
An honest broker in difficult times

Austria's Presidency of the European Union

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EXECUTIVE SUMMARY

- On January 1st, 2006, Austria will take over the Presidency of the Council of the European Union from the United Kingdom. It does so at a very difficult moment of European Union history. The rejection of the Constitutional Treaty in the French and Dutch referenda, the still not concluded negotiations on the Financial Framework and the exacerbating differences on the WTO Doha Round put a special strain on this Presidency which cannot linger on routine issues only. Its self-definition as an 'honest broker' rendering a service to the European Union is in jeopardy if it lacks clear and viable strategies for overcoming the problems haunting the Union today.
- The advances for the European Union that can be expected from the Austrian presidency depend, above all, on the pending consensus on the financial perspectives of the EU. If this consensus is reached within the British Presidency, one can expect Austria to deal expertly and meticulously with the abundance of ensuing detailed problems. If the December European Council fails to find an agreement, viable solutions during the Austrian Presidency seem doubtful. A consensus after such a failure cannot easily be envisaged and would probably require a bolder political position of the Presidency. Otherwise, even many of the smaller goals may well be jeopardised.
- On the other hand, Austria does not seem willing to tackle the other big question for the EU for the time being, namely the Constitutional Treaty. While Austria supports the Commission's Plan D and has started a communication initiative for its citizens, it does not aim at developing concrete proposals for the future of the Constitution.
- A third salient issue for the Austrian presidency will be the Commission's report on national implementation of the Lisbon strategy. Austria's main focus in this regard lies in research and innovation policies and educational and employment issues.
- Austria's own priorities are, above all, closer relations between the EU and the Western Balkans that shall be achieved within several policy fields. Another subject emphasised by Austrian officials is the question of subsidiarity and, above all, the role of national parliaments in European integration.
- This paper: outlines the factors and context structuring the Austrian Presidency, offers insights into the domestic context; presents the Austrian positions in the matters aforementioned as well as the on-going topics handed over by the UK Presidency; seeks to provide an evaluation of Austria's standpoints.

CALENDAR OF EVENTS

January	
12-14 January	Informal Ministerial Meeting: Justice and Home Affairs, Vienna
19-21 January	Informal Meeting: Employment and Social Affairs, Villach
26-28 January	Conference "The Sound of Europe", Salzburg
February	
February	High Level conference on inland water transportation
March	
March	High level conference on Lisbon Strategy, Budapest
March	High Level Conference on EU Drug Strategy with Latin America and the Caribbean
2-3 March	Informal Ministerial Meeting: Transport, Bregenz
6-7 March	Informal Ministerial Meeting: Defence, Innsbruck
10-11 March	Informal Ministerial Meeting: Foreign Affairs ("Gymnich" meeting), Salzburg
16-17 March	Informal Ministerial Meeting: Education, Vienna
20-31 March	8 th Meeting of the Conference of the Parties to the Convention on Biological Diversity in Brazil
23-24 March	European Council, Brussels
29-31 March	Informal Ministerial Meeting: Youth, Bad Ischl
April	
7-8 April	ASEM Finance Minister Meeting, Vienna
8-9 April	Informal Ministerial Meeting: Finance (ECOFIN), Vienna
17-19 April	Conference on Subsidiarity, St. Poelten
21-22 April	Informal Ministerial Meeting: Competition, Graz
25-26 April	Informal Ministerial Meeting: Health, Vienna
May	
May	EU-Russia Summit
May	Human Rights Dialogue with China
4-5 May	Inner Security in the framework of the European Neighbourhood Policy, Vienna
11-13 May	Latin America Summit, Vienna
19-21 May	Informal Ministerial Meeting: Environment, Eisenstadt/Rust
28-30 May	Informal Ministerial Meeting: Agriculture, Krems
June	
June	EU-USA Summit
15-16 June	European Council, Brussels

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A DIFFICULT PRESIDENCY TO PLAN

On January 1st, 2006, Austria will take over the Presidency of the Council of the European Union from the United Kingdom. It does so at a very difficult moment of European Union history. The rejection of the Constitutional Treaty in French and Dutch referenda, the still not concluded negotiations on the Financial Framework and the exacerbating differences on the WTO Doha Round put a special strain on this Presidency which cannot linger on routine issues only. Its self-definition as an honest broker rendering a service to the European Union is in jeopardy if it lacks clear and viable strategies for overcoming the problems haunting the Union today.

This paper will (1) outline the factors and context structuring the Austrian Presidency, (2) offer insights into the domestic context structured by past and present conditions, the upcoming national elections in fall 2006 being one important case in point; it will (3) present the Austrian positions in the matters aforementioned as well as on its priorities and the plethora of routine topics handed over by the UK Presidency and it will (4) seek to provide an evaluation of Austria's standpoints as far as they have been exposed in a first official document issued by the Austrian Foreign Ministry as well as in communications released by political actors to media or in interviews with officials conducted by the authors.

Similarly to the UK Presidency, the Austrian Presidency occurs in the wake of the constitutional debacle resulting from the referenda in France and the Netherlands in May and June 2005. The clear "No" which came about in very significant turnouts mirrors deep strands of public contestation of European elites and an important outcome of their decision-making while solutions of this conflict are not at hand. Public discourse on the constitutional crisis operates with terms such as lack of leadership, citizen-elite-divide, euroscepticism, not to speak of "the end of Europe" (Dehousse 2005). The plan D (Democracy, Dialogue, and Debate) is far from having taken off, while the European Parliament's discussions on a report focusing on three viable steps towards renegotiation and ratification of the Constitutional Treaty offer a picture of crucial fissures from within and utter resistance or latent disinterest from outside. The special summit on how to improve the socio-economic perspective of the Union at Hampton Court in October 2005 ended without concrete results, although it was meant to shift public attention from the text of the Constitutional Treaty to its context. It is doubtful whether the Presidency will take up this thread again, while it plans an important conference on subsidiarity during springtime. The latter is, of course, a relevant constitutional issue but only one among many others. At the time of writing, no comprehensive approach to the constitutional crisis had been announced by the Austrian Presidency.

However, what officials responsible for the Presidency seem to fear most is to be passed on the 2007-2013 Financial Framework 2007-2013. A number of commentators, though, predict precisely this outcome, in particular since the British Premier Minister Tony Blair could not convince the majority in the House of Commons about an important legal act regulating imprisonment of suspected terrorists. The UK already declining the so-called "Luxembourg

compromise" on the mechanism for calculating the budgetary corrections relevant for its famous rebate, will most certainly not become a more resilient negotiator once its Presidency has come to an end. For the time being, the Presidency has not come up with a viable scenario for how to get over an possible impasse. Therefore, a prolongation of the provisional financial framework postponing the difficult matter to subsequent presidencies may also become a plausible option.

As to the WTO negotiations in Hong Kong in December 2005, it is difficult to assess their impact on the Austrian Presidency. They will probably be only partly successful, in particular if we take into consideration that Austria holds a rather conservative position with regard to further liberalisation in a number of policy fields.

These recent and forthcoming developments impede concrete planning in a number of crucial policy fields and force preparations for the Presidency to develop different scenarios instead of fixed schedules. Thus, an assessment or even pre-assessment of the possible outcomes of the Presidency is also difficult. This is especially unfortunate as, for the first time in the history of Council presidencies, a strategic three year programme had been developed by the six presidencies from 2004 to 2006. However, the failure of the Constitutional Treaty has made many parts of this paper obsolete.

There are, on the other hand, some fixed points for the Austrian programme that are of high impact for the future of the EU, above all the assessment of the economic development of the Member States as outlined in the Lisbon process. At the summit in March 2006, the national reform programmes of the Member States will be discussed and decisions on six working papers of the European Commission will have to be taken during the Austrian Presidency (R&D, energy, migration and fight against illegal immigration, organised crime, demographic ageing, and CFSP institutions)

Furthermore, Austria also aims to set its own focal points, the rapprochement of the Balkans being of particular importance. Subsidiarity is another subject that ranks high on the Austrian priority list and will be the subject of a conference in April. In addition, there are specific Austrian interests at stake in some of the matters to be dealt with in the first half of 2006. With regard to WTO negotiations, Austria is adamant in keeping exemptions of free trade agreements for broadcasting - perceived as a cultural good - and for public services such as education, health care, water supply and public transport. Furthermore, Austria is sceptical towards radical cuts of subsidies for agriculture. As a matter of fact, the Austrian Minister for Agriculture was one of the 13 European farm ministers requiring consultations with the EU trade negotiators before the Doha round. Similarly, the Austrian Chancellor Wolfgang Schüssel has recently called for the withdrawal of the Directive on Services, known as the Bolkestein directive. With regard to budgetary developments, Austria has voiced its scepticism towards the currently discussed "Globalisation Adjustment Fund", doubting the usefulness of such an instrument. Finally, in September 2005, Austria blocked for some time an agreement on the accession of Turkey calling for an alternative to full accession while, at the same time, supporting the beginning of accession negotiations with Croatia. Negotiations with both countries will start during the Presidency. For the time being however, Austria seems to be

satisfied with the current state of affairs and will, therefore, not have an individual position to defend with regard to this matter (cf. Schüssel 2005).

