

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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Portugal

Greek situation discussed for a long time

Luis Pais Antunes*

The Greek situation and the possible consequences of the severe economic and financial crisis that Europe is facing are amongst the most discussed subjects in Portugal since our country's accession to the European Union. Opinion makers, economic analysts and political parties spread their views on these topics on an almost daily basis. The main reason for this lies in the fact that, although there are substantial differences between the Greek and the Portuguese situation, it is common sense that the Portuguese economy is quite fragile and may be affected by the spill-over effects of financial markets' instability in the Eurozone.

The main concern of the Portuguese authorities at the time the Greek case was reported was to highlight the differences between the two countries. This strategy – which was endorsed almost unanimously – proved to be correct, as it appears now that the said differences were recognised by the market, notwithstanding the generalised downgrade of Portuguese public debt by the main rating agencies. However, this strategy forced the Portuguese authorities – also as a result of the pressure from the Commission and the biggest member states – to adopt very strict budgetary measures, which created social instability and a significant concern about economic growth perspectives. This was only possible as a result of an agreement between the Socialist Party minority government and the newly elected leader of the main opposition party, Partido Social Democrata (PSD).

The immediate reaction to the approval of the finance package for Greece was a feeling of relief, although some considered that this could lead market speculators to change the direction of their attacks towards the Portuguese markets. But the overall opinion is that Europe was too slow in finding the necessary consensus and in adopting the required measures to tackle the Greek case with the risk of creating a very complicated situation for the Eurozone as a whole. As previously mentioned, special emphasis was put on the lack of coordination between member states, Germany, but also France, being regarded as the main responsible parties for this situation. In any case, most analysts seem to consider that the way Europe responded to the need to find a Euro(pear) solution for the Greek case was clear evidence that, mainly in times of crisis, member states still focus on national interests instead of concentrating their efforts on a global solution.

The Greek case clearly illustrated the need to strengthen the Stability and Growth Pact (SGP), in particular its preventive side, and showed that without creating instruments that take account of the general interest of the Euro area and the European Union as a whole, the future of the Monetary Union could be at risk. But the Greek case also demonstrated Europe's weaknesses in dealing with "systemic crisis", as it seemed too paralysed at the time to adopt effective crisis-management mechanisms.

The reform of the SGP is seen as an urgent need, not only in order to ensure greater budgetary discipline, but also to find new ways to reduce disparities in competitiveness between member states' economies. As a matter of fact, there is some criticism as to the level of importance which is attributed to the "G element" of the SGP, considered by some as not being duly taken into consideration.

It is also worth mentioning the suggestion made by Minister for Foreign Affairs, Luis Amado, in an interview¹ for the introduction of a specific provision in the Portuguese Constitution establishing limits to the levels of deficit and public debt. But this suggestion was rapidly rejected both by Prime Minister Sócrates and the opposition parties.²

The idea of "a strong coordination of economic policies in Europe" seems to be quite well received in Portugal. There is a broad consensus over the fact that it is necessary to give a real impulse to the economic union and to strengthen economic governance. This is not really new as many in the past have pointed out that a single monetary policy would hardly survive without an equivalent level of coordination of economic policies.

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Former Minister of Finance and current President of the Court of Auditors, Guilherme d'Oliveira Martins, strongly pleaded in favour of an effective coordination of economic policies which still do not exist in the European Union and stated that this failure to coordinate economic policies is the result of "a lack of boldness" of member states and European institutions.³ Several voices also point to the need of ensuring a greater social cohesion within the European Union and are afraid that the reforms in progress will not take this issue in due consideration.⁴

Apparently, the key objectives which were defined by the task force on economic governance, which met for the first time on 21 May 2010, are broadly accepted. But it is common ground to say that they are still too vague and one should wait for more detailed information before coming to any conclusions. The debate on the possible solutions to be adopted only began at end of June 2010, when the first concrete measures were outlined. New penalties, either financial or non-financial, were already expected and did not raise any special concerns. The new budgetary procedure, providing for some coordination between the member states on the basis of the budget guidelines each one will have to submit by the end of the first semester, seemed to be quite well accepted.

Contrary to its predecessor – the Lisbon Agenda – the Europe 2020 Strategy seemed not to be a preferred topic for discussion, to say the least. The reason for this lies probably in the fact that everyone is paying too much attention to the economic and financial crisis, as referred by former European Commissioner António Vitorino.⁵

Social and economic priorities for the next ten years in terms of economic growth and job creation are crucial for the future of the European social model, Vitorino says. But the fact is that very few seem aware of the importance of this debate. João Cravinho, former Minister in several Socialist governments and currently member of the board of the European Bank for Reconstruction and Development (EBDR) has recently made severe critiques of the lack of debate on the Europe 2020 Strategy in his weekly programme at Rádio Renascença.⁶ He said that it is very strange that this subject is being totally ignored, including by the government. Cravinho urges the government to take the lead and to promote a great public discussion on this subject. So far, there is nothing but silence. Not even the agreement on the new strategy reached by the European Council on 17 June 2010 or its public announcement changed the situation. Apart from the news published in the press, there is still no sign of any debate.

¹ Newspaper Diário Económico, 17 May 2010

² Newspaper Diário Económico, 18 May 2010.

³ Lusa news agency, 31 May 2010.

⁴ As it is the case of former President Soares, cited above, or presidential candidate Manuel Alegre in several public speeches in his ongoing campaign (namely in Bragança, 19 March 2010, in the candidate's blog).

⁵ António Vitorino: Condenados a entenderem-se, Diário de Notícias, 18 June 2010.

⁶ Available at: http://www.rr.pt/informacao_prog_detalhe.aspx?fid=114&did=94077 (last access: 27 July 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?