

TUESDAY 19 JANUARY 2010

Present

Bowness, L
Carter of Coles, L
Cohen of Pimlico, B
Dykes, L
Hannay of Chiswick, L
Jopling, L
Kerr of Kinlochard, L
Paul, L
Richard, L
Roper, L (Chairman)
Sewel, L
Sharp of Guildford, B

Witnesses: **HE Mr Carles Casajuana**, Spanish Ambassador, **Mr José Antonio Zamora**, Economic Counsellor, and **Ms Beatriz Garcés**, Agriculture and Environment Counsellor, examined.

Q1 Chairman: Your Excellency, we are very pleased to see you and your colleagues. As you know, a verbatim transcript is being taken of this session. You will be sent it and will be able to make any corrections of inaccuracies. I am sure there will not be any but if there were by chance any. We are very pleased to see you. May I say on this occasion how pleased we are also to see the recently arrived Belgian Ambassador joining us in the public seats today and in six months' time he will be sitting in your seat! Today I would like to begin by asking you if you would like to make a short statement to the Committee.

Mr Casajuana: Thank you very much. Let me say, first of all, that it is a great pleasure for me to be here today. We welcome this opportunity to discuss the priorities of our Presidency. This is probably going to be the last Spanish Presidency of the Union, as you know, so I took the last train to be here today! We are taking up the Presidency at a very special moment:- we have a new Treaty, new institutions and we are going to have a new Commission. The

new Treaty has very important implications for our Presidency's role, as you know, in two senses. Firstly, with the Lisbon Treaty the rotating Presidency is going to have a limited role as we now have a permanent Presidency of the Council. This will completely change the European institutional landscape. The second thing is that we will have a trio Presidency. We do not want the priorities to change every six months and so now we have a trio Presidency system, with three countries, and that will ensure the Presidency for a year and a half. We are sharing part of our Presidency with Belgium and Hungary. We can discuss this later. The result of this is that our role as a rotating Presidency has somewhat changed. There is one thing in which there is no change. We see the Presidency as a service to the Union. We see the Presidency as, first and foremost, listening to the concerns of Member States and trying to carry out a programme that serves European citizens, and all Member States. In order to do this it is very important to have a wide discussion on our priorities, and this is why we especially welcome discussions like the one we are going to have now. It is very important for us to be able to meet, to listen and to be aware. We need to listen to all views in order to have the Presidency we would want. If you will allow me, I will present just a few main ideas of our priorities and then we will be able to discuss them in detail. The first one being that we will try to contribute to the setting up of the new institutions, to help them in their new role. What is the meaning of this? Firstly, we have the permanent President of the European Council and we have a new High Representative who is also Vice President of the Commission and will head the European Union External Service. The President does not have his own team yet so he will have to rely on the support of the rotating Presidency. We will be glad to help him and provide him with all kinds of assistance. It will be the first time that the High Representative will chair the meetings of Ministers for Foreign Affairs. She will continue Mr Solana's role but she will also have, as Vice President of the Commission, a very important role. We will also be glad to provide her with all the assistance we can. This will

also mean that there is a strengthened role of the European Parliament and there will be new procedures that will have to be set in place. It will also be our task to try to contribute to this. Then there are new competences for the Union in some fields. Again, this is one of the fields which we will have to pay special attention to. The creation of the External Action Service of the Union is also one of our first priorities. Again, this is an institutional priority. We want to move on from institutional issues. We believe that after several years of discussion on the Lisbon Treaty what the Union has to do now is to move on and try to address our citizens' concerns. The main one is our economy, jobs and economic growth. This will be one of the main focuses of our attention. In this case, it will also mean finalising the excellent work of the Swedish Presidency in the field of financial supervision and financial regulation. Also working to co-ordinate positions for the exit strategy the economic assistance and economic stimulus packages. This will be a very delicate issue in the coming months. I am sure that some of you will be interested in this and we can discuss it later. We will also have to address the issue of climate change following on from the Copenhagen Summit. We will have to deal with energy issues. Then, concerning social policy, we will put some emphasis on gender equality, which is an important issue for us. We believe it is an important issue for all European Union citizens. If you want, we can also discuss this in detail afterwards but we would like to set up some new mechanisms. One of them is a European Observatory on Domestic Violence and another one the European Protection Warrant. Then there is a further issue on which we intend to devote special attention to during our Presidency which is promoting Europe as a global actor and trying to strengthen the role of the Union on the world stage. This will be the main aim of the High Representative and there we believe, that with new institutions in place and with the new External Service there is a lot of work to be done, and we will be very happy to contribute to this. We will have a number of bilateral summits. I am sure this will come up in the discussions and I will be glad to answer some questions

concerning this. We will work also in the field of European security and defence policy, which is an important field for all of us in the Union. We also have to pay attention to the fight against poverty, social marginalisation and the Millennium Goals. I will stop here. I do not want to go into any detail on these priorities and these objectives because I am sure that you will wish to discuss them. I would like to first say that if you want to have a thorough explanation of all these priorities, you will find it either on our website or we will be glad to provide you with a written statement of our priorities. I think we have already sent a paper to the Committee. Something else - the Union, as you know, is dealing with a very complex agenda and Brussels is dealing with an extremely wide range of issues. I am familiar with some of them. I do not know the first thing about some others. However, I will be glad to answer your questions, where I can. Otherwise I will ask my colleagues, if they can. Otherwise we will try to answer them in writing, if you would allow that. That said, thank you very much again for this opportunity to discuss with this extremely important Committee the priorities of our Presidency. Thank you very much, my Lord Chairman.