The role of specific Austrian interests could be exacerbated by the national elections in fall 2006. The decline of the coalition partner of the governing conservative Austrian People's Party (ÖVP) enhances the probability that the Presidency will become a subject of national campaigning. Internal Austrian politics could enhance the phenomenon stressed by Hayes-Renshaw and Wallace (1997, 135) that EU presidencies increasingly become a "public spectacle" at home.

Overall, the Austrian Presidency is expected to deal with matters of utmost importance for the EU that, however, are not probable candidates for spectacular breakthroughs. Add to the situation the pressure on the government to sell the Presidency as part of a successful programme, it is easy to understand how difficult the starting position of the Austrian Presidency is.

I - THE CONTEXT: A HISTORY OF AMBIVALENCE

1.1. AUSTRIA IN THE EUROPEAN UNION

1.1.1 AUSTRIA'S ACCESSION TO THE EUROPEAN UNION

Austria joined the European Union in 1995. This date can be seen as the final point of a long and ambiguous history of rapprochements and alienations. During the 1950s and early 1960s, Austria made several vain attempts to strengthen relationships to the EEC or to even join it – as part of EFTA, together with Sweden and Switzerland, and, finally, on its own. The main reason for these failures was the status of permanent neutrality adopted in 1955 as a condition for regaining sovereignty. The Soviet Union - which had required Austrian neutrality - was also the main opponent of the integration of Austria into the EEC; at the same time, several Member States at the time of the EEC and, above all, France were highly critical against including neutral states (cf. Mokre 2004).

While neutrality was seen as an obstacle to Austrian integration in Western Europe in the 1950s and 1960s, this perception changed during the 1970s. Austria started in this decade to open its economy while maintaining high levels of protectionism, thus reaching (at least for some time) living standards above the EEC level and international recognition. At the same time, the concept of neutrality was re-formulated by Bruno Kreisky as a policy of “active neutrality” in which Austria conceived its role as a mediator in international conflicts (cf. Angerer 2002). During this period, Austria was able to use its status as a small, neutral state to gain an internationally respected position. Due to memories relating to these times, neutrality still plays an important role for identity concepts of Austrian citizens.

The costs of the Austrian welfare model led to increasing critique in the 1980s. At the same time, the envisaged completion of the Common Market made national economic policies outside the EEC difficult. Moreover, the demise of the Soviet Empire opened a new window of opportunity for reconsidering neutrality. Therefore, full EC membership was demanded by the Federation of Austrian Industrialists in 1987. The then smaller coalition partner, ÖVP, followed suit, and, finally, in 1989, the governing Social Democrats also voted for application which was lodged in the same year (cf. Pollak/Puntscher Riekmann 2003).

However, party campaigns during the process of accession focused nearly exclusively on the expected advantages of EU membership and did neither deal with problems for the status of neutrality nor with the danger of new social cleavages. The high rates of approval for accession shown in the 1994 obligatory referendum (66,6% votes in favour of accession) can be explained by this consensus of the main part of Austrian political elites in “selling” membership to the population. But, at the same time, the rising Euro-Scepticism of Austrian citizens as described below could be interpreted as a result of frustrated expectations.

1.1.2 THE 1998 PRESIDENCY

Austria held its first Presidency of the European Union in spring 1998. The assessment of this first Presidency has been mixed (cf. Hoell/Pollak/Puntscher Riekmann 2003, 348-349). The Presidency was perfectly managed, public events were well staged, and, above all, the Europeanisation of Austrian administration was seen as important outcome. As to the political achievements of the Presidency, a more sceptical judgement seems appropriate. The list of objectives includes such a variety of topics - ranging from the creation of jobs to the protection of environment - that none could hardly qualify as a priority. Consequently, many of the projects did not result in concrete policies or actions. Above all, the government's position on EU enlargement showed considerable ambivalence as a special commitment was made in public and seemed to be contradicted in action. This ambivalence can probably be explained by the then growing influence of the Radical Right in Austria vehemently opposing enlargement. Thus, one can conclude that the first Austrian Presidency was technically faultless while to achieve its own goal of leading the Union to greater 'fitness', particularly in view of the upcoming enlargement. In the eyes of Austrian public opinion, however, the Presidency was a success, as approval of Austrian membership rose from 31% in 1997 to 38% in 1998¹, provided that such a cause-effect-relation is at all plausible. Such support has deteriorated since, one reason being the "sanctions" against the Austrian government in 2000. This episode presumably still shapes the current Austrian context, although it is difficult to assess to what degree.

1.1.3 "THE SANCTIONS"

The national elections of October 1999 brought about a deep change of the Austrian political system, as they upset the traditional balance of power between the Social Democrats (SPÖ) and the Austrian People's Party (ÖVP). Both parties experienced heavy losses while the Freedom Party (FPÖ) under its apparently charismatic chairman Jörg Haider gained 5% since the previous national elections in 1995, thus reaching the second position with almost 27% of votes cast. The Social Democrats still held a relative majority of 33.2%, while the People's Party with 26.9% was displaced, if only by little, to the third position. The formation of a coalition government between the conservative People's Party and the Freedom Party in February 2000 marked the end of an Austrian era. Except for four years between 1966 and 1970, the Social Democrats had been part of every Austrian government since World War II. Furthermore, the acceptance of the "New Radical Right Party" FPÖ (cf. Kitschelt 1996) as a partner in government broke a taboo not only in Austria but for all EU Member States (cf. Gehler 2002, Karlhofer/Sickinger 2001). The first so-called small coalition between the Social Democratic Party and the FPÖ in 1983 was terminated by the former in 1986 precisely because Jörg Haider had taken over the helm of the party.

¹ Eurobarometer: Generally speaking, do you think that Austria's membership of the European Community is a good thing?

The Austrian government formation led to diplomatic measures of the fourteen other Member States against the government (called “the EU sanctions” by the government). **Austrian citizens were bewildered and angered by what was widely understood as an illegitimate meddling with internal Austrian affairs.** While this interpretation may be doubted, it soon became obvious that the “sanctions” were ill-considered as their consequences were not at all clear. The solution of the EU-14 was to appoint a delegation of three “Wise Men” investigating possible infringements of European values. The ensuing report led to the end of the diplomatic measures, but this hardly convinced the Austrian public. Thus, up to now the “sanctions” have repeatedly been exploited in political campaigns (e.g. during the EP election campaign, the FPÖ defamed the candidate of the SPÖ as “traitor”, referring to his behaviour during the sanctions) (Puntscher Riekmann/Picker 2005, 39). While reliable data on their impact on Austrian attitudes with regard to the Union are difficult to obtain, other empirical studies point to **a more general alienation fuelled by Council and EP decisions or ECJ rulings such as transit regulations or, more recently, concerning the access of EU students to Austrian universities.** Such decisions are exploited by the yellow press qualifying them as utterly anti-Austrian. The highly influential tabloid *Kronenzeitung* has also hailed the French and Dutch rejection of the Constitutional Treaty. The scepticism of Austrian citizens towards the EU could explain the Austrian government’s intention to play a modest role during its Presidency.

1.1.4 THE GOVERNMENT’S POSITIONS ON THE CONSTITUTIONALISATION OF THE EU²

Since the Inter-Governmental Conference (IGC) of Nice, Austria has been in favour of the process of European constitutionalisation in order to enhance the legitimacy of the EU as well as of the Convention model as it hoped that national positions would be represented less egotistically in a more transparent forum than in an IGC. With regard to specific policies, Austria advocated the strengthening of the Common Foreign and Security Policy (CFSP), the creation of a European Foreign Minister as well as possibilities for qualified majority decisions in the field of foreign affairs. This **commitment to a European perspective on external relations** is interesting given the neutral status of Austria. The Austrian support for CFSP can be understood as a means to circumvent a national debate of the still controversial issue of neutrality by tackling these questions at the European level. The official Austrian position on this matter is that the status of neutrality is upheld in Austrian relations to countries outside the EU while it is replaced by the notion of solidarity with regard to internal EU relations.

The Austrian government also held that the Euro states should build a unified voting group in the International Monetary Fund, whereas the EU should be represented by a single representative and stand for a joint position in the G-7/8 meetings as well as in the Security Council of the UN. Better co-ordination was also called for in matters of development aid and external trade. Austria supported the proposal of a rapid response force and a common

² Cf.: Puntscher Riekmann et.al. 2003, 119-152

defence policy of the EU and was in favour of strengthened co-operation in the field of armament.

At the same time though, **Austria, being a federal state, has frequently argued for upholding and further developing the principle of subsidiarity**, the claim for more influence of national parliaments being an important point in case. Furthermore, the Austrian government representative in the Convention and his deputy made a contribution to the Convention with the title “Regions and Municipalities – A Fundament in European Architecture” (Farnleiter/Tusek 2003) aimed at committing the Union to respect the division of competences between central state and regions in Member States.

