



## THE CER GUIDE TO THE FRENCH PRESIDENCY

France's EU presidency was always going to be ambitious, with wide-ranging plans for climate change, immigration and defence. Now, however, France will have to focus on resolving the legal and institutional mess created by the Irish No to the EU's Lisbon treaty. President Nicolas Sarkozy will struggle to save the Lisbon treaty while showing that the Union can act in areas that Europeans care about, such as the environment and immigration at the same time. However, the French presidency also faces some significant obstacles to success. In recent months Sarkozy has had some serious rifts with Berlin and the European Commission, while his motto of a more "protective Europe" will go down badly in the UK, Scandinavia, and some of the new member-states.

### **After the Irish No**

The Irish No to the Lisbon treaty on June 12<sup>th</sup> has fundamentally altered the dynamics of the French presidency. France will no longer have to expend time and effort preparing for the implementation of the treaty. The haggling about whom to put into the new posts created by the treaty (the Council president and the revamped high representative for foreign policy) is over for now.

But Paris will have to take the lead in trying to find a way out of the constitutional limbo. President Sarkozy will travel to Ireland early in his presidency, on July 21<sup>st</sup>, to assess the prospects for a second referendum. He will have to strike a delicate balance between trying to save the treaty and restoring the EU's legitimacy. The EU has spent seven years negotiating the Lisbon treaty, and its failed predecessor, the constitutional treaty. Nineteen countries have already ratified it, so the EU will be loath to abandon the process. The preferred option of the French government, like most other EU governments, is for the Irish to hold another referendum, after the rest of the EU has offered them reassurances on issues such as sovereignty, neutrality and taxation. However, the Irish will need more time and concessions than most European politicians are yet prepared to acknowledge, such as a return to the principle of each EU country having one commissioner in Brussels. Moreover, the EU cannot push Ireland too hard to reconsider, lest it be accused of disregarding the say of Irish voters.

So the discussions that France leads on the future of the treaty will mainly be out of the public gaze. But the French are likely to give thinly veiled warnings to Ireland that its standing, and perhaps even its full membership, may be called into question unless it can ratify the treaty. EU leaders have asked the Irish government to come up with proposals on how to proceed by October, when EU leaders meet for their informal autumn summit. The French are keen to chart a way out of the impasse before they hand over the EU presidency to the Czech Republic at the end of the year. Given that Prague has halted its own ratification process of the Lisbon treaty, it is currently seen as part of the problem rather than the solution. France will only be in a good position to push the Irish government for a new referendum if a 26-1 situation emerges by the December summit. Sarkozy's biggest job will therefore be to keep ratification going in the other EU countries. However, pressure on Ireland would also mount if some countries stop the ratification process (a possibility not only in the Czech Republic but also in Poland and even Austria) and refuse to re-start unless the Irish vote again.

## Sarkozy's chances of success

As a result of the Irish No, Sarkozy embarks on his presidency with the Europeans once again talking about an EU crisis. He had been hoping for a confident, can-do mood to push through his ambitious agenda. The gloomy atmosphere compounds other factors that are likely to make it difficult for France to lead the EU.

Paris will need to invest much more time and effort in building coalitions. Ties with the new member-states in Central and Eastern Europe are much improved, following Sarkozy's charm offensive with countries such as the Czech Republic, Hungary and Poland. But while it is important that Sarkozy has proved that he can win friends, it is not enough. Paris' relations with Germany – traditionally France's closest ally in the EU – remain fragile. Sarkozy fell out with Angela Merkel over his plans for a Mediterranean Union that would have excluded non-Mediterranean member-states while drawing on EU funds. Berlin managed to water down the proposals, to little more than an enhanced 'Barcelona process' (the EU's largely ineffective co-operation process for the southern Mediterranean and the Middle East). Nevertheless, Merkel and her government remain suspicious of Sarkozy's activism and his apparent reluctance to consult with EU partners before launching initiatives.

Sarkozy believes that one reason why the EU is unpopular is that it is seen as an agent for the destabilising forces of globalisation, rather than as a protection against it. Sarkozy's analysis finds wider currency in France and parts of Southern Europe than it does elsewhere in the EU. So his conclusion – that the EU needs to become more "protective" – may lead him into conflict with other member-states, in particular the more liberal-minded ones such as the UK. Further, Sarkozy's relations with the European Commission are particularly strained at the moment. There are reports that he may seek to block the re-appointment of José Manuel Barroso as Commission President in 2009, on the grounds that his views are too Anglo-Saxon. Sarkozy has also antagonised the Brussels executive by blaming the Irish No on the Commission's 'excessively liberal' trade policy, run by trade Commissioner Peter Mandelson.