Q2 Chairman: Ambassador, thank you very much indeed for that statement. I wonder whether I can start by picking up one of the matters to which you referred at the beginning and that is the relationship between the rotating Presidency, the Spanish Presidency, and the President of the European Council. How do you see these roles relating to each other?

Mr Casajuana: As you know, Spain was one of the countries that was keenest on having the Lisbon Treaty approved and more prepared to have a permanent President of the Council. It would not make any sense now if we tried to curtail his role in one way or another. We are not going to do this. What we are going to do is put all our energy into strengthening his role. That said, there is one practical problem: he does not have a team ready now and, as you know, there are many things in the Union that have to be prepared in advance. During our Presidency we will have a number of bilateral summits. These have been scheduled for a

long time and it is only normal that some of them will take place in Brussels and some others will take place in Madrid. That is normal. In order to agree on the division of work between our Prime Minister, Mr Rodriguez Zapatero, and Mr van Rompuy, they met in Madrid just at the beginning of our Presidency last week and they agreed on a number of things. The main one was very easy to agree on which is that the person to receive and to visit other heads of state and governments in the name of the European Union should be the permanent President of the Council. This is very clearly stated by the Lisbon Treaty. It states that the permanent President “shall, at his level and in that capacity, ensure the external representation of the Union on issues concerning its common foreign and security policy”. There is first a division of labour with the High Representative. The words “at his level” mean that he will be the one to represent the Union and to act on behalf of the Union with other heads of state or heads of government and we will reserve contacts with foreign ministers to the High Representative. Then we are going to have a number of bilateral summits and some of them will take place in Spain, in those summits Mr Zapatero will be the host but nothing else. The person speaking on behalf of the Union, the person representing the Union, and leading the Union will be the permanent President of the Council, Mr van Rompuy, and in this we will try to help him and give him all the support that he needs.

Chairman: Thank you very much indeed. Lord Richard?

Q3 Lord Richard: I was just wondering, Ambassador, is there going to be a possible clash in deciding the priorities of what the Union should be doing, not just being represented but what the Union is actually going to do between your Presidency and the Presidency of the Council? Who is actually going to decide priorities for the Union’s work now?

Mr Casajuana: Thank you very much, Lord Richard. This is a very interesting issue. We were just discussing this with the Belgian Ambassador a few minutes ago. Up to now it was for the rotating Presidency to decide on the priorities, and, to my mind, the main function of

the Presidency was to propose a number of priorities. It may be that in one or two years' time it will be very clear that these priorities are established by the permanent President because if he is going to have the permanent Presidency of the Council for two and a half years it would not make any sense to have the European Council changing priorities every six months, and if the European Council does not change it all the other bodies which are more or less subordinate to the European Council cannot change their role or their priorities. What is going to happen now? We have prepared some work on these priorities and Mr Zapatero was able to discuss them with Mr van Rompuy last week. I was not there but I do not think that was a difficult discussion or that it was difficult to reach an agreement because it is quite easy to see what the priorities are now for the Union. There is a wide agreement among Member States that we now have to devote our political energy to the creation of jobs, to mending the economy, to social issues and to strengthening our role. I do not think you have heard anything revolutionary in the priorities that I have mentioned up to now. Environment and energy are the main things. I suppose that in the coming years these priorities will be set by the permanent Presidency of the Council. Let me add one more thing. Now we have the trio Presidency in place it means that in our case our priorities have been discussed and agreed with the Belgian and Hungarian Governments in order to have a continuum of goals and in some cases a division of labour. If you will allow me, I will give an example. As you know, we have not recognised Kosovo but the Belgians have. It is very useful for us to ask them to have a leading role there during our Presidency. It would not be practical for us to try to have this role, so the trio Presidency is a helpful mechanism to avoid a continuous change of priorities.

Q4 Lord Hannay of Chiswick: Just on this question, it does seem to me a little baffling that you see the three Presidencies still sustaining a priority selection process even after your own Presidency. I understand very well the transitional aspects to which you have referred, but,

for example, would we not be expecting Mr van Rompuy to be setting priorities from the time of the beginning of the next Presidency, of the Belgian Presidency, and certainly by the time of the Hungarian Presidency? Is there not a real risk that if you emphasise the three successive Presidencies' priority-setting role the President of the Council will never have a priority setting role because he will always find that this wonderful rolling machine is rolling just a few steps ahead of him and he is never actually in a position to influence it.