An important issue in the negotiations of the Constitutional Treaty was the number of Commissioners. **In early April 2003 during a summit in Luxembourg the seven “small” EU-countries (Benelux, Finland, Portugal, Austria and Ireland) confirmed that the Commission should be composed of one representative per country up to 27 Member States, after which this number could be reduced, as the Treaty of Nice provides, albeit respecting the principle of equality between Member States.**

1.1.5 AUSTRIA IN THE 2004 EUROPEAN PARLIAMENT ELECTIONS

Austria joined the European Union in 1995. Therefore, in 2004 the elections to the European Parliament (EP) were held in Austria for the third time. Due to enlargement in May 2004, the number of Austrian MEPs fell from 21 to 18. Six parties ran in these elections, five of which gained seats. To a certain degree, results offered a different picture compared to the elections in 1996 and 1999 with regard to turnout and distribution of votes among parties. The **steady decline in turnout** from 67.7% in 1996, to 49.4% in 1999 down to 42.4% in 2004 was an interesting phenomenon. Another one can be seen in the dramatic losses of the formerly euro-sceptic Freedom Party (FPÖ)³ as well as in the **emergence of a new party campaigning on the single issue of alleged expense account riding among MEPs**. Although in line with the general European trend, the low turnout in European elections contrasted with turnouts in national elections. Moreover, while utter Euroscepticism was no longer an issue in these elections, abstention and protest voting call for explanations going beyond European trends (cf. Puntischer Riekman/Picker 2005, Mokre/Pausch 2005).

³ This marginalisation is part of a bigger trend: The FPÖe lost all recent elections, except for the regional elections in Carinthia in March 2004.

Table 1. Results EP elections in Austria (1999, 2004), in percent

	Result 1999	Result 2004
SPOE	31,71	33,33
OEVP	30,67	32,70
FPOE	23,40	6,31
Die GRUENEN	9,29	12,89
Liste Hans-Peter Martin	--	13,98
Other parties	4,93	0,78
Turn-out	49,40	42,43

Source: BMI (Austrian Ministry for the Interior)

1.1.6 CURRENT SITUATION

Since the accession of Austria in 1995, **Eurobarometer data have shown public support for EU membership oscillating between 27 % (1996) and 44 % (2001)**. In the newest Eurobarometer of September 2005, 37% of Austrians see Austrian EU membership as “a good thing” (minus 9% since May 2005), which constitutes the second-weakest level of support after the British public. In general, and except for the period after the first Presidency, support for European integration in Austria has considerably declined since accession. This can be explained at least partly by the history of Austrian membership of the EU. In the past few years, unemployment has risen significantly, but so have employment rates⁴, while growth perspectives are unsatisfying as in many other Member States of the Euro-zone.

After the accession, political parties hardly made any effort to explain the complex set-up and the multi-level policy processes of the EU. Governments of all colours tend to scapegoat Brussels for unpopular decisions, thus masking their own role in the decision-making process. Although this is a general tendency of Member States' executives, it contributes to euro-scepticism in Austria as well. The “sanctions” against the Austrian government after the change of government in 2000 were largely perceived as measures against the whole country and enhanced Austrian euro-scepticism as well as the feeling of powerlessness as a small state (Puntscher Riekmann / Picker 2004). The modification of Article 7 in the Treaty of Nice regulating such measures by the Union against its members more appropriately did little to overcome this feeling, if it was recognised at all. Controversies about transit questions and nuclear power in neighbouring countries as well as the issue of the so-called Benes Decrees expropriating and expelling the German and Hungarian speaking minorities in former Czechoslovakia after WWII and still in vigour at the time of accession negotiations by the Czech Republic also contributed to Austrian mistrust against the European Union. The fact that

⁴ The employment rate is defined as the number of persons aged 15-64 in employment as a share of the total population of the same age group. “Unemployed” people are defined as people without work, available for employment and actively seeking employment.

the Benes Decrees were not considered by negotiators as a stumbling block in the light of the Copenhagen criteria was indeed ill-received by Austrian citizens who felt that the “sanctions” were all the more illegitimate.

After the referenda in France and the Netherlands, the EU Constitution became a new issue of dispute in Austria in spite of previous parliamentary ratification. All parties with the exception of the governing ÖVP (but including the smaller coalition partner) demanded changes to the EU Constitution, some asking for an Austrian referendum. Other issues brought up in these debates were the preservation of Austria’s neutrality, greater citizen participation in EU decision-making and, most importantly, a freeze on Austria’s annual contribution to the EU budget. The Social Democrats – in opposition – insisted most on this last point. Many government officials are urging EU consolidation, calling for a redefinition of EU priorities and policy-making mechanisms, as well as reducing the speed of future enlargement. The Austrian claim for an alternative to the full membership of Turkey is illustrative of this new scepticism towards enlargement, although Austria has strongly supported the start of negotiations with Croatia (cf. Eurobarometer 63.4, 2005, Austria).

Domestically, the fall 2006 general election will most certainly shape the Austrian Presidency. At the time of writing, the governing parties ÖVP and “Buendnis Zukunft Österreich” (BZÖ) were in a rather difficult position, a change of government becoming ever more likely due to losses in regional elections suffered by both parties. The leading government partner, ÖVP, lost more than 8% percent of its voters in recent regional elections in Styria, one of its traditional strongholds now governed by the Social Democrats.

The junior partner in the incumbent coalition split into two parties, FPÖ and BZÖ. In recent regional elections, the BZÖ only reached 2% of the votes or less, whereas the FPÖ invoking radical xenophobic sentiments did rather well - against all odds - in the October 2005 election in Vienna, reaching almost 16%. Jörg Haider, who had urged the split, witnesses a sharp decline. Meanwhile, a new shooting star heading the old FPÖ and demonstrating similar xenophobia is on the rise. It is unclear however as of now whether the FPÖ’s relative success in the Vienna election may be exported to other regions or to the national level in the future. In mid-November, far right and populist parties from a series of EU countries met in Vienna in order to discuss plans to create an autonomous political group at the European Parliament. Cooperation and information exchange will be organised by a permanent office in Vienna.

The relationship between Austria and the EU has been characterised by ambivalence since the beginning of the European project (cf. Pollak/Puntscher Riekmann 2002). More recent developments described in this chapter seem to support this assessment also for the present. In spite of its hitherto positive attitude towards the Constitutionalisation of the EU, the Presidency does not aim to make this issue a focal point of its programme. In this context, it could be of interest that the Austrian government inspired by the European convention called for a national convention in 2003. This was meant to overhaul the Austrian constitution considered to be in need for adaptations to change internal and external conditions. However, the Union hardly played any role in that forum. In particular, the goal of a sound reform of

national federalism with eventual implications for the principle of subsidiarity ended in mere talk (Pollak/Slominski 2005).

As it already had in its first Presidency in 1998, Austria understands the Presidency as a service provided by Austria to the EU. In this perspective, Austria sees itself mainly as an honest broker. **In recent public speeches regarding the Presidency, Federal Chancellor Wolfgang Schüssel emphasised the notion of “common sense”** (Schüssel 2005a). However, as in the past, the Presidency may again be characterised by ambivalence due to the domestic context: in the light of its critical situation, **the Austrian government might tend to exploit the Presidency for the upcoming general elections** in the vein described by Hayes-Renshaw/Wallace (1997). **At the same time, it may downplay its importance in view of a eurosceptic public at home and the black-mailing of its junior partner BZÖ as well as of the FPÖ.**

1.2. THE EUROPEAN UNION AT A CROSSROADS

One and a half year after the largest enlargement in the history of the European Union and a few months after its most ambitious constitutionalisation process came to a sudden halt, the process of EU integration faces a considerable challenge. The difficulties in finding a compromise on the Community's multi-annual budget added to the Union's damaged image.

The failed referenda on the Constitutional Treaty in France and in the Netherlands induced a so-called “reflection phase” on the constitutionalisation of the Union. Political elites in Europe were forced to acknowledge that the project of deepening political unification and of enlarging to 25 Member States in 2004 had provoked uncertainties and discontent among European citizens.

The start of new accession negotiations with Croatia and Turkey in October 2005 and the prospect of applications for membership from other Balkan states as well as the Ukraine intensified the debate on the limits of enlargement and on efficient governance in a Union of more than 30 Member States. National publics seem to perceive enlargement increasingly out of control, which is an important source of growing euro-scepticism, further fuelled by euro-sceptic national parties. Political elites (also in Austria) have therefore, once again, started to imagine alternatives to full EU membership for candidate countries, including privileged or association partnerships.

1.2.1 THE CONSTITUTIONAL DEADLOCK

In the field of constitutional development, the Spring European Council in June will officially take stock of potential further developments. Several recommendations are on the table.

The *Commission* is doubtful about the ratification of the Constitutional Treaty in the near future and argues against a piecemeal implementation of the agreed text. It avoided a more concrete action plan on possible re-negotiation or review of the Constitutional Treaty. Instead it has launched its *Plan-D* (“Democracy, Dialogue and Debate”) communication strategy which aims at opening a broad and intensified debate on European policies (Commission 2005). As an

outcome of the debate a new consensus on the value added by the EU should become visible to European citizens.

The European Parliament is divided in its assessment and potential cures for the current constitutional crisis. One proposal was presented by Andrew Duff MEP and Johannes Voggenhuber MEP in a report to the constitutional committee (Duff/Voggenhuber 2005). Their paper proposes to reconsider the Constitutional Treaty within a broad discussion including national and regional parliaments, political parties, civil society, social partners and academia as well as the EU institutions. According to Duff and Voggenhuber, “parliamentary forums” including members of the EP and national parliaments should be held. The first of these forums could take place in spring 2006 to allow members of the French and Dutch parliaments to explain the negative result of their referendums. This would enable the forum to make detailed recommendations to the European Council in June, which will be held under the Presidency of Austria, on ways of breaking the deadlock.

