

Latvia's EU Presidency: Less is more

Gerta Lezi & Steven Blockmans

3 July 2015

Latvia, which held its first-ever rotating presidency of the Council of the EU for the past six months, proved that a small administration can achieve concrete results in a short time span. Unwittingly, it has been helped in this respect by the Juncker Commission's insistence to be "big on big things and small on small things", which translated into a very thin work programme for 2015.

The small Baltic state inherited the presidential mantle from Italy, which embarked on the current presidency trio on 1 July 2014 under the guiding motto "Europe: A fresh start", reflecting the goal of reinforcing the EU in one of the most challenging times of its history. Italy's Presidency transitioned into the new institutional cycle, with a newly elected European Parliament largely unemployed due to the Commission repealing more than initiating legislation. Its term was characterised not so much by the completion of dossiers but rather by initiating dialogue on investment, the digital economy and migration – files which it then passed on to Latvia. The official theme of Latvia's presidency was "Competitive, Digital and Engaged Europe". At the end of its stint at the helm of the Council, it has two concrete results under its belt. It completed the ordinary legislative procedures for the **Youth Employment Initiative** – enhancing the initial pre-financing amount paid to operational programmes – and **macro-financial assistance to Ukraine** amounting to €1.8 billion. There are, however, other substantial dossiers that qualify Latvia's presidency as a successful one.

A new **European Fund for Strategic Investments (EFSI)** – the €315 billion 'Juncker Plan' – was created in record-breaking time. The Latvian presidency successfully worked on this initiative as an honest broker and on May 28th – after eight trilogue meetings since April – reached a provisional agreement with the European Parliament on the rules of the Fund. The EFSI will be established within the European Investment Bank (EIB) and will complement ongoing EU programmes and EIB activities. The EIB will chip in €5 billion and €16 billion will come from EU budget guarantees through the redeployment of €2.2 billion from the Horizon 2020 programme, €2.8 billion from the Connecting Europe Facility and €3 billion from unused funds. The remainder will be raised from public and private investments. The estimated multiplier of the EFSI in

Gerta Lezi is an intern in the Politics and Institutions research unit at CEPS and Steven Blockmans is Senior Research Fellow and Head of the EU Foreign Policy research unit at CEPS.

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real investment is expected to be 1:15 because of the risk-bearing capacity of the fund. This agreement is a success for Latvia's own priority for a competitive Europe. On June 24th the European Parliament validated the EFSI and the Council adopted the regulation on the following day, which means that its launch will start this month with the first investments taking place as foreseen in the initial plan.

Digital Single Market

In the context of the creation of a Digital Single Market, the Council and the Parliament reached an understanding on June 29th concerning the **Network and Information Security Standards Directive**. This breakthrough will allow for a better mechanism to deal with cyber threats in the borderless digital world. The Luxembourg presidency is expected to move forward with the legislative procedure. Less progress had been made on **roaming charges** in the EU. There was widespread pessimism for a deal to be achieved during Latvia's term; compromise had failed to be reached between the Parliament and Council because of disagreement on the starting date – 2016 for the former and 2018 for the latter. After a 12-hour negotiation process, however, Latvia managed to reach a compromise deal on June 30th, the last day of the presidency, by moving the date to June 2017. This dossier was the proverbial cherry on top of a successful term. Now the agreement needs confirmation on Luxembourg's watch.

Another milestone achieved during Latvia's presidency is the **data protection Regulation**. On June 15th the Council reached an agreement on a general approach concerning this long-debated act, which has been more than 3 years in the making. The dual goal of the regulation is to enhance data protection for individuals and to increase business opportunities in the Digital Single Market. While differences still have to be reconciled (e.g. on consumer rights, businesses' duties and the level of protection standards), the first trilogue negotiations with the Parliament took place on June 24th making a possible agreement more feasible than ever by the end of the year. The second trilogue is scheduled for July 14th under Luxembourg presidency and it's a dossier that will be watched closely.

Geo-political challenges

The crisis in Ukraine has highlighted the EU's dangerous dependence on Russian energy imports and the lack of an interconnected energy market. This has raised member states' awareness about the need to set a vision for the integration of a series of policy areas into a single energy market strategy for the Union. During a High Level Conference in Riga on February 6th, the Commission gave a preview of the **Energy Union Package** which it then launched on February 25th. The package hinges on energy security, solidarity and trust; a proposal for a fully integrated European energy market; energy efficiency; a decarbonised economy; and research, innovation and competitiveness. These elements expand on the traditional pillars of the EU's energy policy: liberalised and competitive markets; energy security; and environmental protection and climate change mitigation. Whereas the Commission has started work on enhanced regional cooperation in southeast Europe and in the Baltic region by strengthening the regulation on wholesale energy market integrity and transparency (the REMIT initiative), a proposal for the revision of the energy and gas security Regulation is expected only by the end of this year. New legislation on security of

supply for electricity, and proposals for a review of the ecodesign and labelling Directive, as well as the energy efficiency Directive will be proposed next year.

