

## European Issues from a Spanish Perspective: Contribution to EU-27 Watch nr 7

*Ignacio Molina and Alicia Sorroza\**

**Theme:** This paper analyses various European issues –the Irish referendum, the French EU Presidency, the EU’s Mediterranean relations, the Pact on immigration and asylum and the future of the Euro, among others– from a Spanish perspective.

**Summary:** The EU-27 Watch is part of EU-CONSENT, a network of Excellence for joint research and teaching comprising more than 50 research institutes (of which the Elcano Royal Institute is one) that addresses questions on the mutually reinforcing effects of deepening and widening the EU. The project sheds light on key issues and challenges of European integration. The aim is to give a full comparative picture of debates on European integration and current developments in European politics in each of these countries. This is the Spanish contribution to the project. It should be pointed out that the EU-Watch covers from January to June 2008 and that it was completed in July 2008. The full document with the contributions from the 27 member states is available at [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/Europe/00033](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/Europe/00033).

### Analysis:

#### The EU After the Irish Referendum

The ‘No’ vote in the Irish referendum held last 12 June was generally received with great disappointment among the Spanish political elites, mass media and general public. The main newspaper headlines even highlighted with some overstatement that the results of the vote in Ireland were the ‘worst crisis ever in the EU’<sup>1</sup> and that the integration process was, as a consequence, ‘close to the abyss’.<sup>2</sup> Of course, all analysts and most citizens, bearing in mind the unanimity requirement for the ratification of European treaties in member countries, realised that the entry into force of the Lisbon Treaty faced a serious setback and that a new period of political uncertainty –coinciding with the increasing signs of economic crisis– had commenced in Europe.

The somewhat misguided idea that only 862,415 Irish voters had blocked the political will of 500 million people all around Europe was particularly stressed and, as a natural result

\* *Ignacio Molina, Senior Analyst for Europe, Elcano Royal Institute.*

*Alicia Sorroza, Analyst, Elcano Royal Institute.*

<sup>1</sup> *El País*, 14 June 2008.

<sup>2</sup> *El Mundo*, 14 June 2008.

of this viewpoint, some commentators supported the idea of re-thinking unanimity among the member states, blaming it as an unsuitable procedure for reforming treaties.<sup>3</sup> On the other hand, the referendum was also interpreted as a manifestation of the divorce between public opinion and politicians since the five most important Irish parties had recommended supporting the Treaty but 53% of the people had voted against. That is to say, EU decision makers and not the particular electorate in Ireland were guilty of pretending, after the constitutional crisis caused by the French and Dutch referendums in 2005, that they had a solution, an elitist 'plan B', called the Lisbon Treaty, whose success required the avoidance of a direct popular ratification. Thus, the Irish people –who had necessarily to ratify the reform by referendum because of the interpretation of a constitutional clause that the Irish Supreme Court decided in the 1970s– would have realised the imposture, the non-existent clothes of the EU, perhaps behaving naïvely and inconveniently but nevertheless speaking the truth about the current distance between the European integration process and the citizens.<sup>4</sup> In fact, when asked last April whether the EU cares about its citizens, Spaniards also showed some frustration in believing that the EU does not listen to its citizens and that it listens only to the biggest countries, such as France.<sup>5</sup>

In any case, the main concern of the Spanish political elites after the negative Irish response was to avoid a domino effect or chain reaction in the countries that had not yet ratified. The socialist Prime Minister, José Luis Rodríguez Zapatero, who had been re-elected for a second term after the parliamentary elections held last March, rejected any substantial renegotiation of the Treaty or any alteration in its ratification calendar. The Spanish government showed its full support for possible solutions that the following French EU Presidency might propose<sup>6</sup> and officially maintained the objective of the Treaty's entry into force next January 2009 or, at the latest, before the elections to the European Parliament scheduled for next June 2009.