For the time being, however, it seems rather improbable that the suggestions of the rapporteurs will be accepted by the European Parliament. In the Constitutional Committee of the EP, the report was criticised for deciding in advance what the outcome of the reflection should be. As of November 2005, well over 200 amendments relating to the report have been presented.

In November 2005, the *European Economic and Social Committee* (EESC) called upon the institutions of the Union and its Member States to be prepared for the implementation of the Constitutional Treaty’s provisions on the democratic life of the Union. The EESC criticised the broad debate requested by the European Council as being largely absent at the level of the Member States and called upon the future Austrian and Finnish Presidencies to take up the Wicklow Initiative once again, comprising informal meetings of the European Ministers for Foreign Affairs, with a view to discussing issues and challenges in the field of communication.

To date the Council has remained silent on its own strategies to revitalise the constitutional process. The informal summit convened by the British Presidency at Hampton Court Palace at the end of October 2005 only led to a general consensus on broad (mostly economic) orientations of the Union but did not touch upon the constitutional debate. Thus, on the occasion of the first stock-taking by the European Council in June under the Austrian Presidency, Member States will have to find a common position on the future of the Constitutional Treaty. The Austrian government is likely however to keep the constitutional debate in the background, as the British presidency did. **For Federal Chancellor Wolfgang Schüssel, the main question for the June Council is how to trigger a broader debate on the Constitutional Treaty** (Schüssel 2005c) **in order to “maybe revive the Constitution at a later time”** (Schüssel 2005). Concrete proposals on the future of the Constitution that could give momentum to the debate have not been announced.

II - THE PRESIDENCY

As most presidencies, Austria will deal with an enormous amount of routine matters calling for considerable organisational efforts. The **main topics** that are expected to dominate the Austrian Presidency are :

- The creation of jobs and economic growth
- Protecting the European life model
- Strengthening confidence in the project "Europe"
- Supporting the EU's foreign policy in its role as a partner in the world.

More specifically **the tasks awaiting the Austrian Presidency include:**

- The debate on the future of the EU
- The financial framework for the period 2007 - 2013
- Enlargement.

Austria's specific focus will lie on the rapprochement of the countries of the Western Balkans with Europe.

Inter alia, **key events will include:**

- Five summits with third countries (Russia, Canada, USA, Japan, Latin America & the Carribean)
- Two European Councils
- 42 meetings of the political and security committee
- 39 COREPER meetings
- 12 informal minister conferences
- 32-33 Council meetings

More detailed information of the government's plans is expected to be presented in mid-December 2005. The present study relies on a preliminary report on the Austrian Presidency, official statements of government representatives in the media, interviews with

leading civil servants and official EU documentation, such as the Council's Multi-annual Strategic Programme and the draft Operational Programme of the Council for 2006.⁵

On the administrative and organisational level, preparations are concentrated at the Ministry of Foreign Affairs. New structures were superimposed on organisational units in the Austrian ministries and the Federal Chancellery traditionally working on European Union affairs. **The Presidency team is formed by Secretary of State for Foreign Affairs Hans Winkler, formerly Austrian representative in the Council of Europe and former MEP Daniela Raschhofer.** Preparatory work of the different ministries is coordinated by a special EU-coordination unit located in the Ministry of Foreign Affairs. An important guiding function is attributed to the permanent representation office in Brussels.

In the following, we have summarised the tasks for the Austrian Presidency in three chapters: *Sectoral issues, Austrian priorities, and on-going matters.*

2.1 SECTORAL ISSUES

2.1.1 FINANCIAL PERSPECTIVE

The tasks awaiting the Austrian Presidency by the time it takes over the Council Presidency from the UK are highly dependent on whether or not the Member States have yet agreed on a financial framework covering the period 2007-2013. The prospect of a budgetary deal during the British Presidency is all the more unlikely following the recent defeat of Tony Blair in the House of Commons on a draft law on counter-terrorism weakening his internal position. A political compromise on the financial perspective must involve a number of concessions on the British rebate. Out of a weakened position at home, the Prime Minister might have serious problems to explain to his national public an increase in British net contributions to the EU. Furthermore, there were still a series of other points on which no agreement has been reached at a Council meeting taking place only one month before the December summit, including in particular:

- The Globalisation Adjustment Fund, supported by the UK, Portugal, Poland, Luxembourg and Spain but opposed by Germany, Sweden, and the Czech Republic.
- Within the CAP, an increase in transfer of financial means from direct aids for agriculture to rural development, opposed above all by France, Ireland, and Belgium.
- Regarding the modernisation of the budget, several countries do not want any policy review at least before 2014.

⁵ See Bundesministerium fuer auswaertige Angelegenheiten (2005), Die oesterreichische EU-Praesidentschaft 2006, 19 October 2005; Council of the European Union (2003), Multi-annual Strategic Programme of the Council, 2004-2006, prepared by the six presidencies – Ireland, Netherlands, Luxembourg, United Kingdom, Austria, Finland, 8 December 2003, 15896/03; Council of the European Union (2005a), Operational Programme of the Council for 2006 submitted by the incoming Austrian and Finnish Presidencies, 29 July 2005.

At this stage, the Presidency must be prepared to take over the most challenging task of negotiating a financial compromise between 25 Member States. However, the Austrian government is reluctant to expose its mediating qualities in the financial area. In fact, it definitely hopes that the outgoing British Presidency will succeed in achieving at least a political compromise on the financial framework in December 2005.

In general, the Austrian approach to the EU budgetary policy is characterised by austerity and efficiency. Austria is one of the net-paying countries that signed the “letter of the six” demanding a reduction of the EU budget to 1% of the Community’s GDP even before the Commission had issued its proposal on the new financial framework in December 2003. The compromise presented by the Luxembourg Presidency in June came close to this overall limit by setting a ceiling at 1.06% of the Member States’ GDP. Austria was among the 22 countries that were ready to approve the Luxembourg “negotiating box” on the financial package and thereby showed certain flexibility. This consent was rather easily as Austrian national policy priorities (rural development, Trans European Networks, cross-border cooperation and research and development) were sufficiently taken into account. These budget categories are the most important fund resources for Austria.

Depending on the outcome of the December European Council on the budget, the Presidency will face two scenarios:

1. The most challenging task awaits Austria if Great Britain fails to achieve a compromise on the 2007-2013 financial perspective. The Austrian government heavily supports the UK in avoiding this scenario for the time being (cf. Schüssel 2005). However, a failure cannot be ruled out considering the still unresolved and hardened positions, particularly of the UK, France, Germany and the Netherlands. The Spring European Council, traditionally dedicated to discussions on economic reforms and the Lisbon strategy would then have to focus instead on the new financial framework. It is most likely that the Austrian proposal will not depart significantly from the final Luxembourg compromise. Official statements put pressure on the main opponents in the budgetary debate to reconcile their differences in the light of enlargement.

The Austrian position on the UK rebate and agricultural reform is characterised by the general endeavour to save money. On several occasions in 2005, Chancellor Schüssel criticised the perpetuation of the rebate for the UK and pleaded for more collective responsibility in view of the Community’s enlargement. In an interview in March 2005 he said that due to the recent and future enlargement, certain preferential treatments were no longer justified. (cf. Schüssel 2005b). However, on the agricultural budget is less strict. Generally, it supports upper limits for income subsidies and the reorientation of agricultural funds versus development of rural areas.

Apart from its efforts in initiating a fruitful debate leading to a final compromise, the Austrian government seems to recede to a purely mediating position refusing to take over full responsibility for success or failure of budgetary talks.

2. Alternatively, if the British Presidency achieves a political compromise during the December European Council, the incoming Presidency will have to finalise the technical details of the budgetary deal during the first months of 2006 (January to March). First and foremost, this means that a new Interinstitutional Agreement on the financial framework will have to be negotiated between the Council, the Commission and the Parliament. These negotiations are expected to be particularly challenging due to parliamentary demands. Austria will need to demonstrate great sensitivity and technical know-how in leading the interinstitutional negotiations to success. The so-called *trialogues* on the financial perspectives are regularly held between the Presidents of the three institutions. The Council President has the difficult task of sticking to the political agreement reached at the intergovernmental level while remaining as close as possible to the positions of the Commission and the EP in order to guarantee the respect of the multi-annual framework's ceilings in the annual budgets.

Most arduous debates with the European Parliament are expected on the amounts dedicated to cohesion for growth and development (section I.b.) and the Common Foreign and Security Policy (CFSP, section IV). Relations to the EP figure prominently in the Austrian report on the Council Presidency, and intensified cooperation has been announced in official statements. Foreign Minister Ursula Plassnik in particular issued a statement to that effect before the Austrian Parliament (20 October 2005).

