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EDITORIAL

By Antonio Missiroli

From firemen to foremen

After months of discussions, consultations and negotiations, the Spring European Council has released a bundle of decisions that stretch from amending the treaty (art.136 TFEU) to make room for the European Stability Mechanism, to reinforcing both the goals and the means of "economic governance", especially inside the euro zone. Some details may still have to be thrashed out and finalised by June but, all in all, the system that could (and should) have prevented last year's sovereign debt crisis from happening is now in place.

It may be too early to claim victory, as also this issue of BMB shows. As compared to one year ago, however, the picture has gained colours and contours. Jacques Delors then said that, after the fire brigade, Europe needed architects. Now it mainly needs the engineers and craftsmen who can translate agreed plans into functioning structures and concrete works.

Tweet dreams

With this issue, BEPA's Monthly Brief also launches a new service.

"I never read a book I must review", Oscar Wilde (always an irreplaceable source of one-liners) was quoted as saying, "it prejudices you so!". A few years ago an extremely sophisticated essay titled *Comment parler des livres que l'on n'a pas lus ?* became an instant bestseller in France, indirectly proving that mortals – confronted with too much printed (and now online) information – may need to learn tricks to cope with this particular pressure and get away with it.

Our ambition is more modest. The new rubrique called *Think Tank Twitter* is aimed at providing readers with possible trails to follow to find their way through the ever growing amount of papers and commentaries on EU affairs provided by think tanks and research centres. Every month we will present – in no more than 140 words (rather than characters), in a hint at the original "tweets" – a number of analytical and/or opinionated pieces of recent production broadly related to the policy issue(s) addressed in each BEPA Monthly Brief.

1 Pas de gouvernance économique sans légitimation démocratique

*Par Sylvie Goulard **

Paquet sur la « gouvernance économique », « Semestre européen », « Pacte pour l'Euro », « Single Market Act », « Analyse annuelle de la croissance »: les concepts ne manquent pas pour décrire les outils de la « gouvernance économique » européenne. De nombreux chantiers ont été ouverts pour tenter de tirer les leçons de la crise. Mais les opinions risquent de s'y perdre. Trois questions simples méritent une réponse : va-t-on dans le bon sens ? La méthode est-elle appropriée ? Les procédures seront-elles efficaces et démocratiques ?

Des pas dans la bonne direction

En septembre 2010, la Commission a rédigé six propositions relatives à la gouvernance économique qui traitent à la fois du renforcement du pacte de stabilité et de croissance, de la surveillance des déséquilibres macro-économiques et de l'amélioration des cadres budgétaires nationaux. C'est de ce paquet assez complet et novateur qu'en vertu du traité de Lisbonne, le Parlement européen est saisi en codécision.

Au début de l'année se sont ajoutées des propositions nouvelles pour la zone euro. Le « Pacte pour l'euro plus » avalisé par le Conseil européen des 24 et 25 mars, contient deux éléments assurément positifs.

Tout d'abord, pour la première fois, la Chancelière allemande admet que le partage d'une même monnaie requiert une coopération accrue à dix-sept. L'approche à vingt-sept jusqu'ici privilégiée sous-estimait les besoins propres à la zone euro, notamment la nécessité de limiter les divergences incompatibles avec une monnaie unique. La formule finalement retenue d'une adhésion volontaire des Etats non membres de la zone euro, l'implication de la Commission et la reconnaissance du rôle du Parlement européen ont permis d'éviter l'écueil d'une différenciation excessive, sans renoncer à une coopération plus étroite autour de la monnaie unique.

Ce Pacte a ensuite pour mérite de lever le voile sur la nécessité de prendre ensemble certaines décisions macro-économiques qui étaient jusqu'ici strictement du ressort national en dépit des effets qu'elles peuvent avoir sur d'autres Etats ou sur la stabilité de toute la zone euro ; c'est notamment le cas pour la fiscalité des entreprises, le niveau de rémunération du travail ou les conditions du départ en retraite. Cette nouvelle étape est opportune : trop longtemps, la fiction a prévalu que la stabilité de l'euro pouvait reposer sur la seule discipline des comptes publics ; celle-ci est nécessaire mais pas suffisante. Le cas de l'Irlande ou de l'Espagne en atteste.

