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Swedish Presidency of the Council of the EU

Damage control

On 1 January 2023, Sweden will assume the presidency of the Council of the European Union, as the last in the line of the current presidency trio. This will be Sweden's first EU presidency since the Lisbon Treaty came into force and third overall. The Presidency takes place in time of severe turbulence caused by the prolonged war in Ukraine and economic turmoil characterised by record-high inflation and looming recession. Thus, there is no doubt that Sweden will continue the crisis management work of France and the Czech Republic. The presidency's slogan 'Greener, Safer and More Free Europe' indicates that security and green transition will dominate the Presidency's agenda. In addition, although the enlargement policy has been widened and now includes Ukraine, Moldova and Georgia, it is unlikely that the Western Balkans will strongly feature on Sweden's agenda. The aim of this insight is to examine how Sweden will manoeuvre through Europe in the midst of an increasingly complex context.

Foreign and Security policy shaped by the war in Ukraine

Sweden's commitment to the Common Foreign and Security Policy is likely to remain steadfast, with the conflict in Ukraine to remain the most pressing issue on the agenda. The war in Ukraine has turned out to be a prolonged conflict, with the end nowhere near in sight. Since Russia's attack, Sweden has been principally standing with Ukraine. In fact, it has so far donated a total of nine **military aid packages** worth over 44.5 million euros (5 billion Swedish crowns), in addition to providing humanitarian, emergency and political assistance. According to the Swedish Foreign Minister's **statement**, the country intends to increase its support even further. Fearing the Russian threat, Sweden has almost **doubled** its military budget and abandoned its traditional military non-aligned position. Along with Finland, Sweden



has applied for NATO membership, but its path is unclear due to Turkey's and Hungary's **objections**. Furthermore, it is expected that Sweden will participate in the **Military Assistance Mission in support of Ukraine** (EUMAM Ukraine), which aims to strengthen Ukraine's army, and the Swedish Defence Minister **stated** that the country is looking into being part of the leadership structure. The continuous support for Ukraine will also entail more emphasis on policy coordination with the United States, United Kingdom, and NATO. All this evidence indicates that Ukraine will remain at the forefront of Sweden's presidency, as the country seeks to play an active role in supporting Ukraine. Therefore, the war in Ukraine will be the backdrop of all EU's decisions.

The Presidency will strive to secure and strengthen unity among members in order to intensify pressure on Russia. Since the war started, divergent viewpoints emerged among member states regarding policies concerning Russia and Ukraine, placing the responsibility on the presidencies to deftly navigate a delicate equilibrium between the imperative to coerce Russia and the distinct, primarily economy-driven apprehensions of certain members. As new, tenth, sanctions package is being prepared, it is evident that the policy of imposing sanctions on Russia will continue. The Presidency will play a crucial role in overcoming potential deadlocks, particularly the one of Hungary, which stated that it will not support **energy-related sanctions**. Sweden will also work on utilising the European Peace Facility and aim at finding consensus on providing aid to Ukraine, where it might have to tackle **Hungary's possible leveraging** of the aid discussion for own benefits. Moreover, in order to enhance EU's strategic autonomy and defence capacities, one of Sweden's priorities will be to work implementing the Strategic Compass and finding consensus among members. Sweden will likely continue to act as an honest broker between members. As a result, it is expected that it will play an important role in managing disagreements in order to provide more support to Ukraine and isolate Russia even further.

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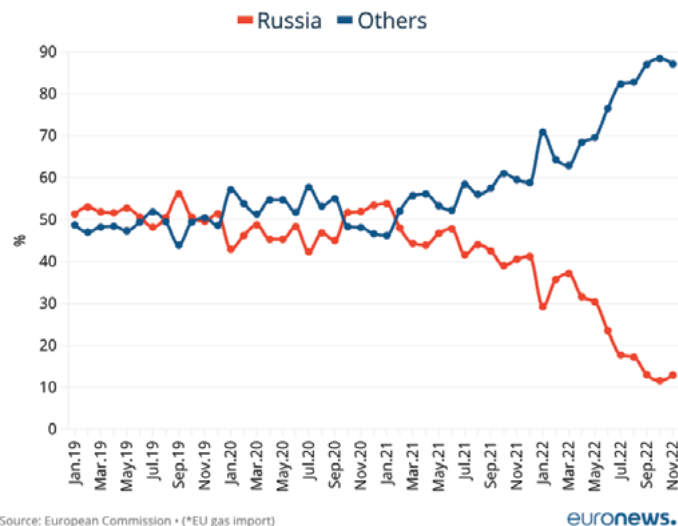
Towards more competitive and greener Europe

