

EU-27 WATCH

No. 9
July 2010

ISSN 1610-6458

www.EU-27Watch.org

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On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new modus operandi while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a **reporting period from December 2009 until May 2010**. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: www.EU-27Watch.org.

The EU-27 Watch No. 9 receives significant funding from the **Otto Wolff-Foundation, Cologne**, in the framework of the *"Dialog Europa der Otto Wolff-Stiftung"*, and financial support from the **European Commission**. The European Commission is not responsible for any use that may be made of the information contained therein.

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France
European economic policy and the financial and economic crisis: mixed responses

 Aurélien Evrard*

The finance package for Greece: a façade agreement.

French official position regarding the finance package for Greece remained rather unclear. On the one hand, President Sarkozy supported since the beginning the idea of European initiatives in favour of Greece. He assumed that “we could not drop a member of the Eurozone, otherwise the Euro would be meaningless.”¹ On the other hand, and partly following the German position, the Minister for the Economy, Christine Lagarde, assumed that Europe should not be indulgent towards Greece.² This position was strongly criticised by the Socialist Party (PS), regretting the “disappearance of political Europe” and the return of “national egoisms, whereas we were expecting a deed of generosity from most of European governments.”³ The agreement that was finally reached at the European Council (25 and 26 March 2010) was considered a “façade agreement”. According to Jean-Pisani Ferry from economic think tank Bruegel: “what markets want, is a confirmation that the Eurozone members will not drop Greece, and this will only happen if they lend it money and if interest rates decrease, not before that.”⁴

Reacting to the nature of this agreement, Jacques Delors, former President of the European Commission, confesses that he is “wounded by the intervention of the International Monetary Fund (IMF) [...]. The European Union has the means to solve this crisis by herself and to demonstrate that the Euro foundations are strong.”⁵ Economists from the French progressive think tank Terra Nova share this admission of failure from the European Union. More pessimistic than Jacques Delors, they also assume that this crisis reveals the weakness of the EU. According to them, legal mechanisms to rescue Greece did not exist. Therefore, this agreement appears as an *arrangement ad hoc* that only avoided the worst scenario: a traditional/classical intervention from the IMF.⁶

The Stability and Growth Pact strongly criticised: the need for reform

Many critics have emerged against the Stability and Growth Pact. According to left-wing daily Libération, the Greek crisis has demonstrated that both the Maastricht Treaty and the Stability Pact have partially failed.⁷ French economist Michel Aglietta assumes that, although European member states must display solidarity, the Stability Pact represents a serious constraint for all members of the Eurozone. It is necessary, he says, not to try to decrease the public deficit too rapidly. It would be impossible to come back to the rules of the Stability Pact before 2013. The priority is to reach a growth rate higher than the real interest rate.⁸ As a matter of fact, the Minister for the Economy, Christine Lagarde, spoke out for reform of the Stability Pact, considering that all the criteria, notably the deficit and debt-to-GDP (Gross Domestic Product) ratios, are not in themselves sufficient to foster economic convergence within the Eurozone.⁹ Economists from the progressive think tank Terra Nova agree wholeheartedly with her, even considering both criteria as “paper tigers, that are temporarily forgotten when a big state (France, Germany) might be sanctioned for an excessive deficit.”¹⁰ As a consequence, there is a need to reinforce the Stability Pact, for example, by opening the possibility to audit national budgets or applying sanctions to excessive deficits. Such an option considers that the Stability Pact represents the best compromise between national autonomy and the discipline needed to prevent free-riders strategies. However, according to both French experts, this option, which is close to the 2005 reform of the Stability Pact, will not alone allow the European stalemate to break.

Consensus on a need for a strong coordination of economic policies in Europe

A crucial explanation for this crisis lies, according to Jacques Delors, in the imbalance in favour of the monetary pillar, on which the Economic and Monetary Union was founded. In the absence of real coordination of economic policies, little attention has been paid to the financial evolution of many countries.¹¹ Thus, according to Dominique Strauss Kahn, IMF Managing Director, the Eurozone needs to make structural reforms and give a political signal to the markets. Consequently, this crisis provides an opportunity for Europe to strengthen and deepen its internal integration and cooperation in the economic field. This implies that not only a stronger coordination of economic policies is necessary,

 * Centre d'études européennes de Sciences Po.

¹⁷ Vever, B.: Fenêtre sur l'Europe, 01/04/2010.

Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!

1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?