Another factor that reduces Sarkozy's chances of success is timing. France runs the last full presidency before the European Parliament breaks up in March 2009 for elections in June. A plethora of draft laws, most notably the climate change package, but also controversial rules on energy market liberalisation, need to be passed before that. Since Brussels (and many EU capitals) effectively shut down over the summer and in the run-up to Christmas, France only has four and a half months to implement its extraordinarily ambitious agenda.

Finally, Sarkozy's forthright style and incessant activism have made many other leaders worry whether he has the *savoir faire* to manoeuvre the EU out of its current impasse and forge difficult agreements. Usually, big EU countries find it harder than smaller ones to strike the right balance between national and European interests. The last time France held the EU's presidency, in 2000, the then president, Jacques Chirac, was widely criticised for subordinating European interests to French ones. Successful EU presidents usually have to be self-effacing, avoid controversy and seek consensus – not characteristics that tend to be associated with President Sarkozy. For Sarkozy such a balance will be particularly difficult in economics, given his strong and often controversial views on the European Central Bank (ECB), trade and agricultural policy.

## Climate change and energy

In March 2007, EU leaders agreed on an ambitious climate change package with three 20 per cent targets (reduction of greenhouse gas emissions, improvement of energy efficiency, and share of energy from renewables) by 2020. The Czech Republic, which takes over the presidency after France, is much less ambitious when it comes to climate change. It is therefore imperative that France forges an agreement on the all-important 'burden sharing', with obligatory targets for individual countries. If the European Parliament is to pass the package before next June's elections, there will need to be an agreement between the 27 member-states by December 2008. If the EU fails to meet this timetable, it will find it much harder to extract concessions from other countries, in particular developing ones, at the world climate change conference in December 2009 in Copenhagen.

A climate deal would allow President Sarkozy to claim that his presidency was a success. There are various obstacles, but these will prove surmountable and an agreement should be reached by December. Many of the new Central European member-states feel that the targets they have been given take insufficient account of their previous progress in cutting emissions, and are too generous to countries – Spain and Portugal in particular – which have a very poor record of curbing CO<sub>2</sub> output. However, Sarkozy will be able to respond with strong arguments. First, the reduction in emissions across Eastern Europe reflects industrial restructuring rather than measures designed to combat climate change. Second, the Commission's draft proposals for burden sharing take into account differing levels of per capita GDP and would allow poorer

member-states to auction relatively more allowances under the EU's emissions trading scheme than wealthier ones. Third, the EU must not repeat the mistake of allowing its poorer members overly lax targets: Spain and Portugal have seen dramatic increases in their per capita emissions over the last 15 years.

The Commission proposal to allow member-states to meet their renewables targets by investing in other member-states could prove controversial, not least because Germany argues that it threatens the success of its measures to stimulate investment in renewable energy generation at home. One aspect of the Commission proposals that France will certainly have to reopen is the commitment to raise the proportion of transport fuels that come from biofuels to 10 per cent by 2020. The European Commission itself is sceptical about the negative impact of the switch to biofuels on food prices, but a growing number of member-states have doubts about biofuels, citing research from the IMF and the World Bank.

Record oil and gas prices will also help to keep energy high up on France's presidency agenda. Many in Paris will have heaved a sigh of relief that the controversial issue of energy market liberalisation was (provisionally) resolved under the Slovene presidency. In June EU energy ministers reached a deal on the EU's new directive on unbundling the separation of supply and import of energy from transmission and sales. France, Germany and a handful of other countries were successful in putting off the break-up of Europe's vertically integrated energy companies (such as E.on and Gaz de France), at least until a review of the policy has taken place two years after the new directive has come into force. The details of the new law, however, are still being worked out.

## **Immigration**

Sarkozy is hoping for another big agreement to put a shine on his presidency: a 'European immigration pact' to be unveiled at the October summit. Like the Union for the Mediterranean, Sarkozy's ideas on immigration have their origins partly in his election campaign for the French presidency. But they are also a culmination of years of EU efforts to come up with tangible solutions to mounting worries about immigration.

