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JEL-No: F55, K10, N44

## **Institutions of the EU in the Treaty of Lisbon and after the European Council of December 2008**

The reform of the institutions of the EU has always been at the core of any EU treaty reform. It is the aim of the Treaty of Lisbon to introduce the necessary changes that were already foreseen in the ill-fated Constitutional Treaty (with some adjustments). The Treaty of Lisbon introduces the European Council as an official organ and foresees the election of a permanent president of the European Council, who should represent the "face" of Europe. Qualified majority voting will be extended in the Council and the Commission should only comprise two thirds of the number of Member States. European Parliament will be given the right to co-decide in almost all areas of EU competence. Another important element is the increased role of the High Representative for the CFSP. Unfortunately, the Treaty of Lisbon was rejected in a referendum in Ireland in June 2008. In order to enable Ireland to subject the treaty to a second referendum, the European Council in the end of 2008 agreed to some changes to the treaty. The European Council agreed to return to the rule one commissioner per country. To balance this change, it further decided to switch to the composition of the European Parliament preferably already in 2010, with the minor change that no country should lose seats in the Parliament. In order to realize the last decision, the Treaty of Lisbon will have to be changed after it will have entered into force (for the composition of the Commission no change of the treaty is needed).

*Otto Schmuck*

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## **More democracy by the Treaty of Lisbon: The strengthening of parliaments, the principle of subsidiarity and the new instrument for the Citizens' Initiative**

The Treaty of Lisbon shall enter into force by the end of the year 2009. This would conclude a ten-year reform period. The revision of the EU-founding treaties is urgently needed, especially due to the enlargement of the EU including many Central and Eastern European countries. The Treaty of Lisbon will lead to a variety of innovations making the EU more efficient, more democratic, and more transparent. The rights of the European Parliament will be strengthened, the national parliaments can better defend their rights and the citizens are in a new way involved in the decision making process of the EU. Therefore the Treaty of Lisbon is a significant step forward. A review of the past 60 years shows that the unification of Europe, despite many setbacks, is a success story without precedent. However, the citizens again and again have to be convinced of the benefits of Europe's growing together.

## **The European Union as an instrument for mastering crises**

The democratic welfare state is in a crisis. The reason is the decline of the nation state's political capacity. The economy has been able to overcome the limitations of the nation state but politics is still imprisoned within national borders. The European Union offers the chance to establish a transnational level of political decision making through integration and to promote political capacity. But this approach which aims at the deepening of the European integration has been opposed by different interests which have already blocked the Constitutional Treaty and try to derail the ratification of the Treaty of Lisbon. The EU's so called democratic deficit is used as a pretext – despite the fact that exactly these treaties would increase the Union's democratic quality.

*Franz Nauschnigg*

**JEL–No: G01, G15, G18, F32, F33**

## **The Euro as a protective shield in the financial crisis**

The Euro acts as a protective shield in the world wide financial and economic crisis and protects the euro area countries against currency crisis and exchange rate fluctuations. The number of financial crises increased since the break down of the Bretton Wood System in 1971 e.g. EMS crises in the EU between 1992–1995. Boom/Bust Cycles develop in deregulated financial markets – examples Sweden, Finland, Iceland, Central and Eastern Europe. Warnings about the inherent instability of fully liberalized financial markets and market failure were not taken seriously. Strong exchange rate fluctuations show weaknesses in the European Financial Architecture.

A comprehensive strengthening of the European Financial Architecture is proposed. In the Boom a credit growth stabilisation tax (CGST) on all new private sector credit, to limit credit growth is proposed. The receipts of this tax flow into a cyclical stabilisation fund (CSF) to be used in the bust.