Mr Casajuana: You are right there and that is why the first thing Mr Zapatero did was to meet with Mr van Rompuy to make sure that he was comfortable with the priorities that we were going to announce and to see if we were going to be able to work together on these. I am sure that in six months' time it will be much easier for Mr van Rompuy, when he will have already chaired at least three European Councils, to ensure continuity and to establish the priorities. My expectation is that it will evolve in a very natural way and in few months the control of the agenda is going to be in the hands of the permanent President. I want to underline something I have already said: that we are going to make this a priority now in our Presidency. We want to contribute to this because we believe in the need for a permanent Presidency.

Q5 Lord Dykes: I would like to ask you some questions very briefly on the trio system and how it is likely to work and about some examples from the last six months as well. Just before that, it is intriguing because right at the beginning there did appear to be contact between the President of the European Council and the President of the rotating Spanish Presidency, in this case the President of the Government, Mr Zapatero, of course, because one noticed that there were articles in the press all over the Member States but mainly in the nearer ones, France, Germany, Britain and Spain. I think some were signed by both Spain and the European Union Representative, but I am not quite sure of my memory there. They were indicating that the priorities of the permanent President were those three things that you

have referred to: making sure that the new Treaty functions properly with the new institutions; making sure the External Action Service is established properly (the end date is March I think, for starting anyway); and also helping the Commission and the European Central Bank in anti-recession policies everywhere. The British press, some of whom are not very enthusiastic about British membership of Europe, some newspapers in Britain in a bizarre eccentric way are like that, as you know (not like in Spain I am sure) wanted to make a great meal of this by saying there will be terrible trouble and strife because there will be clashes and fights and so on between the two Presidencies. Is that not just a myth? Is that not just imagined? It is going to work very well, is it not? Do you feel optimistic about it?

Mr Casajuana: My impression is that it is going to work well. We are going to devote all our energy to try to create the right precedents. We have to admit that Brussels bureaucracy and the institutional jungle of Brussels - and some of you know it quite well - is not a simple one and will not be a simple one. It will not be simple because it is not easy to lead a Union of 27 states with a very simple institutional arrangement. That said, I have every confidence that the arrangement we have will work properly, that the division of work between the President of my country, the President of the Commission and the rotating Presidency will be quite clear. There will be no clashes. We have seen, for instance, one of the first decisions Mr van Rompuy took was to convene an Extraordinary Meeting of the European Council on 11 February in order to discuss the economic situation. That was welcomed by everybody. That was exactly what we wanted to hear from a new President. Spain was the first country to support this idea. I spent a few years in Brussels and I know that some of you have also spent some years in Brussels. When we were dealing with questions of European defence there were always difficult institutional questions involved. I think it was a Belgian Ambassador we once received with great experience who told us, "Look, if you go to Washington, you

will also find that they have big problems between the State Department, the Pentagon, the White House and the Senate.”

Q6 Lord Dykes: And the 17 intelligence agencies.

Mr Casajuana: It is complex machinery and we have this kind of complexity in Brussels too. It will be complex, of course, with 27 Member States involved and with the institutional arrangements we have, but I am sure that they will work pretty well and I am sure that the Spanish Presidency will try to set the best precedent to make sure that the new institutions work properly.

Q7 Lord Dykes: Meanwhile talking very briefly, if we may, about the new trio system but then also going back to the previous six months, to the end of the troika I suppose with Sweden, could you give examples of how both you in London and also the Spanish Government in Madrid organised some of the meetings over that six-month period and also how you are now doing it with the two successor Governments from now on. You gave us the example of Kosovo but can you expand on where there is a particular piece of co-operation developing so far.

Mr Casajuana: With the other members of the trio?

Q8 Lord Dykes: Yes, as well as the structure of meetings.

Mr Casajuana: I gave you one example. Another one is possibly going to be the Mediterranean issue where up to now there has been a leading role by the French. We will probably have this leading role and we are working with the coming Presidencies to see if it is possible to keep that. We believe in this division of labour between the members of the trio Presidency. Up to now we have had a number of meetings with them and we have found it extremely easy to have an understanding on the division of work and on how we are going to

proceed, and it would be a big surprise for me if there was any problem. We certainly made a point of discussing all our priorities with them beforehand and both of the other members of the trio are very comfortable with them and are prepared to continue working with them. Of course they are also in a position similar to ours concerning the implementation of the Lisbon Treaty. They want the Treaty to work and I am sure that they will also contribute to ensure that the role of the new institutions is what we all expect.

Q9 Lord Dykes: Coming to the London scene, presumably, you are continuing the monthly meeting with all the ambassadors for example. Do you do all the briefings or do you invite your Belgian and Hungarian colleagues to come in and brief after you have done your briefing of other Member States on policy development?

Mr Casajuana: I have to say that our role here is a bit more limited because we form part of the Union. The role of the rotating Presidency at this point would be extremely important if we were outside the Union. If we had to make démarches with third countries, there I would make sure of course that we had both Ambassadors involved. In our current situation in London, as you know, the role of the Presidency here is quite limited. We organise some informal luncheons with the representatives of different Ministries and the Foreign Office. This is a service to the Union. I will discuss this with the new Belgian Ambassador as I discussed it with his predecessor and I will be glad to discuss it.