In contrast to previous interinstitutional negotiations, when the Commission mainly acted as mediator or sided with the Council, there are several reasons for the Commission to support the EP this time round. The “negotiating box” presented by the Luxembourg Presidency which is likely to be the final outcome of negotiations at the level of the Member States departs significantly from the Commission's proposal in terms of both overall amounts and policy priorities. The interinstitutional negotiations offer the opportunity to reintroduce some of the Commission's agenda. On the other hand the Commission's work is subject to the EP's approval and control.⁶ Neglecting parliamentary positions would be unwise as the Commission endeavours to establish a powerful policy coalition with the EP in areas supposed to promote European integration (Judge/Earnshaw, 2002, 348).

The attitude of the Austrian Presidency toward the Commission can be described as cooperative and target-oriented. Preliminary deliberations with the Commission on legislative tasks, including budgetary issues have already taken place during the preparation phase of the Presidency.

⁶ On the occasion of the installation of the new Commission in 2004 the Parliament enforced the retreat of two designated Commissioners.

Against this backdrop and taking into account the general wish common to all negotiating parties to adopt the legislative base necessary for the implementation of the budget appropriations in time, **the prospects for finalising the technical details of the political compromise are promising if the political groundwork for them has been laid by the British Presidency.**

WATCH FOR:

- ➔ Tasks for the Austrian presidency depend on the outcome of the December summit in London.
- ➔ If no political compromise is reached by the UK presidency, Austria will probably see its role as that of a mediator refusing to take over full responsibility for success or failure of budgetary talks.
- ➔ The Austrian proposal will probably not depart significantly from the final Luxembourg compromise.
- ➔ If the British Presidency achieves a political compromise during the European Council in December, the Austrian Presidency will have to finalise the technical details of the budgetary deal during the first months of 2006 (January to March).
- ➔ A new Interinstitutional Agreement on the financial framework will have to be negotiated between the Council, the Commission and the Parliament.
- ➔ These negotiations are expected to be particularly challenging due to parliamentary demands.

2.1.2 THE CONSTITUTIONAL TREATY AND THE DEBATE ON THE FUTURE OF THE EU

While the Strategic Programme of the six presidencies of the European Union from 2004 to 2006 expected the Constitutional Treaty to be ratified by the end of 2005, the negative result in the French and Dutch referenda changed the perspective completely. In its meeting in June 2005, the European Council stated that “we do not feel that the date initially planned for a report on ratification of the Treaty, 1 November 2006, is still tenable, since those countries which have not yet ratified the Treaty will be unable to furnish a clear reply before mid 2007.”⁷ A period of reflection will now take place in all Member States, which results will be examined during the Presidency.

While the Austrian Presidency seems willing to take up general communication initiatives on the values, aims, and achievements of the European Union as proposed by the Commission, it does not apparently aim at concretely furthering the issue of the Constitutional Treaty either. It does not therefore expect any concrete progress on this question.⁸ Austria has started a communication campaign for Austrian citizens based upon the website www.zukunfteuropa.at, combined with a series of TV advertisements on the advantages of the European Union and a “Europe Roadshow” touring the Austrian provinces. It has also announced its intention of following Britain’s focus on “better regulation”. Already in December, a wide-ranging debate on

⁷ http://www.europa.eu.int/constitution/referendum_en.htm, 2005-11-11

⁸ In contrast to this cautious position, the newly formed German government coalition has stated its intention to give the process of constitutionalisation fresh impetus during its Presidency 2007 (Agence Europe, 2005-11-16)

Europe organised by the European Parliament will take place in Vienna. Furthermore, the Austrian Chancellor has announced a conference on European identity and European values under the title “The Sound of Europe”. This will be held in Salzburg on 27 January 2006, on the 250th anniversary of Mozart’s birthday.

WATCH FOR:

- ➡ A communication campaign for Austrian citizens
- ➡ Continuing the British focus on “better regulation”
- ➡ International conference “The Sound of Europe” - 27 January 2006, Salzburg

2.1.3 LISBON STRATEGY

The strategic goals of the Lisbon strategy are economic growth, more and better jobs and social cohesion in the EU. The EU has limited competences in the relevant policy fields, such as education, employment, and social policy. Political action in these areas has to be coordinated mainly at the intergovernmental level. The political instrument used for implementation of the Lisbon strategy is the “Open Method of Coordination”: Member States agree on guidelines and recommendations on various subjects such as innovation, entrepreneurship, research, environment, education and knowledge, and better regulation. The Member States have to elaborate national concepts aimed at meeting these broad objectives. The coordination and screening process of national action plans is then prepared and supervised by the Commission and the Member States. Decisions are taken exclusively by the Member States.

In June 2005, the Council agreed on new “integrative guidelines” in the area of economic and employment policies in order to boost the yet meagre results in meeting the strategy’s objectives. On the basis of these guidelines the Member States were due to present national reform plans by October 2005. The Commission will now evaluate them and report to the Council. **The Spring European Council in March 2006 will be dominated by the EU’s employment and social policy in the context of the Lisbon strategy with debates discussing the Commission’s reports on the national programmes.** The Council may revise current guidelines or adopt new ones.

The Heads of State and Government agreed at the informal summit at Hampton Court Palace at the end of October 2005 that work proposals in six areas should be discussed and approved during the first semester. These areas include

- Research and development
- Energy
- Migration and fight against illegal immigration
- Organised crime
- Demographic change
- CFSP institutions

Official statements emphasise the Austrian focus on implementation (cf. Schüssel 2005). The government's main interest lies in research and innovation policies, and educational and employment issues. Austria had in fact proposed as early as June 2005 that the Commission, in co-operation with the European Investment Bank, should make available 10 million additional euros for future-oriented research and development projects.⁹

Shortly before the spring summit, **a high-level conference on the Lisbon Strategy will take place in Budapest (March) discussing a synthesis report drawn up jointly by the national economic and social councils, NGOs and civil society**. Austria has invited the European Economic and Social Committee (EESC) to draw up an exploratory opinion on the subject "Towards the European Knowledge-based Society – The Contribution of Organised Civil Society to the Lisbon Strategy" that will also be part of the Budapest conference.

Special emphasis will be placed on the **coordination of national social security systems and mobility of pensions, with a view to the "year of the mobility of workers" 2006**. In the wake of the Finnish Presidency, Austria also seems keen to prepare the **streamlining of the Member States' social security systems**. While in general supporting strengthened coordination efforts at the European level, social protection issues will be kept at the margins of the more target-oriented Lisbon process. Social Ministers will meet for **an informal ministerial meeting in Villach to discuss social protection issues** (19-21 January). An **expert conference on "Demographic challenges – Family needs partnership"** is likely to promote further multi-lateral discussions on demographic change and its effects on society and family. Also in the context of the Lisbon strategy, **a ministerial meeting involving young Europeans from all Member States will take place in Bad Ischl** (29-31 March) and discuss the "European Youth Pact" encompassing particularly the fields of employment, social cohesion, education, training, mobility as well as the conciliation of family and professional life. The conference will emphasise the fight against youth unemployment, the conciliation of professional and family life, and the recognition of formal and non-formal education.

The Austrian government follows a clearly restrictive line on the issue of transition periods for the mobility of workers from new Member States. The Commission will present an evaluation of how the transition agreements included in the accession treaties are functioning in early 2006. Member States will have to notify the Commission whether they wish to extend the transition arrangements for another three years. For Austria, this will lead to a prolongation of the two-year transition to five years.

Further important legislative issues in this area include the **finalisation of the negotiations on the working time directive** and the **start of discussions on prospective Commission proposals on health and safety at work**. With regard to taxation issues, the **simplification**

⁹ Cf. http://www.bmaa.gv.at/view.php3?f_id=9603&LNG=de&version=, 2005-11-20

of VAT procedures for companies with cross-border activities has been initiated by the British Presidency and will also be a priority for Austria.

WATCH FOR:

- New “integrative guidelines” at the March European Council
- Work proposals for research and development; energy; migration and the fight against illegal immigration; organised crime; demographic change; CFSP institutions
- A stronger focus on the coordination and streamlining of national social security systems and mobility of pensions
- A review of transition periods for the mobility of workers from new Member States
- Simplification of VAT procedures for companies with cross-border activities
- Finalisation of the negotiations on the working time directive
- Start of discussions on prospective Commission proposals on health and safety at work
- A high-level conference on the Lisbon Strategy in Budapest
- 20-21 January: an informal meeting in Villach to discuss social protection
- 29-31 March: a ministerial meeting in Bad Ischl discussing the “Youth Pact”

2.1.4 WTO NEGOTIATIONS

In December 2005, the 6th conference of ministers within the WTO will take place dealing above all with reductions of farm subsidies. The position of the EU negotiators is difficult. Some of the Member States - especially France but also recently the Austrian Minister of Agriculture - have criticised their offers as excessive, yet Australia, Brazil, Canada, the United States and India describe them as ‘disappointing’. France also calls for more transparency of the positions of EU negotiators. It wants the Council to meet before every important decision by the Commission between now and the ministerial conference of the WTO.