Sarkozy's proposed pact is a political agreement, not a new set of laws. French officials think that the EU needs to reach political consensus on a wide range of immigration issues first, before negotiating any major new legislation on the issue. Most member-states will be happy to sign up – to be seen as 'doing something' about immigration at EU level – even if it is unclear how commitments in the text will be delivered on.

A cornerstone of the pact is a commitment to end national amnesties for large numbers of illegal immigrants. Many EU countries were dismayed when Spain in 2005 gave residency (and therefore free movement around the EU) to 750,000 undocumented migrants. Most governments believe that such amnesties spark off mass migrations to Europe from North Africa and elsewhere. The other mainstays of the agreement will be the strengthening of EU border controls with new technology, harmonising rules for the return of illegal entrants, and creating a more robust EU system for processing asylum applications.

To garner the support of his 26 EU partners, Sarkozy already had to remove some of the proposals of his pact, for example his idea to make migrants sign 'integration contracts' with their host-country governments. France will also have to water down the pact's promise of a centralised EU system for processing refugee applications. However, in a stroke of good luck for the French, the European Parliament and the member-states have just reached a hard-won compromise on EU-wide rules for returning illegal entrants, after three years of haggling. Agreement on this directive was another key condition for concluding the wider immigration pact. The new 'returns directive' will limit to four weeks the time illegal immigrants have to return home voluntarily, after which they may be detained and expelled with a possible re-entry ban of five years.

## **Security and defence**

Ten years after the Franco-British summit at St Malo that started the European Security and Defence Policy (ESDP), France wants to give another big push to European defence. But this time, the emphasis will be mostly on capabilities, and less on institutions. When unveiling a major review of France's defence policy in June, Sarkozy reminded his EU colleagues of their 2003 promise to put together a 60,000-strong EU intervention force. In addition, Sarkozy has suggested that the EU should establish a fleet of military transport aircraft and build a new generation of military satellites. He wants the EU to fund a bigger share of military operations from common funds, as opposed to national budgets. This suggestion is unlikely to be popular in Germany, which rightly suspects that more common funding would mean an increase in its payments to the EU.

The UK, meanwhile, objects to French plans to establish a new operational planning centre for the ESDP, although this opposition may weaken now that France is toning down its original proposals. London is pleased that Sarkozy is keen to rebuild defence ties with the UK, and that he has promised to return France to the military command of NATO, which it left in 1966. On balance, Sarkozy is sounding more pragmatic on ESDP than previous French presidents, and even Washington has endorsed his new line on defence. So he has a good chance of winning support for his proposals from those allies that are usually more NATO-focused, like Britain and Poland.

## **Economics and the budget**

Economic policy is not one of France's declared priorities. However, the Irish No – which Sarkozy has already blamed on the EU's 'overly liberal' trade policy – and the deteriorating economic backdrop will move economics up the presidency's agenda. Sarkozy will respond to this unfavourable context with populist *démarches* – such as broadsides at the ECB, which is raising interest rates at a time of slowing economic growth. The ECB is unlikely to pay much attention, but such criticism could harm Sarkozy's already difficult relations with Merkel, who like many Germans is a stickler for ECB independence.

Sarkozy's motto for his presidency, a more "protective Europe", implies that EU policies should help to protect European citizens from globalisation. This motto, and Sarkozy's rhetoric about 'social Europe', will make many in the EU's more liberal countries, most notably the UK, the Nordics and some of the new member-states, uneasy. However, the Slovenian presidency has already managed to get two of the more controversial pieces of legislation – directives on working time and temporary workers – out of the way.

In the area of trade, the French government will probably oppose further EU concessions aimed at reviving the Doha round of multilateral trade talks. France fears that Mandelson could make an offer on behalf of the EU at the WTO talks in Geneva in late July, and then challenge EU governments to take or leave the resulting package. The French government has never evinced much enthusiasm for Doha. But it does not want to be held responsible for scuppering the round – least of all at a time when it holds the EU presidency. France may be hoping that the intransigence of other major players in the Doha round (particularly the US, Brazil and India) will stall progress in the WTO in the months ahead. However, Sarkozy's recent rhetoric suggests that he will have no compunction about blocking the Doha round if he believes French agricultural interests have not been adequately protected.