Q10 Lord Dykes: Finally, slightly on a longer term view, when the long-term Reflection Group was set up, chaired by another distinguished Spaniard, Felipe Gonzalez, to look at the long-term future of the Union it was made clear that it had no relationship to the Lisbon Treaty and definitely seemed to accept that. Do you think that over time maybe they will see how the Lisbon Treaty is functioning and make some suggestions?

Mr Casajuana: I do not think they will enter into institutional questions.

Q11 Lord Dykes: It is more the geo-political future of the Union presumably?

Mr Casajuana: Yes, I think what the European Council asked them to do was to address strategic questions but not the institutional questions of the Union. My impression is that we have to try to look beyond the institutional questions now. It is urgent for the Union to forget about them and to get the new institutions working and to address citizens' concerns.

Q12 Lord Kerr of Kinlochard: I feel the same, Ambassador, about this meeting. I would like to turn to substance, and to policy and in particular competitiveness, growth and jobs. There has been a lot of talk in Brussels, particularly in the Commission, about a replacement for the Lisbon Strategy, the 2020 Strategy. Does the Spanish Presidency agree with that? What sort of targets would the Spanish Presidency want to see included? How should targets be enforced? Does the Spanish Presidency agree with the new President of the European Council who talks about peer pressure and benchmarking and league tables and performance measurement? What does the Spanish Presidency think of the British Government's proposal for a new compact on jobs and growth in the form of a political agreement between the President of the Commission and the President of the European Council, with an annual economic summit to track progress, and with specific targets particular to Member States?

Mr Casajuana: Thank you very much for these very interesting questions, Lord Kerr. As you know, one of the main objectives in these coming months will be to propose the new Strategy 2020, which is going to take place after the Lisbon Agenda. What are the targets? The Commission has identified a number of targets and we all agree with them. The first is creating value by growth based on knowledge. We need innovation to make sure that we have real growth in our economies. We need to empower people and fight exclusion; create a competitive, green economy; and make Europe mobile and connected. We all agree we need to not only establish economic growth but to have economic growth which is sustainable from a fiscal point of view, from a social point of view and from an environmental point of view.

How are we going to do this? This will be one of the main issues that the Union is going to be dealing with in the coming months. There is complex machinery working on this. The decision taken by Mr van Rompuy was to convene an Extraordinary European Council devoted to this, without any previous preparation by ECOFIN so that the heads of government will more or less give an idea of what path to follow and then the Commission will work on it, ECOFIN in turn, will work on it and all the ministers will work on following that direction. It will be up to them to start discussions and to propose objectives and the path to follow. You have mentioned the very difficult question of how to enforce the objectives. There I think we need to be extremely cautious. There are strong views on this, very different views, and our role as the Presidency will be to listen to all the views and to try to find a solution which is acceptable to all. Where do we think this solution could be found? Perhaps in enhancing and streamlining existing surveillance processes and mechanisms, but we will have to see and we will have to listen to all Member States. This will be one of the most delicate issues. We all agree that we need to make sure that we all comply with the objectives. We also all agree that we cannot have a system which we do not control. It is not possible to impose sanctions with things like this. We will have to find mechanisms for strengthening the surveillance mechanism we have. We will also need to reinforce the co-ordination of our policies. This will be a very important point, particularly concerning the exit strategies for the fiscal stimulus plans. This is going to be one of the main issues for discussion in the coming months. It is not an easy issue. We cannot afford to make any mistakes on this because the well-being of European citizens depends on the right decisions being made.

Q13 Lord Kerr of Kinlochard: Can I press you a little further on surveillance and improved co-ordination. It seems to me, Ambassador, there was not much wrong with the priorities and targets set out in the Lisbon Agenda. Indeed, they contain all the priorities you mentioned, in particular immigration, social exclusion and access to work. The difficulty was

there were not any clear means of ensuring that anybody did anything. Surveillance sounds a bit passive. A few years ago the former Dutch Prime Minister, Mr Kok, proposed the publication of annual official league tables showing how far people were fulfilling their obligations. I cannot remember whether the Spanish Government at the time was in favour or against but perhaps you would tell us where the Spanish Government is now on that issue. The President of the European Council is talking about the need for two kinds of targets: global targets for Europe as a whole, like the innovation target of three per cent of GDP at Lisbon; and, in addition, specific national targets chosen because of specific bottlenecks which exist in particular Member States, the removal of which would improve European competitiveness. Would you go beyond passive surveillance? Would you favour a little bit of active benchmarking?