Quelques doutes sur la méthode

Cependant, la méthode reste incertaine. L'accumulation de textes et le flou sur leur caractère plus ou moins contraignant constituent un premier écueil. Une fois encore, les gouvernements prennent le risque de créer des attentes qui pourraient n'être pas suivies d'effets. L'échec de la stratégie de Lisbonne fondée sur la coordination, comme la violation des critères de déficit et plus encore de dette, invitent à une certaine méfiance. Il faut une bonne dose de foi pour croire à cette conversion. La gravité de la crise, sous le contrôle des marchés, peut certes aider les récalcitrants mais ces promesses là ont été trop souvent faites solennellement à Bruxelles et oubliées de retour dans les capitales, pour que nous soyons dupes.

Les Etats prétendent rester les maîtres du jeu alors même que, comme le disait Tommaso Padoa-Schioppa dans un entretien pour *Notre Europe* en octobre 2010, la faiblesse majeure de l'euro tient dans le fait que « le pouvoir de coordination est justement dans les mains de ceux qui devraient lui être soumis ».

Dans le « Pacte pour la compétitivité », il était vaguement envisagé d'associer les Parlements nationaux au processus de coordination renforcée. Mme Merkel écartait toute référence à un contrôle démocratique au niveau européen. Du Parlement européen, dans son texte, il n'était pas question, pas plus que de la Cour de justice pourtant si importante pour contrôler

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d'éventuels manquements. Là encore les choses évoluent plutôt dans le bon sens. Ainsi, les conclusions du dernier Conseil européen mentionnent la nécessité d'une coopération étroite avec le Parlement européen.

En dépit de ces progrès, dus notamment à la participation de la Commission et la présidence du Conseil européen aux négociations du pacte pour l'euro et aussi grâce aux protestations d'un certain nombre de députés européens, la question de la légitimation démocratique de la gouvernance économique n'est toujours pas abordée avec l'attention qu'elle mérite.

Pas de gouvernance économique sans légitimation démocratique

Il est capital de rendre les décisions de surveillance de l'Union économique et monétaire plus « automatiques » ; c'est le seul moyen de faire appliquer les règles, en évitant les traditionnels marchandages au Conseil, comme le souhaite notamment la BCE. Mais quand des sujets aussi sensibles que le budget national ou les politiques salariales sont concernées, l'« automaticité » n'est acceptable que si la décision finalement prise est considérée comme légitime. Tout ce qui serait perçu comme un « diktat bureaucratique » imposé aux peuples est à éviter.

Idéalement, il serait temps de passer à l'union politique que les Pères fondateurs de l'euro ont toujours considérée comme la conséquence inéluctable de la mise en commun de la monnaie. On ne répètera jamais assez que l'organisation actuelle, assez bancale, était conçue comme transitoire. A défaut, il importe d'améliorer les choses dans le cadre existant, en s'appuyant sur les traités. C'est pourquoi les rapporteurs des six textes susmentionnés, toutes tendances politiques confondues, ont proposé, dans les différentes procédures de surveillance, de nouvelles phases de dialogue devant le Parlement européen. Tant que le vote en ECON n'est pas intervenu, c'est une simple proposition mais il semble qu'elle pourrait aboutir au Parlement ; aussi n'est-il pas inutile d'en expliquer l'esprit.

L'idée centrale est que seul un débat public transfrontière et objectif, fondé sur les analyses indépendantes menées par la Commission, permettra aux procédures de surveillance de la discipline budgétaire comme aux nouvelles mesures sur les déséquilibres macroéconomiques d'avoir toute leur portée.

La Commission rendrait publiques, devant le Parlement européen, les analyses qu'elle développe (art.121 et 126 sur les volets préventif et correctif du PSC, notamment) ; avant que le Conseil ne tranche, le gouvernement de l'Etat membre concerné pourrait venir répondre en public à la Commission, contester ses analyses ou apporter des éclairages. Un débat transparent pourrait naître, créant enfin la pression mutuelle par delà les frontières que les dispositifs actuels ont échoué à mettre en place. Cette démarche s'inscrit dans l'esprit du « semestre européen » consistant à impliquer plus étroitement les niveaux nationaux et européen dans la gouvernance économique. Mais il rejoint un usage mis en place par le Parlement lui-même. A la suite du rapport Randzio-Plath en date du 23 mars 1998, des rencontres trimestrielles avec le Président de la BCE ont été organisées dans le cadre de ce qui est devenu le « dialogue monétaire ».