In a meeting in November 2005, the EU called for new offers of the group of emerging countries (G20, headed by Brazil) with regard to industrial tariffs and services before delivering a new EU offer on agriculture. The G20, supported by the US and the Cairns Group (Australia, Canada and New Zealand), urged the EU for an improved agricultural offer without ensured reciprocity. A consensus does not seem probable at the moment. Pascal Lamy, Director General of WTO, therefore announced a recalibration of the December conference objectives in order to avoid a ‘programmed failure’. **Lamy expects consensus on two thirds of the Doha Round for December, a ministerial meeting dealing with the matters not solved in December may take place in Geneva in the first half of 2006.**

However, the outcome of the conference in December will influence the tasks of the Austrian Presidency with regard to trade policies. The Austrian position on the WTO negotiations encompasses three priorities:

- Keeping exemptions of free trade agreements for television, as well as
- For public services such as education, health care, water supply and public transport.
- No radical cuts of subsidies for agriculture.

WATCH FOR:

- ➔ The WTO negotiators for the EU are in a difficult position as Member States criticise their offers as too far-reaching while other WTO members describe the very same offers as disappointing.
- ➔ No consensus to be expected for the Doha Round in December.
- ➔ Therefore, a ministerial meeting may take place in Geneva during the Austrian presidency.
- ➔ Austria priorities for the WTO negotiations are: exemptions for television and public services; no radical cuts of subsidies for agriculture.

2.1.5 DIRECTIVE ON SERVICES

The examination of the services directive issued by former Commissioner Frits Bolkestein, initiated as early as 2002, was about to be concluded in the first half of 2006. From the beginning, the Austrian Minister for Economic Affairs, Martin Bartenstein, has been a supporter of the directive. According to a study by Copenhagen Economics, a Danish economic research institute, Austria as a service exporter would benefit from a liberalised market in services. Chancellor Schüssel tried to calm down the opposition voiced by trade unions and worker organisations with regard to the service directive in a March 2005 interview (cf. Schüssel 2005b). However, Schüssel demanded complete withdrawal and redrafting of the directive at the Hampton Court summit where the British Presidency had planned formal adoption of the directive. **The official position of the Austrian government has therefore sided with the European trade unions - fierce opponents of the liberalising trend - and will pay close attention to discourage social and wage dumping through the implementation of the directive. The prospect of completing this contentious dossier during the Presidency is not promising.**

2.1.6 EUROVIGNETTE

A smaller but nevertheless **potentially tricky** point is the "Directive on the Eurovignette". The proposal of the Council of Ministers from July 2005 has not been approved by the European Parliament. Changes proposed by the EP rapporteur will be discussed by the Committee on Transport and Tourism in November and by the Parliament in December 2005. If negotiations on this directive cannot be concluded within the British Presidency, Austria will have to manage a difficult mediation between Council and Parliament.

2.1.7 TELEVISIONS WITHOUT FRONTIERS

This is another point at the margins of the Presidency that could lead to lengthy negotiations. The European Commission will present a proposal on the revision of the directive in December 2005. **Discussions aimed at fleshing out this proposal are likely to take place during the Austrian Presidency and to focus on broadening its scope to areas including multimedia video and TV on demand.** It will also address **regulations for advertising**, including the critical issue of illegal product placement. **Austria hopes to promote its own very liberal model as a solution for the EU** (APA 2005).

WATCH FOR:

- ➡ Directive on Services: Finalisation is unlikely within the Austrian presidency.
- ➡ Eurovignette: Potentially difficult negotiations between Council and Parliament.
- ➡ Television without Frontiers: Commission proposal will be discussed during Austrian presidency.

2.2. AUSTRIAN PRIORITIES

2.2.1 BALKANS

One horizontal priority of the Austrian Presidency for several policy fields is **strengthening the EU's ties with the Western Balkan region**. Education and training programmes with third states will clearly focus on Serbia and Montenegro, the Kosovo region, Bosnia-Herzegovina, Albania and Macedonia.

The EU will negotiate a stabilisation and association agreement with both parts of the union at the same time as **Montenegro will hold a referendum on its retreat from the federal union with Serbia in the first half of 2006**. A successful conclusion of the negotiations is seen as crucial in stabilising the region and is heavily supported by Austria. The continued cooperation with the International Criminal Court for Ex-Yugoslavia is upheld as a precondition for closer association with the EU.

In October 2005 the UN special envoy Kai Eide recommended the opening of discussions on the **future status of Kosovo**. The negotiations could start before Austria's Presidency begins. It is an Austrian priority to contribute to a strengthened role of the EU in Kosovo.

The Commission has recommended that the Council should start **negotiations with Bosnia-Herzegovina on a stabilisation and association agreement** as soon as possible. After the recent progress in police and military reforms, Austria will support efforts to conclude the negotiations during its Presidency.

The **negotiations with Albania on a stabilisation and association agreement** should have been concluded by the end of 2005. The Austrian Presidency will guide the ratification process of the agreement.

2.2.2 SUBSIDIARITY

Austria understands subsidiarity as a crucial part of the debate on European values. Based upon preliminary work of the Dutch and the British Presidency, **a conference on subsidiarity** will take place under the Austrian Presidency (17-19 April). The strengthening of national parliaments in European integration will play an important role in this conference. This issue has already been brought up by Austria in the Post-Nice-Process.

2.2.3 TOURISM

Due to its own economic priorities, tourism is an important subject for Austria. A conference of ministers of tourism of the 25 Member States, the accession candidates, EEA and EFTA will take place in March 2006. It will discuss the future of tourism with regard to economic and occupational growth, and with a view to promote sustainable tourism.

2.2.4 TRANSPORTATION

In addition to the tricky question of the Eurovignette (see point 3.1.6), Austria will focus on **road safety** and **inland water transportation**. The first subject will be dealt with at a conference of the ministers of transport on 4-5 March. The second will be the focus of a high-level-conference in February 2006.

WATCH FOR:

- ➔ Strengthening EU's ties with the Western Balkan region: Horizontal priority of the Austrian Presidency for several policy fields.
- ➔ Subsidiarity and, above all, strengthening national parliaments will be an Austrian focus and subject of a Conference.
- ➔ Two conferences on transportation:
 - High level conference on inland water transportation in February.
 - Conference of the Ministers of Transport on road safety in March.

2.3. ON - GOING MATTERS

2.3.1 POLITICAL DEVELOPMENT OF THE EU

ENLARGEMENT

In April 2006 the Commission will present its monitoring report on the progress of Romania and Bulgaria in meeting their commitments in preparation for accession. The scheduled date for accession is January 2007. A safeguard included into the accession treaties allows the Commission to recommend to the Council to postpone the envisaged date by one year if there is a serious risk that Bulgaria or Romania are not prepared to meet the requirements of membership by 1 January 2007. However, the monitoring is not foreseen to cause any delay in their accession.

Accession negotiations with Turkey and Croatia have already started and will follow the normal procedure during the Austrian Presidency. Considering the early stage of negotiations, only minor technical decisions will figure on the Council Presidency's agenda. The Commission decided to recommend in November 2005 to award Macedonia the status of candidate country. A formal decision could be made by the European Council in December. The Commission did not propose a date for opening accession negotiations. It has postponed this decision until it has published its upcoming progress report in fall 2006.

Austria, which is a big investor in the region, strongly supports further enlargement to the Western Balkans. Greater stability and political and economic development accompanying the accession process are expected to generate rising profits for the Austrian economy. Strategically, Austria will also clearly benefit from the establishment of peaceful relations in this historically unstable neighbouring area.

FREEDOM, SECURITY, AND JUSTICE

The Austrian Presidency will evaluate the progress made in implementing **the Hague programme on strengthening the area of freedom, security and justice** issued by the European Council in 2004 (Council of the European Union 2004). This programme aims at furthering co-operation with regard to fighting terrorism, judicial and civil law, asylum and visa policies, fighting corruption and organised crime. The extension of the area of freedom, security and justice to neighbouring states is also expected.

Austria, Finland, and Sweden have started an initiative for the **extradition of convicted persons** to their home country in order to further reintegration. The Austrian Presidency will continue and, if possible, conclude work on this initiative. A meeting of the European Judicial Network dealing with relevant questions will take place in Graz (date not yet fixed).

As part of a strategy against the radicalisation and recruitment of terrorists, the Austrian Presidency aims at fostering **interreligious and intercultural dialogue**. This topic has been dealt with at an international conference in Vienna (14-16 November 2005).

With regard to the fight against corruption, the Austrian Presidency will prepare a legislative act for a **cross-border network against corruption**.

Within the **EU Drug Strategy 2005-2008**, Austria will focus on co-operation with Latin America. A high-level-conference of the Horizontal Working Party on Drugs (HDG) of the EU with representatives of 33 states of Latin America and the Caribbean will take place in Vienna in March 2006. This meeting will be part of the fourth international summit between the EU and Latin America and the Caribbean.

The **"Schengen evaluation"** of the new Member States will take place in January 2006 in order to scrutinise national border security systems. Austria will take care of a larger number of evaluations during its Presidency, in accordance with the British and the Finnish Presidency. Above all, missions evaluating police cooperation, data security, border control at sea and on land - including airports - will be carried out.

Negotiations on the **mandate for the newly founded "Human Rights Agency"** will be concluded in 2006. The Agency has been developed out of the "European Monitoring Centre against Racism and Xenophobia" and will also be situated in Vienna. The Agency will start its work as an EU centre of competences on Human Rights on 1 January 2007.