One of the biggest challenges Sweden will have to tackle is the economic turmoil in the EU. Soaring energy prices have triggered a galloping **inflation** which in October 2022 reached the all-time high of 11.5%. Although the inflation has been slightly slowing down since, according to the **Autumn Special Eurobarometer**, 42 % of EU citizens see the rising living costs as the most pressing issue facing the EU. To address this, Sweden will likely work on reviewing the outdated Stability and Growth Pact to reform economic governance, as well as respond the US **Inflation Reduction Act**, which poses a threat to EU competitiveness due to its protectionist elements. Furthermore, the Swedish Presidency is expected to work on presenting a long-term strategy on strengthening EU competitiveness. This will include increasing trade cooperation and negotiations of 'ambitious free trade agreements' with third countries, prominently featuring Australia, Chile, India, Indonesia, Mercosur, Mexico, and New Zealand. Overall, Swedish presidency will prioritise work on increasing EU's competitiveness to drive the economic growth in order to address the recession and face global challenges more effectively.

In order to address rising energy costs and drive the economy in the winter to follow, Sweden will continue the work on finding alternatives for Russian energy. Since the start of the war in Ukraine, import of natural gas in the EU from Russia has decreased from 41% in January 2022, to 15% in the third quarter of 2022. In search for different supplier, the EU has signed an agreement with **Azerbaijan** to double gas export by 2027. Although the import of LNG from the United States has **doubled**, and together with Nigeria and Qatar currently constitutes 25.5% of EU's LNG intake, Russia is still responsible for a quarter of the EU's LNG supply. Thus, it is expected that the EU will continue negotiations with new energy partners in order to further diversify energy supply. Moreover, the Nord Stream **sabotage** in Swedish and Danish economic exclusive zone in late September, as well as Russia's earlier indefinite **suspension** of gas supply via the pipeline, additionally destabilised EU's energy market and further underpinned the need for energy independence. The trend of declining EU's energy dependency on Russia will continue during the Swedish Presidency, but there is a long way ahead of the EU before it can be said that energy independency has been reached. As a result, the EU will continue strengthening its energy system, which would allow it to sustain itself during the harsh winter conditions.

Shifting away from Russian gas in the EU*

(January 2019–November 2022)



Source: European Commission • (*EU gas import)

euronews.

As a long-term solution for energy market reform and a mean to increase EU competitiveness, Sweden has prioritised progress in green transition and the 'Fit for 55' package in order to make the energy market less dependable on fossil fuel, but the advancement is likely to be limited. The current Swedish central-right governing coalition which is dependent on the far-right, euro-sceptic Swedish Democrat's support, has never been an enthusiastic supporter of the European Green Deal, despite the Swedish Prime Minister's **statements** to the contrary while presenting the Presidency program. Moreover, the new government has scrapped the **Ministry of Environment** and merge it into the Energy, Business and Industry Ministry, and cut the environment and climate change budget by 60% in October 2022. To tackle the energy crisis, several EU members, like **Germany, France, Austria, and the Netherlands** have (temporarily) resorted to a reversion to coal and solid fuels for energy source to tackle rising energy prices and shortage. Knowing that, it is unclear if some concrete progress will be made towards meeting environmental and climate goals. As a result, progress towards meeting Fit for 55 and Green Deal goals could be limited, at least until the energy crisis is resolved.

Enlargement and Western Balkans Take a Backseat

Although Sweden has traditionally been an "enlargement friendly" country, the continuity of the enlargement momentum within the Swedish presidency seems less assured. The Presidency programme only mentions the enlargement policy once and the Western Balkans twice. This is one of the indicators that it may not be a top priority, which is in contrast to other Trio members' programmes which dedicated more space to this issue. More importantly, the Sweden Democrats, who are crucial for the incumbent minority government support, **oppose** further EU's deepening and widening. The fact they even bring into question Sweden's own EU membership, imposes an additional cost on the government's ability to consider emphasising enlargement as a more significant priority. Nevertheless, Sweden will continue to officially support further enlargement under the condition that all requirements are met, while providing **grants** for the needed reforms. Additionally, the support among Swedish citizens to this policy has increased from 41% at the beginning of 2022 to 62% in September. All things considered, this intricate interplay of positive and negative factors will affect Sweden's ability to earnestly commit to the enlargement policy during its term.

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The pressure for Sweden to act will intensify as the contemporary geopolitical developments serve as the driving force of the ongoing enlargement discussions. Namely, before assuming the Swedish presidency, the European Union had already begun to acknowledge the significance of “progressing further in the process of gradual integration.” This recognition was evident in various key documents, including the European Council **conclusions** of June 2022, the **EU-WB Tirana Summit Declaration** of December 2022, and the **Conclusions** of the General Affairs Council in the same month. In fact, these calls, to a great extent, strongly lean on the already civil society developed **Staged accession model**. As such, the model offers a gradual, structured, and predictable framework for providing tangible incentives to candidates to implement the necessary reforms. By relying on the civil society proposals such as the aforementioned Model, Sweden’s approach to the enlargement policy could be strategically guided by a collaborative and informed perspective, (potentially) enhancing the prospects for enlargement progress.



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