The Spanish lower chamber (*Congreso de los Diputados*) actually voted the ratification only two weeks after the Irish Referendum, on 26 June, and the Senate on 15 July, thus swiftly completing the Spanish parliamentary ratification of the Treaty<sup>7</sup>. Three-hundred and twenty-two out of 350 deputies in the Spanish Congress voted 'Yes', only six voted 'No', two did not vote and 20 were absent. In the Higher Chamber, 232 senators voted for the Treaty and only six against.<sup>8</sup> Spain, therefore, did not succumb to the temptation of

<sup>3</sup> For instance, Carlos Closa (2008), 'After Ireland: Referendum and Unanimity', ARI nr 62/2008, Elcano Royal Institute, [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/Europe/ARI62-2008](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/Europe/ARI62-2008).

<sup>4</sup> José Ignacio Torreblanca, 'El emperador desnudo' ['The naked emperor', after Han Christian's Andersen's famous fairy tale *The Emperor's New Clothes*], *El País*, 16 June 2008.

<sup>5</sup> See the 17th wave of the Barometer of the Elcano Royal Institute (April 2008), [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/BarometeroftheRIElcano](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/BarometeroftheRIElcano).

<sup>6</sup> See the Prime Minister's address in the Parliamentary Journal of Debates (*Diario de Sesiones del Congreso de los Diputados*, IX Legislatura), 18th Plenary Session, 25 June 2008, Spanish Congress, [www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&FMT=PUWTXDTS.fmt&DOCS=1-1&QUERY=%28CDP200806250019.CODI.%29#\(Página5\)](http://www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&FMT=PUWTXDTS.fmt&DOCS=1-1&QUERY=%28CDP200806250019.CODI.%29#(Página5))

<sup>7</sup> The ratification was published by the Spanish Official Journal (BOE) on 31 July (<http://www.boe.es/boe/dias/2008/07/31/pdfs/A32919-32925.pdf>). The parliamentary process was indeed rapid if it is considered that elections had taken place in mid-March and that the Parliament was appointed in April. The Lisbon Treaty ratification bill was the first bill to be presented by the Government in the 2008-12 legislative term (30 April) and the entire procedure lasted only three months.

<sup>8</sup> The parties that opposed the Treaty were the formerly communist Izquierda Unida and two tiny leftist nationalist parties in Catalonia and Galicia. Despite this huge majority, the Spanish Constitution (art. 93) does not require any qualified majority to ratify European treaties but only an absolute majority in both chambers.

postponing the process, even if the government had been previously criticised by the opposition and conservative media for a too hasty ratification of the Constitutional Treaty at the beginning of 2005 with the direct intervention of the Spanish people in a referendum that became futile some months later, when France and the Netherlands halted the ratification.<sup>9</sup> On the one hand, the experience of a previous referendum helped the Spanish government to claim that it already enjoyed popular legitimacy to ratify despite the Irish result. On the other, the disappointment of having been a premature ratifier of the Constitution in 2005 –with involvement of the citizens in vain– might have recommended a postponement as Poland, the Czech Republic and Germany have done in one way or another. Nevertheless, the calendar was not altered in Spain.

Regarding the possible solutions to the Irish problem, the Spanish Prime Minister stated that ‘the result of the Irish referendum was certainly not good news, but Spain confronted it with certain clear ideas. The people of Ireland have expressed themselves in a democratic way, which we respect. This is true. However, regardless of any legal considerations on the consequences of the Irish rejection of the Lisbon Treaty, Ireland must understand that its ‘no’ to an agreement reached after long and complex negotiations cannot simply halt the desire of the vast majority of member states to move towards a greater degree of integration in order to be in a better position to confront the challenges of the 21st century. This means being aware that we respect the majority opinion of the Irish people, but it also means that the decision of most Europeans of wanting more Europe must also be respected’.<sup>10</sup> Then, he added that it was still possible to move forwards together and that, even if it was premature to do so, he had no fear of talking about possible exceptions, different speeds or statuses within the Union, or enhanced cooperation. For his part, Mariano Rajoy, the leader of the conservative Popular Party (PP), considered the performance of the Spanish government very disappointing for criticising instead of helping the Irish people but, nonetheless, the Spanish opposition backed the plans of the government to go ahead in Spain and supported the view that the ratification process had to be continued in all member states.<sup>11</sup>