Mr Casajuana: If you will allow me, Lord Kerr, I want to be cautious on this because I think our role as the Presidency is to make sure that all views are taken on board. From a national point of view I would say that we would be prepared to support strong mechanisms to make sure that we all comply. We would be on that side but that is from a national point of view on a national basis, but as a Presidency we have to be cautious and we have to be able first to listen to all views. We cannot commit ourselves to any position on this. We have to wait. We very clearly see the problem that you mention. In the Lisbon Strategy we had a number of objectives, which are, by the way, quite general and there is widespread agreement that those are the main objectives for our economies. There is a wide consensus on the need for innovation, for instance, or a sustainable economy from an environmental point of view. We are not reinventing any wheels there. How are we going to make sure that we all go together in that direction? This is perhaps the key issue for our heads of government to discuss. As a representative of the Presidency I can only say that on a national basis we are prepared to

have mechanisms to make sure that we all move in the same direction, but as the Presidency we have to be cautious. What we need is to make sure that we have an agreement.

Q14 Lord Hannay of Chiswick: Ambassador, I wonder if we could look now at some of the arrangements for the summit meetings that have been decided already for your Presidency. I think there is one on the Balkans, one on Morocco, one on Latin America and one with the Union for the Mediterranean and one for the United States. Could you say a bit about the Presidency's objectives? Of course, from what you have said, Prime Minister Zapatero will simply be the host for a number of these meetings and Mr van Rompuy will be the man who actually sets the objectives. Given that we are in that transitional period perhaps you could say a bit about your objectives. How far will the discussion in the Balkans go in advancing the accession agenda in the Balkans, with Croatia, with Macedonia, which is an accepted candidate, with Montenegro, et cetera? To what extent will you be inhibited over Serbia and Kosovo? Will Kosovo be represented at this meeting or will it be the only Balkan country that is not represented at this meeting? On the Union for the Mediterranean perhaps you could say a little bit about your objectives there. I may be wrong in saying this but I have not had the impression that the Union for the Mediterranean has got very far since it was unveiled with a great flourish of trumpets 18 months ago, and not entirely to the surprise of those who know a little bit about the issues of the Middle East, it has got itself into some difficulties over making progress, given that there is absolutely no progress on the peace process. What are the objectives for the meeting with the Union of the Mediterranean? With the United States is it the case that the President of the United States is not in fact coming to what is called a summit meeting and that the Vice President will represent the United States, in which case of course it will not be a summit meeting. I wonder if you could comment on one or two of these aspects.

Mr Casajuana: As I say, one of the main priorities for us is to make sure that we strengthen the global role of the Union. This is also one of the main objectives of the Lisbon Treaty; the promotion of Europe as a global entity. To this effect, we have a dense external relations agenda in the coming six months. We have nine summits, first with the United States, Canada, Mexico and the Latin American countries, four of them. Then we have a summit with all the Mediterranean countries. We have the first ever EU-Morocco summit. We have a summit with Pakistan and we have a summit with Russia and Japan. Those are the main meetings we will have during our Presidency. With the United States we have a very dense agenda. In the coming summit I am sure that security issues will be high on the agenda and also some of the most pressing foreign policy issues. I would not be surprised if we included Iran and the Middle East. As far as I know, Mr Obama will be attending the summit. That is the information I have. I have no inkling of anything to the contrary. Latin America - as you know, for a number of years one of the main objectives of the Union was to establish good relations with different regional mechanisms in the area. It has not been possible up to now to reach an Association Agreement with America de Sud, which is what we wanted. This was somewhat kidnapped by the Doha Round and it has been not possible to reach an agreement up to now. I do not think it will be possible to during our Presidency. It would be very good news if we could reach an agreement but I would be surprised. We hope that we will reach an agreement with Central America and that we will have agreements with Columbia and Peru. Then the Mediterranean - as you know, we have the Mediterranean-EU partnership which is a continuation of the Barcelona Process as we had it. There we are trying to put an institutional framework into place. This is not an easy thing to do. As you know, this process has already been hijacked by bilateral problems between some of the members, particularly in the Middle East. We are trying to overcome some of these problems and trying to make sure that we have a permanent secretariat in place by the time of the meeting. The meeting will be held in

Barcelona and the secretariat is to be based in Barcelona. I am from Barcelona so I hope that this will be already in place by the time we have the meeting. I think it is going to take place in June. Then Morocco - this is going to be the first time we have had a bilateral summit with Morocco. It is going to be very important for them to strengthen their reform and modernisation agenda. This is a very important issue for all of us, we feel. For Spain, Morocco is a very important country, on issues like security, immigration, trade, and our investments there, but this affects all the Union. Security and migration issues affect all the Union. We have great hopes that this summit will contribute to strengthening the reformist agenda in Morocco. Then with Russia we hope that we will have some important progress in the negotiations which are underway for the new European Union-Russia agreement. Pakistan has become a very important country for all of us for our security in the European Union and the summit, which is going to take place in Brussels, is going to be extremely important for all of us. Those are the main meetings we will have. You asked how are we going to push the accession and enlargement agenda in the Balkans. This is one of our permanent goals. We will continue working with the Balkan countries to make sure that they make progress towards their entry into the Union. Concerning Croatia, there is some hope that the enlargement of Croatia can be signed in 2010. I will be very pleased if this could take place during our Presidency. As you know, there are some obstacles, although I would not call them obstacles; there are some issues which are under discussion. One of them is, as I am sure you know, the bilateral discussions between Croatia and Slovenia concerning Piran Bay. We do not like it when bilateral issues become obstacles to entry and the enlargement of the Union but we have to be realistic and we hope that this is going to be resolved as soon as possible and it will no longer be a problem. Then the second question is the co-operation of Croatia with the International Tribunal on the Former Yugoslavia. There I am sure that

Croatia will increase the existing co-operation to make sure that the United Kingdom and the Netherlands raise their reservations on this.

