that enlargement fatigue is widespread, which probably goes some way towards explaining the Presidency’s level of ambition.

A second priority which is worth highlighting in this area concerns free trade, which is seen as an effective strategy for economic growth and for counteracting the effects of the economic crisis. Even though a conclusion of the Doha Round in the WTO is very unlikely to take place during 2009 the Presidency has prioritised the re-start of the negotiations and a rapid conclusion. Likewise it would like to see progress and, if possible, a conclusion to the bilateral free-trade negotiations with, inter alia, India, the Ukraine, South Korea, the Andean Community and the Gulf Cooperation Council. In the context of the South Korean President’s visit to Stockholm in mid-July, when the free trade agreement was discussed, the Swedish Prime Minister Reinfeldt stated that the free trade agreement is ‘an important signal to the rest of the world and serves as a counterweight to global protectionism, which I find extremely worrying’ (www.se2009.eu, 13 July). This line will be significant for the Presidency both in relation to free trade and to the Single Market. Trade relations with third countries are also envisaged to be integrated into the successor to the Lisbon Strategy and trade policy ‘should underpin efforts ahead of the climate meeting in Copenhagen’ (Work Programme, p. 19).

Third and finally, the way crises are managed is central to any Presidency and the Swedish one will be no exception. The Trio colleagues France and the Czech Republic had to deal with the Russian-Georgian crisis and the invasion of Gaza respectively and in an unstable and unpredictable world the EU and the Presidency will have react to a number of different potential crises each year. In the Swedish case, the aftermath of the Iranian elections (and its nuclear programme, for that matter), the situation in Honduras and in Xinjiang are examples of leading the Union to pursue a collective response. However, it should be noted that crisis management need not only be related to the external world but that there might also be intra-EU crises which will require the Presidency to act with swiftness, effectiveness and flexibility, such as –for instance– a pandemic outbreak of influenza. Sweden, being a small Member State, a non-NATO member and virtually without a colonial past, has increasingly adopted an ‘EU-first’ attitude to foreign affairs. Thus, when possible Sweden prefers a collective response from the EU and as President of the Council it is likely to reinforce that policy. However, the collective responses are set by those Member States which wish to do the least and this
structural condition will not alter with Sweden holding the Presidency. It is thus likely to be a Presidency that will promote collective responses whenever possible and it will not be interested in solo riding in the field of foreign affairs.

The Constitutional and Institutional Questions
The constitutional uncertainty does, of course, cast its long shadow over the Swedish Presidency. The Irish referendum on 2 October will prove pivotal during the autumn of 2009 regardless of whether the Irish vote ‘Yes’ or a ‘No’ to the Lisbon Treaty. The preparations for implementing the Treaty have been under way at least since it became clear that the Irish government was willing to make a second effort at saving the Treaty. However, as it would be considered offensive to prepare the implementation of a treaty that has been rejected, the preparations have been informal and with a very low public profile and the Presidency’s work programme is virtually silent on the issue. Moreover, the turn-over on key political posts within the EU and in some Member States has meant that important counterparts have been either missing or lame ducks (see below).

However, far from being just an added work-load for the Presidency, the preparations and implementation of the Lisbon Treaty might prove to be a window of opportunity, as constitutional change implies formative moments. There are a number of areas which still need to be defined, such as the European Council’s Rules of Procedure, the delineation of the External Action Service and of the roles of the President of the European Council and the High Representative. Without abusing the office of the Presidency it is still possible to argue that the holder can potentially skew the outcomes towards its preferred positions when brokering deals with the other 26 Member States (see Tallberg, p. 137ff).

If, on the other hand, the Irish referendum results in a ‘No’ to the Treaty the Presidency will potentially face a situation of renewed soul searching within the EU at best and paralysis at worst. Then the task of the Presidency could be to avoid stalemate and to initiate renewed discussions about the direction and finalité of the integration process—a discussion that is already burgeoning in continental Europe in the wake of the economic crisis but in which the Swedish government has shown no particular interest—. For example, Felipe Gonzalez’s ideas regarding an economic government for the EU have been met with silence and it is unlikely for Sweden to take the lead in such a discussion if the Irish vote ‘No’. Spain is thus possibly better placed to initiate and move such a discussion forward while the Swedish Presidency would focus on avoiding stalemate and perhaps calling for a period of reflection.

