

EU-27 WATCH



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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.

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Iceland**The Greek problem seen from Iceland**Pia Hansson* and Baldur Thorhallsson[†]

In Iceland the current economic crisis in Europe is perceived as a very serious problem, not least because of the domestic bank collapse in the autumn of 2008. The European Central Bank has had substantial intervention in the bond market, by buying bonds from states that stand poorly. By doing that the Bank is gaining a new role in economic cooperation in Europe but perhaps simultaneously sacrificing its independence in the process.¹ Increasing stability in Europe is seen as a difficult project, and the understanding of that is high in Iceland, having already experienced severe economic and currency difficulties in the last two years.

The Icelandic media portrayed a tug of war on how much aid Greece would receive from the EU on the one hand and the International Monetary Fund (IMF) on the other, which in a way tainted the results of the matter. Great dissatisfaction was shown by the German nation, feeling they were expected to provide too much help. A risk of a Euro-collapse controlled the German government's movements. By granting the aid, they bought certain security and thus tried to prevent something else and much graver to happen.²

Much speculation on the consequences of the fall of the value of the Euro and whether the EU itself is under threat is going on in Europe. A decrease in cooperation is feared, although few believe it will be terminated completely. The actions that are being taken by the EU and the IMF serve as a deadline for the member states to deal with their economic problems. Germany and the European Central Bank are the voices of reason: cutbacks are necessary. Europe is now facing more economic controls and restrictions for future economic cooperation to flourish.³ Icelandic economists wonder if Greece can do what needs to be done in order to rectify their financial situation, otherwise social instability could become a concern. Expectations and perceptions are very important in such cases because when people expect the worst to happen, the required rate of return will increase on individual debts, making it even harder for people to pay them and therefore it brings about the fear that was dreaded. On the contrary, if perceptions and expectations are kept positive in difficult times like Greece is experiencing, the country should be able to gain economic stability again. It all depends on the Greek social situation not deteriorating any further to the point of no return.⁴ To the general public, it may seem weak that the EU is not able to assist Greece on its own, but needs to bring in the IMF which turned out essential for the aid package. On the other hand, Iceland is also accepting assistance from the IMF and may therefore have a better understanding of the situation. The graveness of the global economic recession has become apparent and increases a small state's perception of vulnerability. This is not a problem that has an easy solution, but the debate in Iceland will surely continue to focus, first and foremost, on the internal problems. Similar to most EU debates, the Icelandic "No" campaigners will use every opportunity to judge EU actions harshly and the fact that the Euro is in trouble has added fuel to the fire for the anti-EU campaign.⁵

Greece is an example of a state that did not follow many of the rules set forth in the Stability and Growth Pact. In hindsight, Greece should not have been allowed in the Eurozone, not having fulfilled the requirements. To better align the budget and the monetary policy of the EU is crucial. Stronger supervision and cooperation in the field of fiscal policy is necessary if the European countries intend to work together.⁶ The idea of a strong coordination of economic policies can sound, to EU opponents, as an idea to have all member states present their fiscal budget to the EU for acceptance or decline.⁷ People's opinions on European integration usually spill over to all matters concerning more interstate coordination. People who are for integration are therefore more likely to be more positive to the idea of a strong coordination of economic policies in Europe, while the people who are not for integration will find such actions prone to diminishing the opportunities of individual states.⁸

It has become clear to Icelandic policy-makers that being in the Eurozone does not absolve member states of responsibility towards their own economy and currency. Member states are still expected to act responsibly and rationally, and not exceed their national budgets. At the same time, the idea of increased controls, whether these controls stem from Brussels or not, may not be considered a bad

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idea. Icelanders have recently been brutally reminded of their small size and vulnerability in the international community, therefore increased financial regulations are deemed essential. Promoting good practices and stable economic governance can only be a positive thing. The EU debate in Iceland, however, is still very limited and in many ways immature.

The Europe 2020 Strategy that followed in the wake of the Lisbon Strategy has been well received in Iceland. Only time will tell, however, whether the ambitious goals set forth in the Strategy will be reached.⁹ The Strategy is in fact a model upon which a local strategy has been designed.¹⁰ This is welcomed in Iceland as local strategies have rarely adopted a long-term vision with long-term goals.¹¹ This open method of coordination is seen as a positive development offering encouragement. The new Europe 2020 Strategy seems to be simplified, which is a definite plus and can therefore be perceived as a better strategy. Country specific recommendations should provide the necessary push for those that want to participate, but may need guidance in pursuing this. Iceland, like the other EFTA countries, has done well in obtaining the goals, but is still lagging behind in school drop-out rates.¹²

¹ Jón Þór Sturluson (economist and associate professor at the Reykjavik University): Radio interview on Spegillinn, current affairs program, National Broadcasting Corporation in Iceland, 17 May 2010.

² Telephone interview with a member of the Left-Green movement currently in government.

³ Telephone interview with economist and associate professor Jón Þór Sturluson, 19 May 2010.

⁴ Jón Þór Sturluson, economist and associate professor at the Reykjavik University: Radio interview on Spegillinn, current affairs program, National Broadcasting Corporation in Iceland, 17 May 2010.

⁵ Telephone interview with economist and associate professor Jón Þór Sturluson, 19 May 2010.

⁶ Jón Þór Sturluson, economist and associate professor at the Reykjavik University: Radio interview on Spegillinn, current affairs program, National Broadcasting Corporation in Iceland, 17 May 2010.

⁷ Interview with government officials at the Ministry for Foreign Affairs, 19 May 2010.

⁸ Telephone interview with a member of the Left-Green movement currently in government, 6 July 2010.

⁹ Telephone interview with a member of the Left-Green movement currently in government, 6 July 2010.

¹⁰ Information on the Iceland 2020 strategy, available at: <http://www.island.is/endurreisn> (last access: 12 July 2010).

¹¹ Telephone interview with a member of the Left-Green movement currently in government, 6 July 2010.

¹² Telephone Interview with a government official at the Ministry for Foreign Affairs and a member of the Icelandic negotiating team, 20 May 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?