Finally, the discussions in the Spanish media and among Spanish political actors about the real implications for the EU’s integration process of the Irish referendum have become progressively realistic and cautious. The Spanish general public, when asked whether they thought that the Irish ‘No’ to the Lisbon Treaty was a crisis for the EU, was split between 51% who believed it marked the start of a new crisis in the EU, and almost 40% who disagreed with this statement. Furthermore, 61% believe the ratification process should continue, while only one in four Spaniards thought it should stop. At the same time, a majority (57%) also thought that after the Irish ‘No’, the Treaty should be revised, as was done after the failure of the French and Dutch referendums.<sup>12</sup> The Union is probably

<sup>9</sup> The Referendum was held on 20 February 2005, with a 42.32% turnout: 76.73% voted ‘Yes’ and 17.24% ‘No’.

<sup>10</sup> Address by the Prime Minister, J.L. Rodríguez Zapatero, ‘In Spain’s interest: A Committed Foreign Policy’, 16 June 2008, organised by the Elcano Royal Institute. Available in English, French and Spanish at [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/Elcano\\_in/Zonas\\_in/Europe/00027](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/Elcano_in/Zonas_in/Europe/00027).

<sup>11</sup> See the address by Mariano Rajoy in the Parliamentary Journal of Debates (*Diario de Sesiones del Congreso de los Diputados*, IX Legislatura), 18th Plenary Session, 25 June 2008, Spanish Congress, [www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&FMT=PUWTXDTS.fmt&DOCS=1-1&QUERY=%28CDP200806250019.CODI.%29#\(Página5\)](http://www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&FMT=PUWTXDTS.fmt&DOCS=1-1&QUERY=%28CDP200806250019.CODI.%29#(Página5)).

<sup>12</sup> See the 18th wave of the Barometer of the Elcano Royal Institute (June 2008), [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/BarometeroftheRIElcano](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/BarometeroftheRIElcano).

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not in its worst crisis but the Government, the parties and the experts underline the need to overcome this uncertainty; thinking about not only Ireland but also the other countries that have not yet ratified.

### **The French EU Presidency: Positive Expectations**

In general, the French EU Presidency has been received with positive expectations in Spain. Some of the French priorities are considered prime issues for Spain's European policy.

#### *Strengthening ESDP*

In relation to defence, France's EU Presidency arrives in a context characterised by a constructive transatlantic and intra-European environment, but overcast by the shadow of Ireland's rejection of the Lisbon Treaty. Despite the limitations of the different national interests and priorities of the EU members, the favourable atmosphere offers the French EU Presidency a good opportunity to revitalise ESDP and advance on the road to European strategic autonomy. Spanish National Security is linked to the security of the European continent, it is a 'shared security', and Spain offers its full support to the development of an independent and autonomous European capacity. The Spanish Government supports the French proposals to strengthen the resources and role of the European Security and Defence College and ideas such as the creation of an Erasmus military programme to foster exchanges between European military officers and the reinforcement of common schemes for training European military and civilian personnel. As regards the expected revision of the 2003 European Security Strategy (ESS) by the end of 2008, Spain is open to updating the text, but in both official and academic circles there is a lack of knowledge regarding the different steps of the process.

According to the latest declaration of the Spanish Prime Minister on his priorities regarding Foreign Policy,<sup>13</sup> 'It is essential to go deeper in developing structures and capabilities, both civilian and military, with which the European Union can act. Three goals will guide Spanish policy: to push for the creation of a common security and defence policy with the necessary capabilities; maintaining the transatlantic link that is NATO, of which we are a firm and committed member; and encouraging cooperation between the EU and NATO. To this I will add our commitment to the Spanish Armed Forces in order to guarantee our defence and contribute to the defence of Europe'.