The second area to cast a shadow over the Swedish Presidency is the appointment of a new Commission and the fact that the European Parliament is newly elected. Both these factors might contribute to slowing down and decreasing the efficiency of the decision-making processes. The failure to get Durão Barroso confirmed for a second term as Commission President in July was the first set-back of significance for the Swedish Presidency and a vote is now scheduled for 10 September—and as support for Durão Barroso is far from overwhelming this process adds further to the uncertainties for the Presidency—. A worst-case scenario from the Presidency’s point of view would be if the European Parliament were to postpone the vote until after the Irish referendum and tie the appointment to other posts to be allocated under the Lisbon Treaty. Not only is there a possibility of new names emerging as time passes but it would leave the EU with a Commission lacking in leadership for several important months. Also, the appointment of the new Commission in November or possibly even in December would mean that the ‘engine of integration’ and ‘the small member states’ best friend’ would be weakened
during the autumn of 2009. The impact of a newly-elected European Parliament is that it is ready to flex its muscles—as it has already shown—and that MEPs are eager to position themselves and leave a mark on policy-making and thereby possibly making the smooth collaboration between the Council and the Parliament more difficult than is normally the case. To conclude, it falls heavily on the Presidency to ensure as smooth as possible a functioning of the Union’s decision-making in times of institutional turbulence and constitutional transition, while both brokerage skills and skills of internal representation will be put to the test.

Conclusions: Without exaggerating, under the Swedish Presidency the EU will face a number of unusually important policy challenges, which may prove pivotal for the Union itself and for the world. Reaching a comprehensive climate deal at Copenhagen remains the top priority for the Swedish government but success is very far from guaranteed despite the positive note struck by the G8 and the Environment Council. On the one hand, there is the internal challenge of upholding commitments already made—and perhaps trickier—to start distributing the costs. On the other, there are the negotiating crescendos of Copenhagen, where the commitment of the other industrialised and emerging economies will be put to the test. The fact that global climate-change adaptation will cost enormous sums will naturally make the economic crisis very relevant to the negotiations and it is not difficult to envisage a scenario where costs and thereby adaptation are relegated to the future.

Secondly, tackling the economic crisis is important in terms of unemployment, social cohesion, public finances and creating room for progressive political reform. The EU has comparatively little scope for discretionary policies for fighting an economic recession of this kind and it is likely that the next discussion on the future of the EU will focus on how to make the Union better equipped to deal with this sort of crisis. The Swedish Presidency is likely to promote the proper application of the stability and growth pact, the successor to the Lisbon Strategy and a functioning Single Market rather than truly European economic governance, not least since Sweden is not a member of the Euro.

Thirdly, the outcome of the referendum in Ireland will have significant implications for the EU and for the Swedish Presidency. In the event of a ‘Yes’ vote prevailing, the Presidency will prepare its implementation and might see the Treaty implemented during its tenure. In case of the ‘No’ vote triumphing, the main task will be to avoid paralysis, although it is unlikely that the Presidency will initiate a comprehensive debate on the future of Europe, especially as the tool for treaty revisions seems closed for the foreseeable future.

Finally, and less pivotal, the negotiating processes concerning the Stockholm Programme and the Baltic Sea Strategy are likely to go relatively smoothly by comparison, even considering the sensitive and important issues included in the former. This is not the place to prophesy the outcome, but in both these processes there is the possibility of leaving controversial issues underspecified or for future decisions, thereby easing the Presidency’s task to broker and conclude the deals. The handling of unexpected crises will be central to the evaluation of a Presidency but one might at least hope that the characteristics of the crisis do not prove to be pivotal for the world or the EU.

To conclude, there is no objective reason to believe that the Swedish Presidency will not be organisationally competent, while the main challenge lies in delivering results in the face of adverse conditions. The Swedish Presidency is likely to be characterised by internal brokerage and the pursuit of common positions and while there is some potential
for leadership in the field of climate change this seem less likely in other areas, such as the economy or foreign and security policy where countries with more substantial power resources are likely to hold the initiative.

Fredrik Langdal  
Researcher, Swedish Institute for European Policy Studies

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