

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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Cyprus**20 million Cypriot Euros for every 10 billion Euros for Greece****Nicoleta Athanasiadou, Costas Melakopides and Christos Xenophontos***

Upon the conclusion of the European Council on 26 March 2010, Cypriot President Demetris Christofias hoped that the mechanism approved by the EU will not need to come into force, but confirmed that, if it did, then for every 10 billion Euros for Greece, Cyprus would need to contribute 20 million Euros.¹ He declared that, given the close ties with Greece, Cyprus' willingness to contribute could not be questioned despite its presently difficult economic situation. President Christofias added his hope that the EU-presidency would establish fiscal discipline that would prevent other countries from having to face what Greece went through. At that time, the overwhelming majority of Cyprus' politicians, *in tandem* with the general public, were in favour of the creation of a solidarity policy on behalf of the EU member states towards Greece.²

When the Eurogroup Summit in May 2010 in Brussels decided to activate the 110 billion Euro bailout plan for Greece, its leaders also decided to set up a European stability mechanism to safeguard the integrity of the Eurozone. The summit was perceived by Cypriot academics and political commentators as allowing the EU-16 to send a decisive message of determination to weather the storm but also issue some substantial self-criticism regarding the dramatic inadequacies of the last months.³ Simultaneously, the shared expectation was that the crisis might also result in the elaboration of stricter stability pact criteria while strengthening monitoring mechanisms.

As the European Commission released 14.5 billion Euros in aid to Greece to support the mechanism for the country's ailing economy, Cypriot politicians and economists expressed their relief: as they explained, the consequences of a possible breakdown of the Greek economy would directly affect all the economies of the Eurozone.⁴ And yet, political analysts pointed out that this ailing economic situation will have, in the long run, positive effects on the EU integration process. In any event, they articulated the need for the creation of mechanisms that will better monitor and coordinate the national fiscal policies of the Eurozone members.⁵

Our interlocutors and others emphasised as obvious that the Greek experience, as well as the experience of members such as Spain, Portugal and Ireland, has taught us anew the manifest interconnectedness and interdependence of today's national economies. These facts apply not merely to the Eurozone member states, but to all EU economies. They also pointed out that EU leaders recently agreed to larger surveillance and coordination of national budgets, without, however, reaching a deal on any sanctions to be imposed on states in a weak financial position, an issue to be revisited at the end of this year.

The notion of imposing sanctions was accompanied by some precautions by Cypriot diplomats, who noted that any financial penalties would aggravate the economic problems of any member state.⁶ Nevertheless, they agree with academic analysts that these EU mechanisms should achieve the compliance of the national governments with their EU commitments by providing incentives as well as a series of escalating sanctions. The latter, which do not necessarily have to be financial, *might* include the temporary prohibition of voting at the Economic Affairs Council.

Central Bank governor, Athanasios Orphanides, acknowledged that the financial crisis had revealed some of the Cypriot economy's structural weaknesses.⁷ Speaking at the 12th Conference of Trade Union Organisations and Staff Associations representing the Personnel of the European National Central Banks, Orphanides warned that inflationary pressures were higher than in any other Eurozone country, a fact impacting the economy's competitiveness. Noting that the salaries of civil servants in Cyprus had increased by 5.7 percent in 2009 in comparison to 1.3 percent in other Eurozone states, the governor emphasised as basic goals the maintenance of steady employment and the monetary system's reform. Simultaneously, Minister of Labour, Soteroula Charalambous, underlined the need for balanced labour relations and a constructive dialogue of social actors throughout Europe, regarding this as essential to strengthening the system.⁸ The head of the European National Central Bank Unions also noted that more effective coordination and analysis of information with improved social dialogue was needed.⁹

* Cyprus Institute of Mediterranean, European and International Studies.

On the Europe 2020 Strategy, President Christofias declared that Cyprus was within the range of its capacity of achieving the strategic targets, asserting that the five areas of action – knowledge, innovation, sustainable economy, high employment and dealing with social exclusion and reducing poverty – were “achievable” by the Republic.¹⁰ Cyprus, he added, wants to see a people-centric Europe emerge from the implementation of the Treaty.

Also commenting on the Europe 2020 Strategy, Marios Vourgos, Director of the European Institute of Cyprus, stated that the crisis had neutralised the progress achieved in the EU over many years, culminating in a 4 percent slowdown in growth in 2009, a figure not seen since the 1930s.¹¹ On the crisis’ causes, Vourgos said it was manifest that a series of fundamental issues that should have been dealt with – both globally and by the EU – had not been properly assessed and, although the indications were clear, these had been underappreciated. On Cyprus, Vourgos said its unemployment rate was around 6 percent, one of the lowest in the EU, when in some Baltic member states the figure exceeds 20 percent. On what should be done, Vourgos referred to three categories of targets: 1) growth based on knowledge and innovation; 2) growth based on social cohesion and high employment without exclusions; and 3) green growth. Finally, Director Vourgos noted optimistically an important difference compared with the past, acknowledging that the EU now has in place the necessary mechanisms to monitor the implementation of its goals.

Other political analysts referred to the DG Employment and Social Affairs’ monthly labour monitor report, which revealed that unemployment in Cyprus still remained below the EU average but could exceed 7 percent in 2011. Such a figure would be a “historic high” for Cyprus. The current situation, according to them, is the worst recorded since 1974, following the Turkish invasion. However, our interlocutors expressed the belief that the new ten-year strategy, Europe 2020, provides important guidelines to the member states on how to proceed in the coming years in order to overcome the difficulties they face at present.¹²

¹ Demetris Christofias, President: Statements, Brussels, 26/03/2010 (as reported by the Cyprus News Agency).

² Press Reports of political parties’ statements, March 2010 (as reported by all Cypriot Media).

³ Interviews with Cypriot economists and political economists conducted by Christos Xenophontos and Nicoleta Athanasiadou, Nicosia, June 2010.

⁴ Press Reports of political parties’ statements, May 2010, as reported by all Cypriot Media, and TV panels with Cypriot economists and political figures.

⁵ Interviews conducted by Christos Xenophontos and Nicoleta Athanasiadou, Nicosia, June 2010.

⁶ Interviews conducted by Christos Xenophontos, Ministry of Foreign Affairs, Nicosia, June 2010.

⁷ Athanasios Orphanides, Central Bank Governor: Speech at the 12th conference of Trade Union Organisations and Staff Associations, Nicosia, 12/05/2010.

⁸ Soteroula Charalambous, Minister of Labour: Speech at the 12th conference of Trade Union Organisations and Staff Associations, Nicosia, 12/05/2010.

⁹ Head of the European National Central Bank Unions: Speech at the 12th conference of Trade Union Organisations and Staff Associations, Nicosia, 12/05/2010.

¹⁰ Statements by President Demetris Christofias, Brussels, 26/03/2010 (as reported by the Cyprus News Agency).

¹¹ Interview conducted by Christos Xenophontos, European Institute of Cyprus, Nicosia, June 2010.

¹² Interviews conducted by Nicoleta Athanasiadou and Christos Xenophontos, Nicosia, early June 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?