Ainsi, sur la base de dispositions du traité prévoyant une certaine transparence (art. 121.5, art. 126.8, art. 126.11 et art. 136), un dialogue « économique » serait mis en place avec les ministres des finances d'Etats membres. Ceux-ci étant censés, en vertu de l'article 121 du traité, « considérer leurs politiques économiques comme des questions d'intérêt commun », une interprétation dynamique de ces textes paraît sensée, surtout après une crise d'une telle sévérité.

Le Parlement européen ne disposerait naturellement pas du pouvoir de censurer les ministres nationaux mais le « *comply or explain* » que le Conseil européen semble vouloir mettre en place aurait beaucoup plus de portée s'il ne se déroulait pas derrière des portes closes.

La simple coordination des politiques nationales, sans mécanisme de responsabilité et de contrôle démocratique, n'est pas à la hauteur des défis que doit relever la zone euro. Aucun Parlement national n'est en mesure de surveiller l'action d'un autre Etat ou du Conseil dans son ensemble, ni les « *spillovers* » des politiques nationales qui affectent les différents partenaires. L'Europe démocratique doit aller de pair avec l'Europe économique et monétaire.

2 Real agendas – what lies behind and what should lie ahead

*By Philippe Legrain**

Brussels enjoyed unseasonally sunny weather as the European Council met on 24–25 March to agree a comprehensive response to the crisis in the euro zone. The five-pronged plan gives priority to restoring sound public finances and implementing structural reforms that boost economic growth and jobs. It also involves a "Euro Plus" pact that aims to give added impetus to member states' reform and policy coordination efforts.

In addition, member states gave their seal of approval to a package of measures to strengthen the monitoring and enforcement of fiscal discipline and macroeconomic stability in the euro zone ("economic governance", to use the somewhat misleading Brussels jargon). And lest leaders be accused of tackling everything except the financial aspects of the crisis, they also underlined the importance of rigorous stress tests for banks, including a high level of disclosure of their sovereign debt holdings.

Last but not least, they gave a provisional nod to increasing the financial firepower of the euro zone's temporary lending facility – the European Financial Stability Facility (EFSF) – with a view to sealing the deal in June (after the Finnish elections in April); and agreed to introduce a 500 billion EUR permanent facility – the European Stability Mechanism (ESM) – in 2013.

Stormy skies

But while there was not a cloud in the Brussels sky, market conditions in Europe remain stormy. Item one on investors' minds is Portugal. José Sócrates attended the European Council meeting as a caretaker prime minister, his government having fallen earlier that week after losing a parliamentary vote on a new package of austerity measures that sought to assuage markets by cutting the budget deficit faster. Standard & Poor's duly downgraded the country's credit rating to triple B, two notches above "junk" status. LCH Clearnet, Europe's biggest clearing house, then scaled back the use of Portuguese bonds as collateral for loans. And on 29 March, S&P downgraded Portugal another notch.

All of this has pushed the interest rates on Portuguese bonds even higher: on 29 March, the yield on 10-year Portuguese government bonds was a painful 8.18 per cent, 4.88 points more than that on German Bunds. If Portuguese yields remain this high, LCH Clearnet will demand an increase in margin payments, putting an even greater strain on Portuguese banks. The Portuguese government, meanwhile, needs to raise 5 billion EUR from the markets in April and a further 7 billion in June. Outside investors are particularly worried about Portugal's fate because European banks' exposure to Portugal was 216 billion US dollars last September, according to data from the Bank for International Settlements.