In September, EU farm ministers are due to discuss the Commission's proposals for reforming the Common Agricultural Policy (the so-called CAP health-check). France and some of the new member-states oppose any radical overhaul. The French agriculture minister, Michel Barnier, has argued that the surge in global food prices is a reason not to reduce protection of the agricultural sector. The UK and others take exactly the opposite view. With Barroso and other commissioners already eyeing possible reappointment in 2009, the so-called CAP health-check is unlikely to bring more than a slight acceleration of the changes already under way (such as the shift from subsidising production to paying income subsidies to farmers).

## **Enlargement and the Mediterranean Union**

Sarkozy will start his presidency with a Paris summit on July 13<sup>th</sup> that brings together EU, North African and Middle Eastern leaders to launch a new-look policy for the Mediterranean. Sarkozy's pet project – originally called the Mediterranean Union but since renamed a Union for the Mediterranean – was controversial from the start. In addition to creating tensions within the EU (in particular with Germany), Sarkozy's grandiose but vague plans induced hesitation from many Mediterranean partners and outright hostility from Turkey, which feared the Union could become an alternative to EU membership. Sarkozy's subsequent scaling back of the plan for the Union, however, has frustrated various Mediterranean countries, which saw themselves once again as the subjects of (fluctuating) EU policies rather than as true partners.

France will use its EU presidency to establish new institutions to under-pin the new initiative – a secretariat and a rotating co-presidency of EU and non-EU leaders – and prepare for the various projects designed to bolster Mediterranean co-operation. Nevertheless, the policy that will be signed off in Paris will be little more than a revamped 'Barcelona process', the EU's not very effective programme for working with the countries of the Maghreb and the Middle East that was launched in 1995. The EU will provide no additional funding for the Union. And the problems that have weakened the Barcelona process are already re-appearing, such as Arab opposition to deeper co-operation with Israel.

Sarkozy's comments – backed by Merkel – that enlargement would have to stop until the Lisbon treaty is ratified have caused much concern in the Balkans, in Turkey and in those EU countries that favour the EU's



continued expansion. Accession talks between the EU and Croatia are likely to continue during the French presidency. Sarkozy's opposition to Turkish membership is well known although he has dropped election pledges to halt Ankara's accession talks. His comments on enlargement come at a sensitive time, when Turkey's highest court is considering a ban of the ruling AKP party over its alleged disregard for Turkey's secular principles. However, progress in the accession talks has been very slow anyway, partly because most 'chapters' of the *acquis* are being blocked for various reasons by France, Cyprus and other countries, and partly because Ankara has been too busy resolving internal crises to kick-start reforms. The EU is unlikely to halt the talks altogether, even if the court decided to ban the AKP and many of its leading politicians (the decision is expected by September at the latest). France will also need Turkish support for its plans to improve relations between NATO and the ESDP.

## Foreign policy

For every EU presidency, the external agenda is the most unpredictable. Although the French focus will be on the Mediterranean, Paris will also have to spend time and effort on Iran, Kosovo, the Middle East peace process, Sudan, Zimbabwe and other global trouble-spots. Of those, Iran has the potential to cause the biggest problems, especially if Israel decides to take military action against the country's nuclear facilities. Together with Britain and Germany, France will continue to lead the EU's efforts to persuade Iran – with a package mixing incentives and sanctions – to scale back its nuclear programme.

France will have to run ten EU summits with outside partners, the most high-profile of which will be with China, Ukraine and Russia. The EU's difficult relationship with Russia is likely to continue thawing, not least because Dmitri Medvedev has adopted a more conciliatory tone towards the Europeans. However, French hopes that the negotiations for a new EU-Russia Partnership and Co-operation Agreement, which began in June, could be finalised by the end of the French presidency, are unlikely to be fulfilled.

The EU's summit with Ukraine will attract a lot of attention, given that Sarkozy has made encouraging noises towards that country. Even before winning the presidency, Sarkozy said Ukraine "had an EU future" – a message he has stuck to since coming to power. French diplomats in Brussels have begun calling for Ukraine to be given a 'privileged' status vis-à-vis the EU, one that goes beyond the 'enhanced agreement' that the EU is currently negotiating to give Ukraine better access to the single market, easier visa rules and other perks. Sarkozy's statements have led some Ukrainians to believe that the EU will offer a 'membership perspective' sooner rather than later. But this will almost certainly not happen under the French presidency – Germany and several other countries are set against adding more countries to the accession queue. Moreover, so long as the government crises in Kiev continue, Ukraine appears unsuited to membership.

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