In the current crisis five concrete measures are proposed:

- € 200 billion financing facility for euro area member states
- EU facility for balance of payments assistance was increased from € 25 to 50 billion by the European Council in March 2009 for other EU member states; if necessary an increase to € 100 billion could be decided.
- € 50 billion balance of payments and macro financial assistance facility for other European countries
- Creation of an EU wide bond market in Euro with these bonds emitted and backed by the EU
- Bilateral Swaps or Repo facilities between the Eurosystem other European central banks
- This would help stabilize financial markets, stimulate the economies, correct market failure and deepen European Integration. A zone of monetary stability would be created around the euro area with substantial welfare gains for all participating countries with no cost for the EU taxpayer.

## **Economic Governance and the Lisbon Process**

With the Lisbon strategy the EU tries, on the one hand to stimulate the still not completed Single Market, on the other hand it should foster long-run growth and hence employment. In connection with the noble growth target, to make the Union within ten years the “most competitive and dynamic knowledge-based economy in the world” which secures full employment, the Lisbon strategy has been overcharged by many additional targets (environment, climate protection, research and development, ageing of population, global competitiveness). The Lisbon process has invented new methods of economic governance, most prominently the open method of co-ordination. This was a try to Europeanize economic policy making, which according to the treaty is a competence of the member states. Post 2010 the EU has to decide whether it will continue on the not so successful hitherto path which was distorted by the international financial market crisis most recently. Or whether it starts anew with a strategy of a social Europe in a global world, a strategy with a completely new name no longer called Lisbon strategy.

*Elisabeth Klatzer/Harald Dossi***JEL–No: H00**

## **The future economic policy strategy of the European Union: the post–2010 process from an Austrian perspective**

The article summarizes the debate about the future of the Lisbon strategy, the main economic policy and reform strategy of the European Union, launched in 2000 for a period of 10 years and refocused on growth and jobs in 2005, and puts forward the Austrian perspective on this debate. Since 2000 several framework conditions and the geopolitical situation have changed considerably. Additionally, the current financial and economic crisis has created additional challenges. The article discusses the changed economic policy environment and challenges and puts forward the Austrian contributions to the debate, which mainly focus on a balanced approach, exploiting the synergies between economic, social and environmental policies and assuring policy coherence.

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## **Lissabon Post 2010 – Die Zukunft der Lissabon–Strategie im Kontext der aktuellen Krise**

Vor dem Hintergrund der Wirtschafts- und Finanzkrise und dem Ende des derzeitigen Lissabon-Prozesses in 2010 untersucht der vorliegende Artikel, wie die Lissabon-Strategie nach 2010 gestaltet werden kann.

Dem Text liegen drei thematische Schwerpunkte zugrunde, die sich aus der aktuellen wirtschaftlichen Lage ergeben:

1. Ausrichtung der Strategie, um europäische Volkswirtschaften robuster gegenüber zukünftigen Schocks aufzustellen,
2. Nutzung der Strategie, um das Hauptaugenmerk auf zukünftige neue Herausforderungen zu legen,
3. Verwendung der Lissabon–Debatte, um Schwächen der inhaltlichen Fokussierung und der Governance der Strategie zu korrigieren.

## **10 Years of Macroeconomic Dialogue in the European Union**

This contribution tries to explain the economic and political rationale behind the foundation of the Macro Economic Dialogue in 1999 as well as its structural rigidities. Furthermore, the interests of the different participants are briefly described and, as far as the confidence of the dialogue allows, the most important issues mentioned which have been discussed during the last years. In a final résumé and outlook, some experiences with the MED and proposals for its improvement are discussed against the background of the current crisis.

## **EU Kohäsionspolitik: Anmerkungen zu einem überbeanspruchten Politikdesign**

Die EU Kohäsionspolitik hat das Potential, die Stabilität und Weiterentwicklung des europäischen Integrationsprozesses zu garantieren. Trotz dieser theoretisch vielversprechenden Annahme, kann sie bisher nicht dazu beitragen, die Zustimmungsraten der Bevölkerung zur Europäischen Union positiv zu beeinflussen. Der Beitrag zeigt auf, dass die Kohäsionspolitik zu viele Politikziele gleichzeitig verfolgt und auch aus diesem Grund kein kohärentes Förderungskonzept vermittelt, welches die Aufmerksamkeit bzw. Wertschätzung der Bürgerinnen und Bürger auf sich ziehen könnte. Legitimitätseffekte können nur dann erwartet werden, wenn zukünftige Reformen dazu führen, dass die Politikziele und Erwartungen an die Kohäsionspolitik reduziert und die Transparenz der Förderstruktur erhöht wird.