Item two on markets' minds is Ireland. The new Fine Gael-Labour coalition government that took office after elections in February is adopting a new approach to tackling the country's banking crisis. It wants to renegotiate elements of the country's EU/IMF loan deal agreed last November. In particular, it is looking to lower the interest rate on the EU loan. While EU leaders have agreed to do this on the EU loan to Greece by one percentage point, they have yet to reach agreement with Ireland. Some member states insist that Ireland should raise its corporate tax rate in return for an interest-rate cut, but the Irish government is refusing, arguing that this would depress foreign investment (and thus economic growth), and also that other member states have no business trying to dictate Irish tax policy.

Banking on the states

The other big bone of contention is how to treat senior bank bondholders. In the aftermath of the collapse of Lehman Brothers in September 2008, the Irish government sought to restore confidence in the country's own banks by guaranteeing that not only their depositors but also nearly all their bondholders would be paid in full. This guarantee put Irish taxpayers on the hook for all future losses that those banks might incur. Those losses have proved to be astronomical. The Irish authorities

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have so far pumped in more than 46 billion EUR – over a quarter of Irish GDP – to the country's banks, and at least a further 15 billion EUR is now needed. In addition, Irish banks have benefited from 100 billion EUR in short-term loans from the ECB and a further 70 billion EUR from the Irish Central Bank.

In effect, Irish banks that were deemed too big to fail are proving too big to save. The new government is now trying to wriggle off the hook a little by forcing at least some senior bondholders – sophisticated investors who knew the risks of lending to Irish banks and were rewarded handsomely for them while times were good – to take losses. This is in line with the European Commission's proposal that senior bondholders share in the pain of bank failures (albeit only after 2013), but is meeting fierce resistance from, among others, the European Central Bank (ECB).

The third thing troubling investors is the state of European banks. Investors worry that some banks do not have a big enough capital buffer to absorb future losses. If so, the weakest among those are in effect insolvent. But the same investors are not sure how big the problem is, which banks are worst affected, and how great banks' exposure to a variety of plausible shocks is. This is making it difficult for both banks and governments from high-debt countries to borrow. Investors will not lend to banks from high-debt countries because they cannot distinguish between sound and dodgy ones, and they cannot be sure the government would bail them out if need be.

This has forced the ECB to step in with emergency loans that keep afloat not just sound banks that need temporary liquidity, but also dodgy ones that need recapitalisation and/or restructuring. In addition, a big reason why investors are reluctant to lend to some governments is because they are unsure of the size of the banking debts that governments may feel obliged to take on to their books.

In order to address this problem, the new European Banking Authority is overseeing a new set of more rigorous stress tests that seeks to shed light on the holes in banks' balance sheets, with a view to forcing weak banks to acquire additional capital – from private investors or governments. Last year's stress tests were discredited after they gave Bank of Ireland and Allied Irish Bank a clean bill of health: soon after both required a government bailout. Investors are particularly concerned about the health of Germany's *Landesbanken* and view the stress tests' results in this area as a litmus test of their credibility.

Changing the conversation

Where does all this leave the EU? Europe urgently needs to draw a line under the banking and sovereign debt crisis and press on with the overriding objective of boosting growth and jobs. For the most part, this is a matter for the private sector, of course: consumers need to have the confidence – and the means – to spend, and companies the confidence to invest and seek out new markets. But governments and EU institutions also have a role to play.

A competitive euro and supportive interest rates would certainly help, as would stronger domestic demand in Germany and other economies with a current account surplus. Deficit countries could also make their exports more competitive by implementing "fiscal devaluations": slashing payroll taxes and replacing the revenues with higher VAT or a tax on land values.

At EU level, reforms to free up ossified oligopolistic markets and lift the barriers that hold back innovation and enterprise would do wonders for European growth, as would completing the single market – notably in services. Redirecting EU budget spending towards growth-enhancing measures would also help.

Immediate action is also needed. President Barroso's proposal for infrastructure bonds is a good idea that needs to be implemented quickly. Jean Pisani-Ferry and André Sapir of the Bruegel think-tank also advocate front-loading EU structural funds earmarked for spending in peripheral economies.

Above all, we need to try to change private sector expectations. If politicians only talk about austerity, consumers stop spending and companies stop investing in anticipation of bad times and tax rises ahead. We need to start talking up growth and back it up with action. Finally concluding the WTO's Doha Round could be just the ticket to boost confidence.