WATCH FOR:

- ➔ Enlargement: Austria is a strong supporter of further enlargement to the Western Balkans
- ➔ Freedom, Security, and Justice:
 - Evaluation of the Hague programme
 - Initiative for the extradition of convicted person to their home country should be concluded during the Austrian Presidency
 - International conference on interreligious and intercultural dialogue
 - March 2006: High Level Conference on the EU Drug Strategy with Latin America and the Caribbean

2.3.2 EXTERNAL RELATIONS

CIVIL AND MILITARY CRISIS MANAGEMENT

The Presidency will continue to work on the **strengthening of the EU's civil and military capacities in crisis intervention**. Member States' contributions to the "battle group" concept will be examined as to quality and quantity during the first half of 2006. Austria will seek to improve further coordination between civilian and military crisis intervention mechanisms, in line with the EU's policy in crisis intervention. Austrian participation in battle groups has been criticised by Austrian NGOs as contradictory to the status of neutrality. However, the Austrian government sticks to its engagement, claiming that the notion of solidarity has replaced neutrality within the EU while Austria has remained a neutral state with regard to non-EU-countries. Austria pledged 200 soldiers for a multi-national Battle Group and confirmed its commitment to civilian crisis management by engaging 23 civil protection intervention teams. In terms of type of operation Austria prefers engagement in peace-enforcement and peace-building missions. In the framework of ESDP it is currently taking part in the EUFOR Althea operation in Bosnia-Herzegovina.

EUFOR Althea is due for evaluation in the first half of 2006. As of December 2005 Austria will command the "Multinational Task Force North" for one year. The continuation of other missions in Aceh (Aceh Monitoring Mission), Congo (EUSEC Congo) and Iraq (EU-JUST Lex) is open to debate during the Austrian Presidency.

CONSULAR COOPERATION/DIPLOMATIC CORPS

Austria wants to **improve the protection of EU citizens in third states** by establishing necessary coordinating structures and by strengthening the cooperation between Member States. Austria aims at establishing structures enabling a rapid exchange of information between national crisis centres. Relying on EU coordination institutions, interventions should be better coordinated and more effective. Cooperation should further include the use of technical (communication) equipment and the psychosocial training of members of crisis intervention teams.

DEVELOPMENT POLITICS

In the context of the EU's development policy, Austria will follow the general lines agreed upon at the UN summit held in September 2005. Austria will have to coordinate the Member States' positions in various fields – including HIV/Aids, migration, population, energy, industrial

development, climate change, trade, employment and rural development - in multilateral summits of the first half of 2006. An ACP-EU ministerial Council will meet in Papua New Guinea during spring 2006. A parliamentary meeting of EU and ACP countries is also scheduled during the first semester.

UKRAINE

Ukraine is the EU and Austria's main focus in the framework of the European neighbourhood policy.¹⁰ A **conference of the Cooperation Council EU-Ukraine** will be held in Brussels during spring 2006. The Austrian Presidency will evaluate the implementation of the first National Action Plan. To date, National Action Plans have been agreed with 16 neighbouring countries.¹¹ They include a set of jointly defined key priorities in selected areas. They are tailored to reflect the specific state of relations with each country, its needs and capacities, as well as the interests of the EU and the partner country concerned.

An important initiative of the Austrian Presidency will be the **preparation of a new financial instrument for the European Neighbourhood Policy** that should be implemented in 2007.

RUSSIA

The EU-Russia summit in May 2006 will be dominated by an evaluation of the agreed road maps on the four "common spaces": a common economic space; a common space of freedom, security and justice; a space of co-operation in the field of external security; and a space of research and education, including cultural aspects. A more detailed agenda will include talks on intensified cooperation in the areas of energy and the environment, the possible Russian partnership to the WTO, and deliberations on the prospective development of a free trade area. Regarding ongoing conflicts in Central Asia, the EU will continue to support international initiatives and actions with a view to crisis intervention.

TRANSATLANTIC SUMMITS

Three bi- and multilateral summits with the EU's transatlantic partners will be held during the Austrian Presidency:

1. The **EU-Canada summit** (date not yet fixed) will prepare the ground for an agreement on the promotion of trade and investment, the conclusion of which is envisaged in the course of the year 2006.
2. The **fourth international summit between the EU and Latin America and the Caribbean** will be held in Vienna on 11-13 May. With 60 delegations, the summit will be the largest event during the Presidency. Open debates will be held on several multilateral, economic and social issues including a special conference on cooperation in the prevention of drugs. Austria will also focus on cooperation in

¹⁰ Also a key dossier of Austrian Commissioner Benita Ferrero-Waldner.

¹¹ Ukraine, Belarus, Moldavia, Georgia, Armenia, Azerbaijan, Syria, Lebanon, Israel, Palestine autonomy, Jordan, Egypt, Libya, Tunisia, Algeria, and Morocco

research. A business meeting between leading entrepreneurs from both regions is envisaged on the fringes of the summit. **A special meeting with the Mercosur is aimed at the promotion and possible conclusion of an association agreement.** Similarly, intensified dialogue with the Andean Community and Central America is likely to prepare the ground for association agreements including a free trade regime. Negotiations on Economic Partnerships with the Caribbean Community will be continued. Finally, special meetings will take place with Mexico and Chile.

3. Talks at the **EU-USA summit at the end of June 2006** in Austria will primarily focus on strengthening the economic partnership between both sides of the Atlantic, on the fight against terrorism, on multilateralism, climate change, as well as common actions in the field of international conflict and crisis resolution. Special emphasis will be placed on the involvement of members of parliament and representatives from US and EU civil society.

ASIA

An intensified dialogue with Japan will be initiated by an **EU-Japan summit** to be held during the Austrian Presidency. In preparation of an EU-Asia summit under the Finnish Presidency in September 2006, Austria will organise high-level talks between officials on 8 and 9 March 2006 in Vienna. More concrete initiatives are to be set by the Presidency in order to develop the strategic partnership with **China**. The elaboration of a comprehensive framework agreement is envisaged. The dialogue will centre on trade issues and energy as well as human rights, social issues and migration. In May 2006 another round of the human rights dialogue with China aims at promoting the ratification of the International Pact on Civil and Political Rights and the abolition of the death penalty by China. Following the conclusions of the European Council in December 2004, the examination of the EU arms embargo against China will be continued. The Austrian Presidency will support the implementation of the **common action plan with India** which was agreed at the September 2005 summit. In line with EU policy, Austria will support the reconstruction of a peaceful, democratic and stable **Afghanistan**.

MIDDLE EAST

In the Middle East, Austria will pursue peace efforts in the context of the **road map aimed at the establishment of two separate states**¹². This is one of the key objectives followed by the International Quartet that includes the EU, the UN, the USA and Russia. Austria has been active in establishing a policy of targeted dialogue with **Iran**. It will continue to observe the developments in Iran concerning its nuclear programme and other issues considered important in the EU, such as human rights, the fight against terrorism, and the Middle East peace process. The EU's effort in intensifying relations with the population and government of **Iraq**

¹² Historically, it might be interesting to mention that the then Federal Chancellor of Austria, Bruno Kreisky, proposed the foundation of two separate states in this region as early as 1974. As a matter of fact, Bruno Kreisky was one of few European politicians to recognise the legitimacy of the PLO demands and demonstrated this in 1979 by organising a meeting with Yassir Arafat and Willy Brandt in Vienna in spite of heavy criticisms.

will be supported by the Austrian Presidency. Negotiations between the EU and the **Gulf-Cooperation Council** (Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman) on a free trade agreement should be concluded by the end of the Austrian Presidency in June 2006.

AFRICA

The Presidency will start implementing the EU-Africa strategy due for approval in December 2005. The strategy aims at an intensified dialogue with the African Union and regional organisations as well as at support of their institutional development. Special emphasis will be put on conflict prevention, conflict resolution (especially as regards acute crises in Sudan, the Ivory Coast, and Somalia), fighting poverty, and on the promotion of good governance. The difficult political reform processes in Ethiopia, Uganda, Congo and Guinea-Bissau will be accompanied.

INTERNATIONAL ORGANISATIONS

The Presidency will work on the implementation of conclusions reached at the 60th General Assembly of the United Nations in September 2005, for example the **establishment of the Human Rights Council and the Peacebuilding Commission**. Being traditionally a strong supporter of the work of the Organisation for Safety and Cooperation in Europe as part of the European security system, Austria will try to initiate a common declaration on cooperation between the EU and the OSCE during its Presidency.

WATCH FOR:

- ➡ Evaluation of Member State's contribution to battle groups
- ➡ Evaluation of EUFOR Althea
- ➡ ACP-EU ministerial council and parliamentary meeting
- ➡ Ukraine:
 - Conference of the Cooperation Council EU-Ukraine in Brussels
 - Evaluation of the first National Action Plan
 - Preparation of a new financial instrument for the European Neighbourhood Policy
- ➡ May 2006: EU-Russia Summit
- ➡ EU-Canada Summit
- ➡ May 2006: EU, Latin America, Caribbean Summit
- ➡ June 2006: EU-USA Summit
- ➡ EU-Japan Summit
- ➡ May 2006: Human Rights Dialogue with China

2.3.3 SOCIAL AND ECONOMIC DEVELOPMENT OF THE EU

TRANSPORTATION

Several legislative initiatives introduced in earlier presidencies will have to be pursued, among them the strengthening of railway passenger rights, rights of disabled passengers and passengers with reduced mobility when travelling by air, various measures concerning aviation security, external relations with regard to aviation and the implementation of the European satellite programme "Galileo".