In this context, French ideas on the necessary level of civilian and military capabilities to meet Europe's proclaimed ambitions, the strengthening of the mechanisms of common funding for ESDP operations and progress towards a European defence procurement market are, in general, well received in Spain. Apparently, one of the most urgent objectives for the French is to adopt measures that imply a concrete and visible progress in the EU's capability to conduct military operations, including the ability to plan and command such operations. Two instruments are central for this scheme: Permanent Structured Cooperation and a Permanent Operational Headquarters (OHQ). Spain, which is a strong supporter of Permanent Structured Cooperation, has led the discussion over the details, but after the Irish 'No', the various initiatives were paralysed because the mechanism of Permanent Structured Cooperation depends on the entry into force of the

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<sup>13</sup> Address by Prime Minister, J.L. Rodríguez Zapatero, 'In Spain's interest: A Committed Foreign Policy', *op. cit.*

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Lisbon Treaty. In addition, Spain is open to the idea of a Permanent Operational Headquarters.

#### *Invigorating the EU-Mediterranean relations*

Another of the priorities of France's EU Presidency is to reinvigorate EU-Mediterranean relations. This geographical area is one of the most important regions for Spanish foreign policy interests. In this context, the Prime Minister has thanked President Sarkozy for encouraging the debate on reforming the Barcelona process. At the beginning of the conversations, the Spanish government received the proposal with a degree of mistrust and caution. Spain's main concern was that the initiative could damage the Barcelona Process. Nevertheless, Spain's perception has changed and Rodríguez Zapatero expressed his commitment to the project, which he described as a new stage of the Barcelona Process. Spain is highly interested in developing the projects defined in the Paris summit for the Mediterranean that was held on 13 July, for example as regards a 'Mediterranean Solar Plan'. The Spanish business sectors involved in developing alternative energies in the Mediterranean are especially focused on solar energy. However, and despite the positive assessment of the Paris Summit outcome that diplomatic circles have made, the scholars and experts of the region are more sceptical towards the constructive impact of the Mediterranean Union project. It is believed that there is nothing really new in the Paris Summit Declaration. Furthermore, it is not clear how the Barcelona Process and the Mediterranean Union will function, or how relations with the ENP, the EU Commission, etc, will be. According to Spanish diplomats and the Summit declaration, the details of the new institutional structure, the functioning of the co-presidency, as well as its composition, seat and funding of the Secretariat will be decided during the next Foreign Affairs Ministers' meeting in November 2008.

#### *European Pact on Immigration and Asylum without Integration Contract*

Migration issues are one of the top priorities of Spain's European policy. Spain has welcomed the French idea to place the issue on its Presidency programme and has agreed with the proposal of a 'European Pact on immigration and asylum' at the next EU summit in October 2008. However, one aspect of the proposal was strongly rejected by the Spanish Government. Specifically, the paragraph on the 'integration contract' in the document initially presented to EU capitals: 'The European Council recognizes the interest of the integration contract for third-country nationals admitted for long-term stays and encourages the member states to propose such plans in a national context. This integration contract should be obligatory. It will include the obligation to learn the national language, national identities and European values, such as the respect of the physical integrity of others, the equality of men and women, tolerance, the obligation of school and the obligation to educate children'.

Spain led the fight against the clause becoming a European policy; it believes that there will be more potential for controversy and discrimination than any effective contribution to the better integration of immigrants. But there is an important domestic reason for which Spain has forced France to abandon its plans for a compulsory 'integration contract' for immigrants. It should be taken into consideration that during the recent parliamentary elections, won by the Socialist Party (centre-left) and in which Rodríguez Zapatero was re-elected, the main opposition party, the Popular Party (centre-right) led by Mariano Rajoy, proposed an 'Immigration contract' which is similar to Sarkozy's initiative. The project was heavily criticised by the Socialist Party.