3 A grand bargain – also the end of the crisis?

*By Daniel Gros**

With the agreements reached at the European Council of March 24/25 EU leaders feel they can fairly claim victory: they agreed on a new permanent crisis mechanism and an impressive array of measures to foster economic policy coordination so as to prevent further crises from arising. However, the new "Euro Plus" pact is based on a lopsided agenda, and is likely be applied asymmetrically. Moreover, the current crisis has not been resolved: it is essentially being left there to fester.

What's in it ...

The two elements of the grand bargain surely look impressive at first sight.

The new permanent European Stability Mechanism (ESM) constitutes in fact a sort of European Monetary Fund which will have 500 billion EUR in effective lending capacity. This should be sufficient to deal not only with the refinancing of the three smaller problem countries (the so-called GIPs) but also Spain – in the event that the latter, too, is faced up with an investors' strike. It does not even matter that much that the ESM becomes operational only in 2013 because it is almost identical to the current mechanism (EFSF) which should be able to take care of the GIPs until then.

The array of measures to strengthen economic policy coordination also looks impressive. The Council endorsed the so-called "six-pack" proposed by the Commission last year, which includes six specific proposals to strengthen the Stability Pact with "semi-automatic" sanctions, introduces a new "excessive imbalances" procedure, and creates a new framework for national fiscal policy via the European Semester. If all this had been agreed upon at the start of EMU the Greek problem would probably not have arisen, and maybe even the Irish and Spanish housing bubbles might not have been left to run unchecked for so long.

On top of all this, we now also have the "Euro Plus" pact under which member countries of the euro zone (plus six other EU members) promise to make an additional effort to make their economies more competitive. The goals of the new pact are laudable. Who would be against more competitiveness, more employment, sustainable public finances and financial stability? The problems start when one considers how this pact would work in reality.

It is often argued that economic policy coordination will from now on work much better because it is supported by "the markets". This is true, but what one observes in fact at present is not policy coordination, but a sort of "dictatorship of the creditors": it may be a benign dictatorship as its main aim is to restore the creditworthiness of the debtors, but it works with different rules than institutional processes. While official rules foresee a complex procedure of reports by the Commission to be discussed at Ecofin meetings, real processes are quite different. Markets deliver verdicts on the creditworthiness of debtors every day; their judgment is influenced by the political signals given by the creditors about the conditions under which support will be provided.

As long as the crisis continues there may be no alternative to this, but such *modus operandi* raises some fundamental issues of political legitimacy.

First, as mentioned, this is not a framework for policy coordination implemented with the broader interest of the entire Union in mind, but rather based on the desire of creditors to protect their own interests.

Second, it creates a two-tier system of member states: the debtor countries, which have to accept prescriptions on fiscal policy and structural reforms; and the creditor countries, which are free to conduct their economic policy without any major interference.

Under the current circumstances, therefore, the "Euro Plus" pact will have a limited impact as it will *not* foster reforms in the creditor countries.

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... and what not

Another, more subtle, shortcoming of the "Euro Plus" pact is that it has implicitly established a diagnosis of the problem that is misleading. It says that the peripheral countries lost competitiveness by letting their unit labour costs get out of line with others', thus starting to run large external deficits. Unfortunately, this diagnosis is not correct and confuses the symptoms with the underlying causes.

Unit labour costs have certainly increased much more in all the "peripheral" countries than in Germany. But this is not the only source of their problems. For example, one should take into account that the growth rate of exports of all the three countries in trouble (the GIPs) has actually increased in line with the EU average, and much more than those of Italy or France, for example. Moreover, countries like Greece and Portugal have actually improved their trade balance over the last decade by several percentage points of GDP, whereas that of France and Italy has deteriorated. It is thus clear that factors *other* than competitiveness have a much more important influence on external imbalances.

As a consequence, the emphasis on competitiveness indicators in the Euro Plus pact risk being of very limited use. The four key points in the pact were probably chosen because, at present, the creditor countries control the official agenda and are free to highlight the issues that do not require any adjustment on their side. It is indeed hardly surprising that the pact focuses on those issues which have already been successfully dealt with in Germany (e.g. unit labour costs, national debt brake, retirement age) but not on those where reforms would be needed even in Germany – like liberalising the services sector or dealing with doubtful assets on the balance sheet of "government-sponsored" banks.