Q15 Lord Hannay of Chiswick: If I can just follow up on two points. You say it is bad if bilateral problems hold up the accession, say, of Croatia but surely it is just as bad if you sweep them under the carpet and they re-emerge after a country has joined? We have all had the experience of Cyprus on our minds. It is not a good idea to bring a country into the European Union which has a territorial dispute with another member of it. The second point is am I right in seeing the Morocco Summit as a recognition that multi-nationalising the relationship with all the Mediterranean countries is not necessarily the only way to pursue relations with those countries and that bilateral links such as with Morocco, but also with other Mediterranean countries, can often make more effective progress if you do not try to squeeze them all into a single multi-lateral format?

Mr Casajuana: Let me first address the first question. There I fully agree with you that it is not good to sweep any of those problems under the carpet. It is much better to try to resolve any problem between a candidate for the Union and any member of the Union before they are members. That said, this could become an obstacle and that is where we would prefer to have an approach by all Member States which is reasonable and which takes into account the merits of the candidate for the accession. We have to strike the right balance between the two principles. I think this is being done very correctly with Slovenia and with Croatia and we hope there will be no problem at all in the coming months. It may take some time. That is the problem. Then concerning Morocco you are absolutely right, and I thank you for the comment you made, yes, one of the lessons we have learned from the Euro-Med process of Barcelona is that a multi-lateral approach is very useful for certain things but for some others we need a close bilateral relationship. Relations with our neighbours are extremely important. They are the biggest challenge in our foreign relations dossier for the Union. The Union acts

like a magnet, a magnet of prosperity, a magnet of political stability and a magnet of reform, but some countries are more prepared to go down the path of reform than others. We have to make sure that we strengthen our relations with those that are closer to our values and those countries who are more prepared to reform, to modernise, to respect all democratic proceedings. There, a system of benchmarks is extremely useful. We have to say that we are very happy to see that Morocco has invested a lot of political energy in improving their relations with the Union and they are prepared to reform and they are willing to open up their country, their economy, and to modernise, and that they are getting closer to the Union. Of course, this needs to be rewarded. We feel that this is what this summit can be about, exactly what you suggested in your comment.

Q16 Baroness Cohen of Pimlico: Ambassador, I chair the sub-Committee of this Committee which is writing a long report on the progress of the Alternative Investment Fund Managers Directive which has defeated the best efforts of the Swedish Presidency. There is no agreement at the Council of Ministers and possibly even less agreement in the European Parliament. I wondered how this was going to progress under the Spanish Presidency.

Mr Casajuana: Thank you very much, Baroness, for this question. This is going to be one of the big, concrete issues of our Presidency. I have to say that we are very conscious that we need to strike the right balance. This is a very delicate issue. We are very fortunate that the Swedish Presidency has done a great job and it has left a very good basis for our work from now on. Our general principle on this is that we are extremely conscious of the importance of the city of London. I am Ambassador to the United Kingdom so I will try to address some of the British concerns on this. We are well aware of the concerns of the United Kingdom on this important Directive. We think that having London as a financial powerhouse is in the interests not only of the United Kingdom but in the interests of all the Members of the European Union, and we feel that we need to work to make sure that London remains a very

important financial centre. In this case, we all agree that we need some regulation. I think we also all agree that we do not want to throw out the baby with the bathwater. We have to be careful that regulation does not prevent the industry from working properly in this field. We are going to take the Swedish proposal as a basis for negotiation. We hope that we will be able to move on with this. We know that there are a number of very delicate pending issues: thresholds, the commercialisation of third country funds, the responsibilities and role of the depositaries, reporting and information obligations, remuneration. These are very delicate issues on which perhaps I will not be able to go into any detail, but we know that they are extremely delicate and that we need to listen to all the concerns, and we will do so.

Q17 Baroness Cohen of Pimlico: Thank you. Do you anticipate even more difficulty with the European Parliament? It was hoped to achieve general agreement between ministers on 2 December. That hope was smartly abandoned and, as far as I can see, the European Parliament are even less inclined to take a liberal view than Ministers generally.

Mr Casajuana: There is a lot of work to be done on information. From our point of view concerning regulation, as you know, we have the de Larosière package which was approved under the Swedish Presidency. We will have to negotiate with the European Parliament now. Some groups in Parliament want to go a bit further ahead in strengthening regulation mechanisms. This would perhaps not be acceptable for some Member States. We will probably have a similar situation concerning the Alternative Investment Fund Managers' Directive. We will have to discuss this with the European Parliament, but perhaps we will have to cross that bridge when we come to it. The main priority for the Spanish Presidency now will be to try to reach an agreement among the Member States, which is not going to be easy but we hope that before the end of our Presidency we will have the Directive approved by all countries.