#### *Economic Issues (CAP, Energy, Employment,...)*



During the French Presidency, the Common Agricultural Policy will undergo a so-called health check which will be previous to a more ambitious reform. The opposition leader, the conservative Mariano Rajoy, offered a full parliamentary consensus last June to define the Spanish position in agricultural matters.

With regard to energy policy, and according to Rodríguez Zapatero himself, Spain is to keep working to develop a European market that is more transparent and efficient, with supply security and sustainability. For Spain it is particularly important to promote interconnections (with France) and the harmonising of the major economic players so that uniform rules do not benefit or harm different companies. Spain will maintain the phasing-out of nuclear power plants and it is making a big effort in investment in renewables; something quite different from France's priorities.<sup>14</sup>

The Lisbon Treaty includes provisions for the new post of a High Representative of the Union for Foreign Affairs and Security Policy and for the creation of a European External Action Service. These provisions will affect the institutional architecture and also the external dimension of the EU.

Currently, several options for the establishment of such a European External Action Service are being discussed (e.g. a broad approach including all external relations, or a narrow approach including only the Common Foreign and Security Policy; based in the Commission, or in the Council).

After the Irish rejection of the Lisbon treaty, the initiatives and the studies related to implementing the new institutional architecture were paralysed. However, there is an increasing concern related to these issues because of the next EU Spanish Presidency (first semester of 2010) and it is uncertain under which institutional framework it will be developed.

### **Public Opinion and European Integration: The Spanish Case**

While Eurobarometer survey 68/Autumn 2007 results show an increase in support for membership of the EU among the member states, the case of Spain is the opposite. Although Spaniards continue to evaluate positively the work of the EU and there is an optimistic attitude about the future of the European integration process, the truth is that results have worsened in comparison with those of Eurobarometer 67.

Thus, those who think that Spain's membership of the EU is a good thing (68% of the public vis-à-vis 58% on average in the EU-27) are 5% less than in 2007; those saying that Spain had on balance benefited from being a member of the Union (64% vis-à-vis 58% on average in the EU-27) have fallen 11% since 2007 which is the largest fall recorded in the Union; and the number of Spaniards who tend to agree that Spain will become more influential in the EU in the future (58% vis-à-vis 43% for the EU-27) has dropped by 17% in only one year.<sup>15</sup> Additionally, and according to the Eurobarometer itself, both the Spanish parliament and government have enjoyed very high levels of trust in this latest

<sup>14</sup> See the addresses by the Prime Minister, José Luis Rodríguez Zapatero, and the leader of the opposition, Mariano Rajoy, in the Parliamentary Journal of Debates (*Diario de Sesiones del Congreso de los Diputados, IX Legislatura*), 18th Plenary Session, 25 June 2008, Spanish Congress, [www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&FMT=PUWTXDTS.fmt&DOCS=1-1&QUERY=%28CDP200806250019.CODI.%29#\(Página5](http://www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=puw9&FMT=PUWTXDTS.fmt&DOCS=1-1&QUERY=%28CDP200806250019.CODI.%29#(Página5).

<sup>15</sup> See Eurobarometer 68/Autumn 2007, National Report, Spain.

edition of the survey, in contrast to the majority of other EU member states where citizens tend not to trust their national polities.

In any case, and considering the traditional Europeanism of the Spanish public, figures are high as demonstrated above (in brackets) where data are compared with the EU average. The majority of Spanish interviewees (47%) agree that the interests of Spain are taken into consideration in the Union and 44% think that things are going in the right direction. When evaluating the future of the EU, 59% of the Spanish public feels fairly optimistic while another 10% is very optimistic.