Moreover, it should not be forgotten that, until recently, Ireland and to some extent Spain were canvassed as shining examples of highly competitive economies which created a record number of jobs. But their prosperity was based on a real estate bubble fuelled by cheap credit. It is difficult to see how tighter economic policy coordination or even the pact will prevent new bubbles from emerging.

The policy agenda thus risks becoming lopsided, with important issues being neglected because they are not on the domestic agenda of the creditor countries.

Dealing with debt

As Chancellor Merkel has underlined several times: the current crisis is not a crisis of the euro, it is a debt crisis. Unfortunately, this seems to have been forgotten. It is true that the "Euro Plus" pact mentions the importance of private debt, but the heading dealing with financial stability is the shortest and the only concrete new measure in it is rather vague ("the level of private debt for banks, households and non-financial firms will be closely monitored"). And the key issue that triggered the crisis was not how to prevent a future debt build-up, but rather how to deal with the present situation of an acute debt overhang in several member countries.

Financial markets, at any rate, do not care much about the future set-up for economic policy coordination. Investors want to know how the existing debt will be dealt with. The problem is that a peripheral debt crisis has mutated into a systemic one because our financial system is too interconnected and too weak to take any losses on sovereign borrowing.

Europe lacks a common body with the fiscal resources to stabilise the system as a whole. Financial markets would certainly have been reassured quickly if the European Council had agreed that the resources of the EFSF/ESM could also be used to stabilise large banks of systemic importance.

This issue was also apparent in the weakest part of the Conclusions of this European Council, namely the passing reference to the ongoing stress tests without any commitment to publish all the results and without any hint that banks would be tested for the one issue financial markets care about: the possibility of a sovereign default or rescheduling.

The euro crisis is unlikely to end as long as the root cause of the crisis – a combination of a debt overhang in the periphery and a weak banking system – is not squarely and comprehensively addressed. The grand bargain of the March European Council is unlikely to close this chapter.

4 Think Tank Twitter

Think Tank Twitter (TTT) aims to provide regular information and updates on what is produced by think tanks and research centres across Europe (and beyond) on EU policy issues. As an analogy to the original Twitter, each summary – or tweet – does not exceed 140 words, rather than characters. Those who wish to signal new publications for possible inclusion can send them to the email address bepa-think-tank-twitter@ec.europa.eu

"The European Semester: Only a First Step"

The authors argue that the implementation of the European Semester represents an improvement in European economic governance. It is nonetheless insufficient if the EMU is to have the economic pillar it desperately needs. Firstly, the semester remains too complex – including both the EU27 and EMU17 – while action is needed by euro area members alone. Moreover, it focuses too much on sanctions and not enough on incentives; it fails to ensure financial stability as well as growth; and it is insufficiently open to participation by various actors, namely national parliaments and European social partners. Despite its imperfections, the semester should be welcomed as a first step in the right direction – one which will allow us to sketch out a more positive future for Europe.

*http://www.**notre-europe**.eu/en/axes/competition-cooperation-solidarity/works/publication/the-european-semester-only-a-first-step/*

"First Amendment? – The Treaty Change to Facilitate the European Stability Mechanism"

The objective to launch the European Stability Mechanism and thus establish a permanent crisis mechanism to safeguard the financial stability of the euro zone will mark a considerable change in the way constituent Treaties are being amended in the EU. This paper examines in detail the currently proposed alteration to the constituent Treaties concerning the European Stability Mechanism; it puts it in historical and legal context; and it briefly examines legal change. The author outlines the means sought to effect a Treaty amendment, compares it to the new amendment procedures and examines the underlying reasons for such alterations. He argues that the key incentive to Treaty change is an effort to provide an accelerated practice compared to the lumbering "ordinary" amendment procedure.