The safeguarding of high standards with regard to environment protection was an important issue at the time of Austria's accession to the EU and Austria understands its role with regard to environmental matters as path-breaking (cf. Proell 2005)

Several important events will take place dealing with environmental affairs and sustainability during the Presidency. The report of the European Commission on the co-existence of genetically modified organisms with traditional and biological cultivation will be discussed at a conference of all stakeholders in Vienna. The focus of the Presidency will be on the prevention of animal diseases and epidemics.

Since February 2005, the Kyoto protocol on climate change has been in force. The protocol ends in 2012 and work on its continuation has already started. During the Presidency, important meetings of subcommittees of the UN Framework Convention on Climate Change will take place in Bonn. Climate change and sustainable development are, therefore, a top priority of Austria.

The most important conference on environmental issues taking place during the Presidency is the **Eighth Meeting of the Conference of the Parties to the Convention on Biological Diversity in Brazil in March 2006**.

Finally, Austria has pledged to organise the Presidency in a sustainable and environment friendly way. This "greening" of the Presidency implies environment friendly travelling arrangements, biological and "Fair Trade" catering, selection of certified environment friendly hotels and waste management.

EDUCATION AND CULTURE

The adaptation of European education and training systems to the demands of the knowledge society and to the need for a higher level and quality of employment is an important part of the Lisbon strategy. The Austrian Presidency will work out the **"Second Joint Interim Report 2006" based upon the 27 national interim reports of the Member States** and aims at presenting a summary of the findings at the European Council in March 2006.

If the British Presidency succeeds in finding an agreement on the budget, Austria aims to develop a common position of the Council and the Parliament on the new "Integrated Action Programme in Lifelong Learning".

In 2007, the "Youth in Action" programme will start as a follow-up to the YOUTH programme ending 2006 (Commission 2004b). The programme will be adopted during the Presidency. In preparation of the Austrian Presidency, two international conferences on youth employment took place in Vienna in October 2005.

Other focal points of the Presidency are the new European indicator for foreign language competence (based upon a newly developed test of language skills) as well as furthering key competences of citizens in a knowledge society. Austria also aims at opening education and training systems for non-EU-states, especially the states of the Western Balkans.

In 2007, the programmes “Culture 2007” and “Media 2007” will be launched replacing current culture and media programmes (Cf. Commission 2004 and 2004a). Austria aims at making contents and budgetary measures more concrete - provided that, again, a general agreement on the budget can be reached in 2005.

Within “Culture 2007” the programme “European Capital of Culture” will be restructured by introducing mandatory competitions within the Member States and an accompanying monitoring system. Furthermore, Austria sees the necessity of simplifying application procedures for funding within “Culture 2007” and to enhance transparency. The debate on the contents of the “European Year of Intercultural Dialogue 2008” will start during the Presidency.

The Council of Ministers of Education, Youth, and Culture will take place in May in Brussels and an informal meeting of the Committee on Cultural Affairs is scheduled for April. Furthermore, a series of expert conferences are planned, including a meeting on European Content and Creative Industries in March in Vienna (APA 2005).

WATCH FOR:

- Conference on co-existence of genetically modified organisms with traditional and biological cultivation.
- March 2006: Eighth Meeting of the Conference of the Parties to the Convention on Biological Diversity in Brazil.
- “Second Joint Interim Report” on education and training systems to be worked out by the Austrian presidency.
- Common position of the Council and the Parliament on “Integrated Action Programme in Lifelong Learning to be developed.
- Austria's focus on opening education and training systems for non-EU-states, especially from the Western Balkans.

CONCLUSIONS

Like every previous EU Presidency, the Austrian Presidency will have to deal with a broad range of issues, many of them of high impact for specific policy fields. Like every EU Presidency, it can choose between two strategies. It may either cover as many of the matters at hand. Or it may choose to focus more intensely on a more limited number of issues and try to reach extraordinary progress on especially important problems.

There are however also crucial differences between this Presidency and previous ones, including the first Austrian Presidency in 1998. It is generally admitted that the EU finds itself in a serious crisis due to the unexpected difficulties of the constitutionalisation process, admittedly a sign of a long-standing and growing alienation of European citizens towards the European integration project. The causes and possible outcomes of this alienation can be interpreted in many different ways. Detractors of the Union may be disillusioned by its output, in particular with regard to welfare and social security. Many may thus plead for a European Social Model, others may fear just that and advocate national sovereignty as a guarantee of socio-economic success. But perhaps a much more plausible interpretation may be that citizens of the old Member States are simply overwhelmed by what they perceive as an overstretch of European integration by enlargement. Due to these fears the future of the European Union seems more uncertain and more open for different scenarios than it has been for many years. The difficulties in achieving a budgetary agreement not only contribute to this general state of confusion and bewilderment. They are also an increasing burden for day-to-day workings of the European Union.

Most official opinions on how to deal with the current situation tend to advocate a low-key approach, leaving aside for the time being any concrete decisions on the future of the Union. Whether this approach meets the challenges of the moment or whether it presents a further example of the – as yet unresolved – lack of European leadership is debatable (cf. Blair 2005). On the one hand, it represents an abrupt turning away from the rather bold attempts to deepen European integration pursued over the past few years. It seems doubtful that European political elites' trustworthiness will be enhanced in the eyes of the citizens, if one of the most important if difficult projects of the EU, namely its constitutionalisation, is abandoned by responsible actors in the very moment it encounters resistance. On the other hand, one could see a strong tension if not contradiction between the claim for a phase of reflection without any pre-defined goals and daily business-as-usual European politics (above all with regard to future enlargements). Still, for the time being, a general halt in all initiatives deepening integration seems to be the overall consensus among policy elites.

The Austrian government's understanding of its Presidency sits well with this assessment. Seeing its Presidency as a service to the European Union and its role as that of an honest

broker, the Austrian government obviously aims at focusing on routine matters rather than on solutions for the urgent problems of European integration. As a small Member State, Austria does not believe it is in a position to set an ambitious agenda for its Presidency.¹³ With regard to budgetary planning, the Austrian government therefore strongly supports the efforts of the British Presidency to come to a solution within its own Presidency. And with regard to the Constitution, it pays lip-service to the importance of this question but does not seem prepared to tackle the matter in more than the most general way. While this position can be interpreted as acceptance of a general EU attitude, it also corresponds to the understanding of the Presidency in 1998 when, under much less problematic circumstances, Austria saw its role as a facilitator of decisions on political details rather than as an agenda-setter.

Austria has nevertheless also defined some specific interests on which it will put greater emphasis, above all the integration of the Western Balkans and the enhancement of subsidiarity. Austria apparently aims at developing a distinct profile on these specific questions. Such ambitions will need to be assessed ex-post. The 1998 Presidency showed a considerable gap between official claims to further Eastern enlargement and real political activities. However, the promotion of accession negotiations with Croatia and the hold-up of the start of negotiations with Turkey could be read as a sign for a more decided position this time round.

Importantly, the programme of the Austrian Presidency does not encompass many large public events. The most prominent activity in this regard will probably be the international conference on European identity "The Sound of Europe", but its form and contents are aimed at academic and cultural elites rather than the general public. However, in accordance with its image of a cultural nation, important political events in Austria are traditionally accompanied by artistic and cultural activities.¹⁴ Such reservation may probably best be explained by the difficulties of the EU, on the one hand, and the internal political problems of the Austrian government, on the other. The influence of the latter is enhanced by upcoming elections in fall 2006. However, domestic Austrian politics may not only be an incentive to play down the importance of the Presidency, they could also lead to the development of bolder positions on political questions discussed by the Austrian public. The temporary blocking of accession negotiations with Turkey as well as recent suggestions by Chancellor Wolfgang Schüssel that the directive on services should be completely redrafted could be interpreted in this perspective.

By way of conclusion, one has to come back to the pending consensus on the financial perspectives of the EU. If this consensus is reached within the British Presidency, one can expect Austria to deal expertly and meticulously with the abundance of ensuing detailed problems. If the December Council fails to find an agreement, viable solutions during the Austrian Presidency seem doubtful. A consensus after such a failure cannot easily be envisaged

¹³ However, in the history of EU Presidencies, there are examples of small Member States achieving important solutions, the last of these being the Irish Presidency (Cf. also Pollak/Puntscher Riekmann 2002)

¹⁴ See e.g. the wide range of cultural activities during the year 2005 celebrating different Austrian anniversaries (60 years since the end of the war, 50 years of independence, 10 years of EU membership).

and would probably require a bolder political position of the Presidency. Without it, even many of the smaller goals may well be jeopardised. On the other hand, Austria does not seem willing to tackle the other big question for the EU for the time being, namely the future of the Constitutional Treaty. Whether the Austrian presidency will indeed be able to provide a service to the EU may in the end largely depend on factors beyond its control.

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