As a state on the 'frontline' with Russia, one of Latvia's stated priorities was the reinforcement of the **Eastern Partnership (EaP)**. Although the Riga Summit of May 21-22 was generally characterised as a modest one, with no real breakthroughs, the conference nevertheless reaffirmed the EU's strategic attachment to the region.¹ In addition, on June 11th, Latvia and the Commission initiated the first meeting with the EaP countries on the digital economy.

In April alone, more than 1,200 migrants drowned in desperate attempts to escape the conflict zones of northern Africa and the Middle East by crossing of the Mediterranean. The sudden flare-up in this protracted crisis forced Latvia to include **migration** on its agenda. In an effort to shape a comprehensive policy response, Latvia, together with Federica Mogherini as permanent chair of the Foreign Affairs Council, convened a 'jumbo' meeting of interior and foreign ministers on April 20th. In the field of the Common Security and Defence Policy, this led to the rapid build-up of Operation EUNAVFOR MED.² In parallel, the Commission came up with a bold Migration Agenda intended to fix member state quotas for the relocation of asylum-seekers from Italy and Greece. Discussed in the JHA Council on June 16 and by the European Council on June 22, the conflicting views among the member states caused the Commission proposal to flounder. Mandatory quotas were excluded and replaced by a looser voluntary quota scheme, to be hammered out by interior ministers under the Luxembourg Presidency. This crisis shows how geopolitical realities affect the agenda of a rotating presidency and may side-track the focus from its priorities.

However, this emergency was not the first Latvia had to deal with; from the very beginning, in January, it had to organise itself and the Council in order to respond to the **terrorist attacks** against the Charlie Hebdo in Paris. The response was immediate and the Home Affairs ministers met informally on January 29th -30th in Riga where the Riga Joint statement on counter-terrorism was adopted, calling for a coordinated response. Consequently, in June the JHA Council discussed the implementation of the measures set out in the counter-terrorism statement as well as the March JHA draft Council conclusions on the Renewed EU Internal Security Strategy for 2015-2020, adopted on June 10th; they will be implemented under the Luxembourg presidency.

Overall assessment

Overall, the second of the current trio Presidencies can be described as a success. Latvia's administration was well-prepared and played the role of the 'honest broker' in the Council admirably. On June 17th, the EP Committee on Constitutional Affairs described the Latvian Presidency as "vigorous, visible at the EP and efficient in chairing the Council". One could add that the way it handled the emergencies it had to deal with, despite its inexperience, illustrate the country's administrative capacity, willingness to lead and diplomatic skills. Latvia has enhanced its personal

¹ See H. Kostanyan, "The Eastern Partnership after Riga: Review and Reconfirm", CEPS Commentary, 29 May 2015.

² See G. Faleg and S. Blockmans, "EU Naval Force EUNAVFOR MED sets sail in troubled waters", CEPS Commentary, 26 June 2015.

attractiveness in the EU and through the many cultural events - around 2,000 - made it more widely known. At the same time its presidency proved to be a profitable affair as well. KPMG Baltics SIA, in its "Assessment of the impact of the Latvian Presidency of the Council of the EU on the Latvian economy", as estimated that the benefit for Latvia will be close to €64.5 million (compared to the €55.41 million that Lithuania raised during its EU Presidency in 2013). Among the benefits outlined were: a boost in tax revenues, promotion of employment, an income increase, a positive impact on tourism and improvement in the professional capacity of the state institutions.

Luxembourg, which has just taken on the challenge of presiding over the Council in the next half year, is expected to make progress on the dossiers that were not completed. Its main theme is "Citizens, growth, investment, innovation and sustainability", suggesting continuity in the main dossiers. More specifically, Luxembourg will need to deal with the dossiers of Migration, the Digital Single Market, Energy Union, Corporate Taxation, the completion of the Data Protection Regulation and the Interinstitutional Agreement on Better Regulation kicked off on June 25 (also in the context of the EU reform agenda driven by the upcoming UK referendum on 'Brexit'). The stated priority of a sustainable development will also require much of the presidency's time due to the preparations for the Paris conference on climate change this upcoming December. Nevertheless, Luxembourg's 12th Presidency is likely to be dominated by the real and present danger of 'Grexit'.³

³ See C. Alcidi, "Argentina or Puerto Rico: How will this Greek tragedy play out?", CEPS News, 2 July 2015.