*http://www.**iiea**.com/publications/first-amendment---the-treaty-change-to-facilitate-the-european-stability-mechanism*

"Which Economic Governance for the European Union? – Facing up to the Problem of Divided Sovereignty"

The debt crisis and the bailout of two EMU members displayed the necessity of stronger economic governance within the EU. Yet, according to the author, the path to such economic governance remains elusive, the main difficulty stemming from a conflict between national sovereignty and a new concept of sovereignty that calls for its exercise on the European level. The report considers critical issues of economic governance from the perspective of the EU and highlights key political obstacles that must be surmounted if these issues are to be addressed in a satisfactory manner. Assuming that the Member States will not want to jettison the euro, the author concludes with policy guidelines toward a more crisis-proof economic governance structure at the EU level.

*http://www.**sieps**.se/sites/default/files/2011_2_0.pdf*

"Can the Euro Zone Countries Still Live Together Happily Ever After?"

This policy brief argues that the European Financial Stabilisation Mechanism and European Financial Stability Facility, both launched in 2010 as a response to the EU sovereign debt crisis, are inadequate to efficiently tackle and resolve Europe's problems. The European Stability Mechanism, set to replace the EFSF in 2013, is deemed equally insufficient, lacking a mandate to purchase Member States' public securities and condemned as it is to carry out only emergency interventions with maximum costs to providers and recipients alike. The author offers an alternative solution that envisages the establishment of a European Debt Agency, which would permit a restructuring of the sovereign debt of the peripheral countries of the EMU at a "moderate" cost and act as a reliable mechanism for macroeconomic and fiscal discipline in the future.

*http://www.**ceps**.eu/book/can-eurozone-countries-still-live-together-happily-ever-after*

"Les enjeux d'une stratégie fiscale européenne"

One of European leaders' key objectives following the European banking and debt crisis has been to agree upon a European fiscal strategy. Under the impetus of Herman van Rompuy, the Euro Plus Pact was passed during the last European Council in Brussels. The author of this brief argues that, for a European fiscal strategy to be successful, the following criteria have to be met: it must not neutralise the necessary autonomy of national policies; it should not advocate a social model that is under the duress of ongoing changes in the world; finally, it should not prevent the new Central and Eastern European Member States from catching up. Such a strategy is needed in order to promote Europe's overall competitiveness.

*http://www.**robert-schuman**.eu/question_europe.php?num=qe-198*

"An Action Plan for Europe 2020: Strategic Advice for the Post-Crisis World"

This report, which includes a contribution by the former Dutch Prime Minister Wim Kok, consists of twelve individual essays. Each essay reflects on the challenges the EU will be facing in the future and offers strategic advice for meeting Europe's key targets and goals. Policy areas that are addressed include *inter alia*: skills, education and employment; innovation and entrepreneurship; European economic governance; climate change and energy; and Europe's digital economy. Inspired by the Europe 2020 strategy, the authors encourage us to pro-actively build and promote growth by bolstering drivers of sustainable economic growth, kick-starting job creation and sustaining a leading edge in innovation in order to ensure a better life for current and future generations.

*http://www.**lisboncouncil**.net/news-a-events/253-new-study-an-action-plan-for-europe-2020.html*

"An Ocean Apart: Comparing Transatlantic Responses to the Financial Crisis"

This edited report examines how policy authorities on both sides of the Atlantic have reacted to the financial crisis. The report argues that the crisis has primarily been a transatlantic one with both the EU and US having taken the lead in setting the agenda for financial reform. However, despite having encountered similar problems – e.g. unemployment, public debt, and negative growth – the US and the EU are not responding in the same way. The report outlines the fundamentally diverse contexts for risk and crisis management between the two shores of the Atlantic. Whereas the US framework was deeply flawed, the EU failed to implement a framework in the first place, having the additional problem of decentralised financial policy-making. The different backgrounds and traditions thus explain the significant divergence across the Atlantic.

*http://www.**bruegel**.org/publications/publication-detail/publication/503-an-ocean-apart-comparing-transatlantic-responses-to-the-financial-crisis/*

"Temporary and circular migration: Opportunities and challenges"

In spite of high levels of unemployment across Europe, labour market shortages persist in a number of sectors and are likely to become more acute in the coming years as Europe's workforce shrinks as a consequence of demographic change. The EPC's Task Force on Temporary and Circular Migration investigated whether temporary and circular migration policies are part of the solution to sustaining Europe's economic and social models in the future. This Working Paper – the culmination of the year-long discussions – makes a number of recommendations to policy-makers who are considering temporary/circular migration policies, presenting both the challenges (e.g. the need to prevent exploitation of migrants and to incentivize return to countries of origin) and the opportunities (e.g. the potential for development in countries of origin).

