

Paul Luif

The Austrian EU Presidency:

A Midterm Report

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PREFACE

The Swedish Institute for European Policy Studies, SIEPS, conducts and promotes research, evaluations, analyses and studies of European policy issues, with a focus primarily on the areas of political science, law and economics.

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This paper is the sixth in SIEPS' series of occasional papers. SIEPS will continue to publish brief reports on the incumbent presidency, focusing on the agenda, the domestic factors and the country's specific relation to the European Union.

Stockholm, June 2006
Annika Ström Melin
Director
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ABSTRACT

Austria joined the EU in January 1995. It had been a long road to membership. After achieving full independence in 1955, Austrians debated membership in the European Coal and Steel Community. Mainly domestic economic and political reasons lead the Austrian government to opt for membership of the European Free Trade Association and not of the European Economic Community. The public explanation given was Austria's neutral status. The completion of the EC's internal market and a crisis of the nationalized industry in the mid-1980s forced the political elites to modify their integration policy. It resulted in an EC membership application in 1989, before the fall of the Berlin Wall.

The paper shows that Austria as an EU member wanted to be in the core of EU integration, in spite of its neutrality status. The professional execution of Austria's first EU Presidency in 1998 was praised, but the quest for harmony and the "dread of risk" of its government criticized. The "sanctions" of 14 EU member states against the new government in 2000 had a lasting effect on Austria's EU policy, in particular on the (increasingly negative) attitudes of Austrians towards the EU.

The organization of this second Presidency in the first half of 2006 resembles the first one, except that the conflicts between the Federal Chancellery and the Foreign Ministry which hampered the first Presidency have vanished since both are lead by conservative politicians. The solution of the financial perspective question in the last phase of the UK Presidency relieved the Austrian Presidency of a heavy burden. Still, problems like the energy crisis between Russia and the Ukraine showed that a Presidency is largely influenced by events it cannot control. The main aim of the Austrian Presidency seems to be to increase the trust of European (and in particular Austrian) citizens in the EU, after the problematic events of 2005. A number of "showy" events have formed a part of this strategy.

TABLE OF CONTENTS

1 INTRODUCTION	7
2 BACKGROUND TO MEMBERSHIP	8
2.1 Austria's Early Experience of European Integration	8
2.2 The Road to Membership	11
3 AUSTRIA AS A MEMBER OF THE EUROPEAN UNION	14
4 THE FIRST PRESIDENCY	17
5 THE MEASURES AGAINST THE NEW GOVERNMENT IN 2000	20
6 THE POLICIES OF THE ÖVP-FPÖ GOVERNMENT	25
7 THE SECOND EU PRESIDENCY	30
7.1 The Organization of the Presidency.....	30
7.2 The Program of the Presidency.....	31
7.3 The Start of the Presidency.....	32
7.4 The Sound of Europe	33
7.5 The Reduced-Rate Value Added Tax and the Services Directive	34
7.6 The Brussels European Council, 23/24 March 2006	35
7.7 EU Foreign Policy	37
8 A MIDTERM EVALUATION	41
BIBLIOGRAPHY	43
ANNEX	45

THE AUSTRIAN EU PRESIDENCY: A MIDTERM REPORT

1 INTRODUCTION

Austria is one of the newer members of the European Union (EU). It joined the Union, together with Finland and Sweden, on 1 January 1995. First, this paper gives some background information on Austria's integration policy. It shows why it took Austria so long to become member of the EU. After which the policies of Austria as a EU member, first under the Grand Coalition government, subsequently under the Conservative-led government, will be analyzed.

A short chapter deals with the experiences of Austria's first EU Presidency in 1998. The "sanctions" of 14 EU member states against the new government in 2000 probably had a lasting effect on Austria's EU policy, in particular on the attitudes of Austrians towards the EU. Therefore, the key aspects of this episode are examined here as well.

The main part of this paper concerns the second EU Presidency of Austria in the first half of 2006. Some remarks on the organization of the Presidency and on the programmatic elements lead to a brief account of its rather tricky start. The European Council in spring 2006 and the influence of Austria on its Conclusions will be debated. A look at some of the Presidency's "showy" events also forms a part of the analysis.

There is always a risk that a midterm evaluation will leave out important events of a Presidency. However, even the significance of past events can be misinterpreted when you try to assess the most recent past. With this caveat, the author hopes to give the reader at least some useful information on the Presidency of a small, Central European country.

2 BACKGROUND TO MEMBERSHIP¹

2.1 Austria's Early Experience of European Integration

The first task for the Austrian governments after the country was re-established at the end of World War II was to secure its full independence, i.e. end the occupation by the four victorious Allied powers. In contrast to Germany, after 1945 Austria had a national government. Its capital, Vienna, was like Berlin divided into four sectors; again in slight contrast to Germany, the center of Vienna, its First District, was ruled by the four Allies together.² In May 1955, after Stalin's death and as a first sign of a thaw in East-West relations, a compromise was reached among the four Allies and the Austrian government about the departure of the occupying powers, in particular the Soviet Union. The legal instrument for that agreement was the so-called "Austrian State Treaty".³ The Soviet Union demanded that Austria declared its neutrality and thus would not join NATO. But at the insistence of Austria, its neutral status was not included in the State Treaty, but established through a unilateral decision, a constitutional law passed by the Austrian Parliament.