Q18 Lord Kerr of Kinlochard: I declare an interest as a Director of an investment trust. You say, Ambassador, that we all agree on the need to have new regulation. I think it depends what it is we are talking about, regulating what? If we are talking about open-ended non-UCITS schemes, yes, I would agree, but if we are talking about Companies Act companies, close-ended, with independent boards, subject to a listing regime and with all the panoply of company law that has been developed, I am not sure we do. I think it is extremely dangerous to have new regulation that cuts across all that and imposes different demands. Would a good way of making progress with this draft Directive not be to take out listed companies from it? They are regulated in different and very complex ways already.

Mr Casajuana: Thank you very much for your comment on this. I fully agree with you on the need to look at this matter in great detail. I think we all agree on the general principle but the devil is in the detail. We have to ask what we mean by regulation? What kind of regulation? What is the scope? What kind of companies? What bodies? How are the different regulations going to be enforced? All these are very delicate issues that can affect the daily lives of many people and they have a translation in the number of jobs, in income. This is very delicate. We know that. Our intention is to listen to all views. We think that it is very important to listen to the main players in those fields, to the industry itself, because some of these issues for public servants in Brussels or for politicians in the European Parliament are very obscure. They are difficult issues and difficult to grasp. We need to have the best possible information. We need to have the best possible advice on these issues. We certainly will try to get all the possibilities of this before taking any decision. We are very fortunate that we have the excellent work that has already been carried out by the Swedish Presidency, so we will work on this basis.

Q19 Lord Dykes: Do you not think, Ambassador, that the Spanish rotating Presidency would be very strongly encouraged by the reality that the Financial Services Authority here in

Britain and de Larosière are at one on these proposals? It is an encouraging omen, is it not, that they both agree?

Mr Casajuana: That package is already agreed. That is agreed and there, the only thing we need to do is approve it with the European Parliament.

Q20 Baroness Cohen of Pimlico: On the Alternative Investment Directive of course they are causing much more difficulty.

Mr Casajuana: This is a different issue. Unfortunately, it was not approved under the Swedish Presidency and we will have to deal with this.

Lord Dykes: What I meant is the FSA is likely to take the same view as de Larosière on these matters I think.

Q21 Lord Sewel: Ambassador, you stressed the difficulty that some of the actors in the legislative arena have in understanding some of these issues. Are you really saying that it is important that we do not have policy driven by slogans?

Mr Casajuana: I fully agree with you there. I can only repeat what I said, these are very delicate issues. If you would allow me to say not perhaps as the Presidency but as the bilateral Ambassador to the United Kingdom, one of my missions is to make sure that the views of the United Kingdom are heard and taken into account in Madrid.

Q22 Lord Jopling: Ambassador, your country and mine both share bitter experiences as a result of terrorism and I understand counter-terrorism is to be a major part of the Spanish Presidency. I would be surprised if you did not agree that one of the most important aspects of counter-terrorism is the efficient passage of information to anticipate the sort of experiences that your country and my country and others have had to put up with. This Committee has been critical over the past year or so over certain aspects of the passage of

information between countries in the interests of counter-terrorism. For instance, this Committee has been very sceptical about the exchange of information within Europol. We produced a report on this - you may have seen it - a few months back. Earlier we had similar comments on certain aspects of information exchange with regard to Frontex, which has the responsibility of overseeing border controls around the huge external border of the Union, and we had critical things to say about that. Again, on the information management strategy for European Union internal security we have had rude things to say about that because of the inadequate nature of its non-binding arrangements and the fact that it does not cover agreements made with third countries. We are unhappy about the efficiency of information exchange. Do you share those concerns and, if you do, could you tell us what the Spanish Presidency is likely to do in the next six months to try to improve the efficiency of information exchange?

Mr Casajuana: Let me first say that we fully share your main views. The exchange of information is of critical importance to fight terrorism. We all know that we are under threat. We saw it not too long ago with the Christmas Day bomb attempt. That was the latest example. We all know that we are under threat and we all know that one of the answers to this threat to our security lies in the exchange of information. It is of critical importance. We also know that we want our citizens' right to privacy to be respected, and that is a critical issue for all our societies. There we are dealing with third countries. We will have to continue working with them. What we intend to do is that whenever an agreement is reached with a third country to make sure that our criteria for our citizens' right to privacy is respected in these agreements. We have an agreement with the United States. There we have been working on developing a new framework for trans-Atlantic co-operation based on our common principles and values which can be applied to the fight against terrorism. We will make sure that this also respects all the data protection criteria that we have within the Union.

I do not know if I am answering your concern. Our view is that whenever we reach an agreement with a third country we have to make sure one way or another that we have a mechanism for data protection.