Regarding the decisions that should be taken at each level of government, 64% of Spaniards prefer issues like terrorism and immigration to be Europeanised. In contrast, decisions on social issues should only be taken by the states. 47% of the Spanish public think that the EU should prioritise the fight against illegal immigration. With data of a national opinion poll,<sup>16</sup> Spaniards are divided as regards EU defence policy, with 40% in favour and 40% against increasing military spending in order for Europe to stop depending on the US. Moving on to a recent issue of the EU, an overwhelming 80% are against extending the work day more than 40 hours per week.

It is also interesting to note that the majority (52%) of Spaniards feel not very well informed and only 3% very well informed on EU affairs, even though they trust the majority of the national media.

Regarding how European integration is perceived by political, business and social elites, the fact is that Europeanism remains very high and there is a general consensus about the need for a stronger Europe; 'which is capable of making decisions efficiently and making a difference in the world, an integrated Europe, one that renounces the right to veto and admits that some institutions, which will not work on the basis of national representation, will be able to make important decisions'<sup>17</sup>. For both the government and the opposition energy policy (and climate change), immigration and fighting terrorism are the three areas in which the EU should concentrate in the near future. Spain is, roughly speaking, a country which believes in Europe and wants to advance the project for political union. At the same time, Spanish politicians are worried by the idea that the EU has become something distant and sometimes unintelligible. However, it is not clear if they are really supporting a change of approach in the relations EU institutions-citizens.

### **Spanish Concerns over the Future Political Leadership in the EU**

The main concerns in Spain over the future political leadership in the EU are, fundamentally, three:

- (1) The difficult compatibility between four political figures: the President of the European Council, the President of the Commission, the High Representative for External Action and the head of government of the country which assumes the rotating presidency of the EU Council of Ministers. Particularly, considering that Spain will assume the rotating Presidency in 2010. This means, on the one hand, some uncertainty since it is not sure that the Treaty will be ratified by January

<sup>16</sup> 18th wave of the Barometer of the Elcano Royal Institute (June 2008), [www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/BarometeroftheRIElcano](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/BarometeroftheRIElcano).

<sup>17</sup> Address by the Prime Minister, J.L. Rodríguez Zapatero, 'In Spain's interest: A Committed Foreign Policy', *op. cit.*

2010. On the other hand, in case that the new provisions of the Lisbon Treaty will have entered into force by January 2010, then the position of the PM of the country in the rotating Presidency of the EU Council must be clarified; particularly in international summits. Considering the calendar and feasibility of a solution for Ireland, Spain may have to deal with the proposals of arrangements of cohabitation between the four figures during its semester.

- (2) The discussion about having a President of the European Council acting as a mere chairman or as a real leader. When Spaniards are interviewed about the possible candidates to preside the EU Council and they are explicitly asked about Tony Blair. They reject his possible appointment (which would appear to be a punishment for the Iraq war). The left-wing voters react most negatively, with 62% considering it a bad or very bad choice, whereas 51% of voters from the centre and 43% of right-wing voters would welcome it.<sup>18</sup> Among elites, the figure of Jean Claude Juncker as presidential chairman is normally praised.
- (3) The fact that, once appointed a new High Representative under the provisions of the Lisbon Treaty, Spain would lose either a Commissioner (now Joaquín Almunia), or the High Representative himself (Javier Solana) since the later would be a member of the Commission as well and no country has the right to appoint two Commissioners.

### **Concentric Circles Around the EU? Lack of a Debate in Spain**

Regrettably, there is a general lack of interest and knowledge regarding the relevance of Europe's Eastern neighbours, so there were no reactions to the draft report presented in April 2008 by Elmar Brok. According to the Report, there is a gap between the EU's Enlargement Strategy and its Neighbourhood Policy. To fill this gap, a greater variety of contractual relations with the Eastern neighbours is proposed.