*http://www.**epc**.eu/pub_details.php?cat_id=1&pub_id=1237*

5 BEPA News

Arrivées

Depuis début mars, et pour les cinq mois à venir, le BEPA accueille deux jeunes diplômées qui effectuent leur stage : Iwona Mertin et Anna Pandoulas.

Evénements

Le 1er mars, le BEPA a représenté la Commission européenne à la cinquième rencontre de la Task Force interinstitutionnelle du projet ESPAS (European Strategy and Policy Analysis System) qui a eu lieu au Parlement européen. Le Groupe de Travail a adopté le calendrier pour l'organisation des conférences régionales et des missions dans les pays tiers sélectionnés dans le cadre du projet.

Le même jour, Margaritis Schinas, chef adjoint du BEPA, s'est adressé aux représentants permanents des Parlements nationaux dans le cadre d'un séminaire organisé par le Secrétariat Général et portant sur la gouvernance économique et sur la mise en œuvre du mécanisme de contrôle de subsidiarité.

Le BEPA a organisé le 9 mars un dîner de rencontre et de discussion entre le Président Barroso et le lauréat du prix Nobel en sciences économiques en 2010, le Professeur Christopher Pissarides. Les Commissaires Vassiliou, Rehn et Andor ont participé au dîner et à l'échange de vues sur le renforcement du marché du travail et sur la crise financière.

Le lendemain, 10 mars, le BEPA a organisé le 20ème Séminaire Jacquemin intitulé "Employment policies in times of crisis: the options" où le Professeur Pissarides a présenté ses recommandations. La présentation du Professeur Pissarides est accessible sur le site du BEPA.

A l'initiative du BEPA, le Président Barroso est intervenu lors de l'événement intitulé "The Europe 2020 Summit: an action plan for the post-crisis world", organisé par The Lisbon Council le 15 mars.

De la même façon, le Président Barroso a participé le 17 mars à la conférence de lancement du programme pilote européen pour l'innovation sociale, organisée par la DG Entreprises en liaison avec le consortium SIX-Louise.

Sur l'invitation de la Fondation sur le Développement Economique (IKV), une délégation du BEPA, présidée par son DG, Jean-Claude Thébault, s'est rendue à Istanbul le 21 et 22 mars pour participer à un échange de points de vue sur la situation politique, économique et sociale en Turquie afin d'envisager une vision européenne prospective pour le pays.

Le 31 mars, le BEPA accueille le *think tank* paneuropéen European Council for Foreign Relations qui présentera sa dernière étude portant sur une évaluation de la performance de la politique étrangère européenne en 2010.

Activités à venir

Le 1er avril, le vice-ministre Lu Zhongyuan du bureau du Premier Ministre chinois Wen Jia Bao présentera le 12ème plan quinquennal chinois dans le cadre d'une réunion avec des représentants des DGs et des Cabinets.

Le BEPA participe les 4 et 5 avril prochains à la quatrième réunion du réseau des instituts gouvernementaux de recherche stratégique et de prospective, à l'invitation du Centre d'études stratégiques (CAS) français. Participeront également des instituts du Royaume-Uni, d'Irlande, de Suède et des Pays-Bas.

Du 5 au 8 avril, le directeur général du BEPA Jean-Claude Thébault se rendra à Brasilia pour des réunions avec des acteurs étatiques importants tels que le bureau du Président, les ministères des Affaires étrangères et des Finances. Il gagnera ensuite Rio de Janeiro pour participer à une table ronde organisée par la Fundação Getúlio Vargas / Instituto Brasileiro de Economia.

Le 12 avril prochain, le BEPA organisera la première réunion du groupe d'experts sur la culture en présence du Président Barroso. Ce groupe aura pour mission de proposer des initiatives et des actions culturelles européennes, visibles et pertinentes, dans le cadre de son mandat.