Q23 Lord Jopling: I do not think it does answer all the points I was trying to make. I think this Committee discovered in certain aspects there is not the exchange of information because the players do not really trust each other. Sometimes in some of these organisations they do not have high enough powered officials who are in these organisations, and I am thinking of Europol and Frontex particularly, and there is a lack of trust, a lack of security to ensure that the information is not spread to people who should not have it. This Committee has been very concerned about this and I would hope that maybe you could pass on to your colleagues who are looking after the Presidency our concerns about this and the suggestions we have made to try to improve the way in which secure information is kept secure and does not leak.

Mr Casajuana: I will certainly pass on that message. We certainly attach great importance to this issue. We feel that this is a very sensitive issue for all our citizens. We fully agree with your point of view and I will make sure that this is well-known in Madrid.

Chairman: Thank you very much. I think we should move now to climate change. I would like Lord Carter to put a question.

Q24 Lord Carter of Coles: Ambassador, the outcome of the Copenhagen climate change conference was described by President Barroso as “a positive step but clearly below our ambitions”, an under-statement I think. How does the Spanish Presidency intend to give new impetus to delivering a new legally binding international climate change text that is consistent with the goals of the Union?

Mr Casajuana: This is one of the critical issues with which we have to deal now. We feel that the outcome of the Copenhagen meeting was clearly below EU expectation but we also

feel that now we have to look at the future and try to work to make sure that next time in Mexico we succeed with the kind of climate agreement we would like to have. The Presidency has reacted to the situation. We want to show that we attach great importance to this issue. We had the first informal ministers' meeting in Spain in Seville on Friday devoted to this issue and we will continue working on this issue. What can we do? Firstly, there is one action to be taken before 31 January which is we have to adhere to the Accord of Copenhagen and we have to give our figures for emissions reduction. There was no agreement at Seville for a 30 per cent reduction, as you know. Some countries in the Union feel that if we want to have leadership on this issue we need to show that we are prepared to go as far as this and to cut our emissions by 30 per cent by 2020. Others feel that it is better from a tactical point of view to make sure that we only commit ourselves to doing this when we are sure that other big players are also on board. That is the reason why we have said we will commit to a 20 per cent reduction under the Copenhagen Accord but are prepared to go to a 30 per cent reduction if other players are also prepared to announce important reductions. Then what shall we do after 31 January? There we need to work on a number of technical issues. We need to work on comparability between the main players. This is a technical issue and a delicate issue, but it can become of critical importance in Mexico, and the Presidency is going to work on this. We will also work on funding commitments and how to address them. We have a group of friends of the Presidency which is going to meet tomorrow to try to address these issues. We have some positive things in Copenhagen. We have a technology mechanism and we have new funds. We have to make sure that we make the most of them. Then finally we need to make sure that we address the climate question with all the third parties in our contacts with them during our Presidency. This will be on the top of the agenda for the summits I have already mentioned.

Q25 Lord Hannay of Chiswick: Ambassador, if I could follow that up because I would like to welcome what you said about the work that you are going to be doing on comparability, which I take to mean the same as what we would call the verification and monitoring of the commitments that are entered into, which could indeed become a make or break issue and on which my personal view is that the Copenhagen Accord is completely inadequate and will not survive for very long on the basis of purely national monitoring, a position imposed by the Chinese of course. Could I just put to you a suggestion that I made in the debate that this House had last Thursday which you might like to look at in Hansard. 30 people spoke on how to take matters beyond Copenhagen and there were a lot of very positive suggestions about the EU. The particular one that I made was that the EU is rather well-placed to identify a kind of verification and monitoring system which would be needed if we were to have a binding legal agreement, without which I suspect the US Congress, and perhaps others, would not ratify such an agreement. My suggestion was that we should put that on the table during the course of the year, not in the hope that the Chinese would immediately raise their hands and say that they agree but in order to take the negotiation forward in the direction we wish it to go. I would leave that thought with you and your Presidency colleagues.

Mr Casajuana: Thank you very much. That is a very good suggestion. You have given this issue much more thought than I have and I will be glad to make sure that the suggestion is known by the officials involved and by our Minister. This is a very interesting suggestion. Thank you very much.

Q26 Chairman: Ambassador, we have had a very useful exchange. We have already run for a bit longer than we originally anticipated. We do know the particular importance which the Spanish Presidency wants to put on gender equality and indeed the European Observatory, and you referred to this in your opening remarks. Could we ask you rather than to reply to a

question at this stage to let us have a note in writing developing the ideas which the Spanish Presidency has which we can then incorporate with the oral evidence for this meeting. I hope that would be, in the circumstances and in view of the time, the best solution.

Mr Casajuana: We would be glad to.

Q27 Chairman: Thank you very much indeed. In which case on behalf of the Committee may I thank you very much for coming. It has been very interesting. We are going to have to think very carefully ourselves on how we handle these questions of six monthly meetings with the rotating Presidency. We may well want to see somebody from the cabinet of Mr van Rompuy in future, it might be Richard Corbett, or somebody else, but nonetheless we are very grateful that you have been able to come and give so much information this afternoon. Thank you very much to you and your staff for the work they have put in.

Mr Casajuana: Thank you for this opportunity.