The Austrian economy after 1945 was characterized by the development of a market economy; by external trade concentrating on Western Europe and by support from the Marshall Plan, although important parts of its industry, among them most of its oil wells, were under Soviet control (in the Soviet Zone) until 1955. In part to (unsuccessfully) avoid the confiscation of Austrian property, the Grand Coalition government of Conservatives/Christian Democrats (ÖVP)⁴ and Socialists (SPÖ)⁵ nationalized large parts of Austrian industry in 1945/46. The close cooperation of the two leading political parties was mirrored by the developing collaboration of the social partners (who had strong links with each respective political party). Austria became one of the most "neo-corporatist" countries in Europe.

¹ This part is based on my publications, see in particular Paul Luif, *Neutrale in die EG? Die westeuropäische Integration und die neutralen Staaten*, Vienna: Braumüller, 1988 (= *Informationen zur Weltpolitik*, No. 11) and Paul Luif, *On the Road to Brussels: The Political Dimension of Austria's, Finland's and Sweden's Accession to the European Union*, Vienna: Braumüller, 1995 (= *Laxenburg Papers*, No. 11). On the history of Austria's integration policy see now also Michael Gehler, *Der lange Weg nach Europa. Österreich vom Ende der Monarchie bis zur EU. Darstellung*, Innsbruck etc.: StudienVerlag, 2002.

² The story of Vienna during the occupation of the four powers was famously told in the film classic "The Third Man". The script to the movie was written by Graham Greene.

³ Since Austria (or at least an Austrian government) did not exist during World War II, it could not sign a "peace treaty" with the Allies.

⁴ *Österreichische Volkspartei*, The Austrian People's Party.

⁵ *Sozialistische Partei Österreichs*, since June 1991 *Sozialdemokratische Partei Österreichs*, The Socialist Party of Austria, after June 1991 The Social Democratic Party of Austria.

Austria's neutrality was based on the Swiss model and international law, not on the Swedish policy of non-alignment. Nevertheless, its politicians interpreted "neutrality" in quite a different way from the Swiss, so that it basically would only limit Austria's military relations with other countries. Otherwise the country would be free to join international organizations. With the consent of the four Allies and in contrast to Switzerland, it became a member of the United Nations in December 1955. In April 1956, it joined the Council of Europe, a clearly West European organization where Switzerland was not (yet) a member.

In October 1956 politicians started to talk about joining the European Coal and Steel Community (ECSC). The reasoning behind this was that Austria's two most important trading partners, West Germany and Italy, were members of the ECSC. Thus Austria might have become a founding member of the European Economic Community (EEC).⁶ But the uprising in Hungary against the Communist regime and the subsequent Soviet intervention ended these aspirations. The Soviet Union severely criticized the Austrian (verbal) support for the Hungarian freedom fighters. Austria's political elite became more cautious in its foreign policy; membership of the EEC, which was regarded by the Soviet Union as part of the Western bloc, was now excluded.

This rejection of EEC membership was also based on domestic political motives. The Socialists feared that the positions of the trade unions and the nationalized industry which they dominated could be weakened if Austria joined the EEC. Among Conservatives, the representatives of small and medium-sized businesses and farmers feared the competition from their bigger and economically stronger counterparts in the EEC countries. However, the official reason given for this nonparticipation in the far-reaching economic integration of the EEC was neutrality, which was regarded by most specialists in international law as incompatible with full membership of the Common Market.

The compromise between the ruling Conservatives and Socialists was to participate in the creation of the more flexible free trade organization EFTA (European Free Trade Association). When EFTA's most important

⁶ Austria was also apparently seen to be a potential member of the EEC by some West Europeans. Paul-Henri Spaak, the former Belgian Foreign Minister, was at one time reported to have felt that if the French were unable, in the end, to join the Common Market the other five should go ahead. In this event Austria would have been a useful "land-bridge" between Italy and the others; see Miriam Camps, *Britain and the European Community, 1955–1963*, Princeton, N.J.: Princeton University Press, 1964, note 10 on p. 59.

member, the United Kingdom, applied for membership of the EEC in 1961, Austria together with Sweden and Switzerland tried to reach an association agreement with the EEC. After President de Gaulle's rejection of the British application in January 1963, Austria, in contrast to Sweden and Switzerland, pursued the association track on its own. Once again this "going it alone" had a domestic background. On the one hand, the Socialists had lost the general elections in November 1962, on the other, a younger generation in the Conservative Party pushed for closer relations with the EEC. Firm ties with the Common Market would "liberalize" Austria's society and economy and weaken the position of the Socialists.

The Austrian *Alleingang* ended in failure in June 1967, during the Conservative government's rule (1966–1970). One reason for this negative outcome was the conflict with Italy on the autonomy of South Tyrol and the French fear of alienating the Soviet Union. Another reason was that no clear-cut solution for a close association resembling membership could be found at the institutional level. Austria as a non-member could not be allowed to participate in the decision-making of the EEC. But accepting all the rules of the EEC without participating in its decision-making processes would have meant a "satellization" of Austria.