## **Return to Europe**

Twenty years ago the Iron Curtain fell, but Europe is still divided. Without the countries of the Western Balkans, the reunification of the continent is not complete. In the Balkans the wish for a „return to Europe“ is great. After the wars, economic and political stagnation keep the region trapped in a vicious cycle of underdevelopment. The EU's politics in the Balkan are also contradictory at times. On the one hand, the EU applies „soft power“ through the enlargement process, on the other hand the EU deploys soldiers and police to stabilize and secure the region. It is no surprise therefore that the EU protectorates in Bosnia Herzegovina and Kosovo lag furthest behind the other countries in terms of realizing their European future. The example of Bulgaria demonstrates how difficult it is for a country to return to Europe, but Bulgaria's experience in implementing the EU *acquis* on the environment also shows how the EU -inspired transformation process can lead to sustainable change. „Member state building“ like in Bulgaria is also possible in the other countries. It is high time that the transformative powers of EU enlargement that have worked so successfully in Central Europe are applied in the Balkans. The EU's credibility depends on its success in the Balkans.

## **The EU and Russia: Ambivalence in Eurasia**

The article investigates the riddle why relations between the EU and Russia remain so problematic, or “ambivalent” in polite language, since the Putin’s arrival at the least. This is in spite of the fact that bilateral relations in terms of comparative advantages, cultural affinities, and similar strategic and demographic problems could actually be compatible and close. The basic explanation seems to lie in different world views (multilateralism vs. multipolarity) between the EU and the Russian elite. Dominated by KGB officers (siloviki) the latter’s approach to international relations is based on notions of power politics. To them the EU’s soft power approach with its promotion of democratization and its rejection of Russian spheres of influence generates suspicion. Rather Russia’s current leadership attempts to regain world power status by means of aggressive posturing and rearmament plans. Also in its energy and economic policies the Kremlin follows power oriented zero-sum games which are difficult to reconcile with the EU’s convictions of free trade and capital movements. The current economic crisis could however help to favour joint solutions for Russia’s enduring structural problems. This also applies to the serious demographic problems on both sides, with Russia being acutely confronted with sizable Chinese and Muslim immigration into depopulating spaces. In spite of these common interests a breakthrough for constructive close relations seems possible only after the arrival of a post-siloviki leadership which is firmly committed to democratic norms and practice. This evidently also presupposes a more coherent and effective CSFP management on the EU’s side.

## **EU communication with citizens – are Austrians real EU sceptics?**

EU-membership and EU-Enlargement were EU success stories for Austria. But Austrians are among the most sceptical citizens in Europe. Although recent opinion polls show a significant improvement Austria ranks among the five last countries of the EU in this regard. At the same time there is also a significant lack of information. But what is the reason behind? There is not a single explanation but a combination of different factors: „sanctions“ of EU-14 in 2000, the feeling that Austria is not able to succeed in the decision making process, bilateral problems, the media situation and the „EU as the scapegoat“. Which consequences can be drawn to increase the level of information and thus to improve the opinion vis à vis the EU? Direct and constant dialogue on local level could be the most important point. There are already some activities, eg the „Europe-umbrella“ of the Austrian Federal Economic Chamber, the „Listening and Information-Tour“ of the Federal Minister of European and International Affairs, involvement and information for young people already at school, steady and easy understandable information activities including the truth of „EU-myths“ and Stand: last but not least Stand: the „product“ EU has to present an added value for the people.