The priority areas for Spanish foreign policy are the Mediterranean and Latin-America. Countries of neither area (with the exception of Turkey) are considered potential candidates for membership of the EU. The debates in Spain are focused on the Union for the Mediterranean, but according to the last summit held in Paris in July 2008, they are based on the Barcelona Process being considered an 'umbrella' under which different initiatives can be developed. Spain is a strong supporter of this approach to the Mediterranean area.

### **The First 10 Years of the Euro**

Ten years after Europe took the decision to launch the euro, Spanish elites tend not to regret the move. Of course, the common EU currency has had some negative impact, such as a general inflationary effect, which is commonly perceived by the public.<sup>19</sup> The Minister of Economy and Finance, the former EU Commissioner Pedro Solbes, has stressed several times that Spaniards have not internalised what the euro means and tend mentally to reduce its value, approximately by 40%, since one euro was equivalent to 166 of the old pesetas but people rather think of one euro being equal to just 100 pesetas.

<sup>18</sup> 18th wave of the Barometer of the Elcano Royal Institute, *op. cit.*

<sup>19</sup> However, the strong euro has helped mitigate the high prices of oil in the international markets since it is traded in US dollars.



In any case, the euro is not the only culprit of Spanish inflation, which has also been fuelled by enormous increases in oil prices during the decade, a much greater demand for cereals in the world and specifically Spanish factors such as taxation on energy, which is relatively low. Spain has an inflation differential of 1 point compared with the euro zone average.<sup>20</sup> Furthermore, in the current context of crisis, the euro (and the monetary policy decided by the European Central Bank) becomes a straitjacket since it is no longer possible to confront individually unfavourable external environment or trade deficits. It is generally assumed that Spain is losing international competitiveness through price inflation.

However, as the Spanish Commissioner for Economic and Monetary Affairs Joaquín Almunia remarked,<sup>21</sup> the pros are much more relevant than possible cons in terms of stability and the general trust of markets in an independent monetary and exchange rate policy. The EMU and the euro, which is now a credible rival to the US dollar, are a big success and the fight against inflation should be shaped through fiscal policy and further deregulation of the markets.

### **Other European Issues in Spain**

#### *The EU Returns Directive: A Controversial Issue in Domestic and Foreign Policy*

One of the most controversial issues for Spanish public opinion was the EU returns directive. The support of Rodríguez Zapatero's Government (centre-left) to the EU Returns directive approved by the EU parliament last June was very heavily criticised by the parties further to the left, by human rights associations, immigration associations, etc. The Spanish government has tried to explain and insists that it will not change its immigration policy and will continue to apply less stringent measures than those under the directive. The Spanish government has launched an 'information crusade' to explain to Latin American governments the EU Directive on the return of illegal immigrants, which has been called a 'Directive of Shame'. Latin American leaders have voiced their strong opposition to it. The Presidents of the countries of the Common Market of the South (Mercosur) and associate states reject any attempt to criminalise irregular migration and the adoption of restrictive immigration policies. South America welcomed with 'generosity and solidarity' millions of European migrants in previous centuries, so the EU's decision appears even more unfair, the statement said.

*Ignacio Molina, Senior Analyst for Europe, Elcano Royal Institute*

*Alicia Sorroza, Analyst, Elcano Royal Institute*

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<sup>20</sup> See Boris Hofmann & Hermann Remsperger (2004), 'Inflation Differentials among the Euro Area Countries: Potential Causes and Consequences', Deutsche Bundesbank, [http://www.aeaweb.org/annual\\_mtg\\_papers/2005/0108\\_1430\\_1403.pdf](http://www.aeaweb.org/annual_mtg_papers/2005/0108_1430_1403.pdf).

<sup>21</sup> See speeches by Joaquín Almunia celebrating the 10th anniversary of the Euro on the website [http://ec.europa.eu/commission\\_barroso/almunia/presscorner/speeches/2008/press\\_speeches\\_en.html](http://ec.europa.eu/commission_barroso/almunia/presscorner/speeches/2008/press_speeches_en.html).