Surprisingly, only a month later, in July 1967, Sweden made an "open" application which did not exclude membership of the EEC. It later changed its request to a close association. The Social Democratic government had apparently paid little attention to the collapse of the efforts for a close association by Austria's Conservative government.

When the United Kingdom finally succeeded in its endeavors for membership in the then European Community (EC), the EFTA countries were offered only loose free trade agreements by the EC. Since the EFTA countries were left with no other option, the outcome of the negotiations with the EC in the early 1970s was not as close a link with the EC as Austria, Sweden and Switzerland had aimed for at the beginning of the 1960s.

In 1970, a Socialist government came to power in Austria. Its Keynesian policies of deficit spending to guarantee full employment were combined in the late 1970s with a hard currency policy, i.e. a fixed exchange rate of the Austrian Schilling with the German Mark, Germany being by far the most important export market for Austria. The full employment policy was helped by the wage restraints of the trade unions and by the management of the nationalized industries, who guaranteed the jobs of its employees. The Austrian economy coped rather well with the first oil crisis in the early 1970s and Austria was regarded as a "model" for other countries.

With the free trade agreements (with the EEC and the ECSC) all customs duties for industrial goods between Austria and the EC were finally reduced to zero in 1984. The rules of origin, a bureaucratic nuisance for every free trade area, were of little importance since the EC member states still controlled internal EC trade within their borders. This changed when in mid-1985 the new EC Commission under Jacques Delors proposed to do away with all barriers to trade and thus complete the internal market.

2.2 The Road to Membership

The second oil shock in the early 1980s was not overcome as easily by the Austrian economy. The budget deficit rose and in the end the government was unable to bail out the nationalized industry, which in late 1985 was practically bankrupt. It was impossible to maintain a full employment policy any more. Austria's economic growth rates were lower than those of other EFTA countries. Already in 1983, the Socialists had lost their absolute majority in Parliament and formed a coalition government with the right-liberal FPÖ.⁷ After the general elections of 1986, a new Grand Coalition government was established, this time with the Socialists as the senior partner. Soon, the Foreign Minister of the Coalition, Alois Mock (ÖVP) started to push for closer relations with the EC. The Federation of Austrian Industrialists, representing the major export-oriented private companies, formally demanded EC membership, the only possible way to fully participate in the emerging internal market of the EC. A study commissioned by the Federation claimed that membership of the EC would be compatible with Austria's neutrality.

After the Federal Chamber of Commerce, which is dominated by smaller and more medium-sized enterprises, also opted for EC membership, the ÖVP decided to request Austrian accession to the EC in January 1988. The trade unions (July 1988) and the SPÖ finally agreed after much hesitation to an Austrian application for EC membership in April 1989. Austria submitted its application in July 1989. At the insistence of the Socialists and to reassure the Soviet Union, it contained a neutrality reservation. This clause caused some friction with a few EC member states. But after the fall of the Berlin Wall in November 1989 and the end of the Cold War, neutrality had only a minor relevance during the accession negotiations. The other EFTA states, apart from Iceland and Liechtenstein, followed suit: Sweden (July 1991) and Finland (March 1992) as well as Switzerland (May 1992) and Norway (November 1992) applied for membership of the European Union as it was already called then.

⁷ *Freiheitliche Partei Österreichs*, The Freedom Party of Austria.

Some of the EU states were not eager to start with a new round of membership negotiations. Jacques Delors offered an alternative to membership, the European Economic Area (EEA) through which the EFTA states would be granted almost complete attachment to the EU's internal market. It soon turned out that, as with Austria in the 1960s, the EU would not allow the EFTA states to participate in decision-making on internal market matters. Hence, there practically was not any Austrian official who regarded the EEA as an alternative to full membership, while in the Nordic countries the Social Democrats particularly welcomed this offer. Since it would permit them to avoid a rift in their parties on the membership question. Before long, Nordic politicians became disillusioned about the prospects of the EEA. Still, the EU preferred deepening before widening. Only after the member states had signed the Maastricht Treaty, could negotiations begin with the applicant countries. These negotiations commenced in February 1993, almost four years after Austria had applied for membership. Because of the long relationship through the free trade agreements and the negotiations on the EEA, membership talks proceeded rather quickly. For Austria, Finland and Sweden, they came to a successful end on 1 March 1994.⁸

To become effective, the accession treaties had to be submitted to popular vote in all three countries.⁹ In Austria, EU membership was supported by both government parties who had practically no dissidents among their rank and file. Opposition to joining the EU came from the Greens and the FPÖ. Since 1986, the FPÖ had been led by Jörg Haider, who tried to increase the support of the FPÖ with populist politics. Before him, the FPÖ had stagnated over a long period of time with about 5 percent of the votes in general elections. At first, Haider strongly supported Austria's membership of the EC, a demand which had been part of the FPÖ's party platform since 1964. In the early 1990s, he completely revised his stance and vehemently opposed EU membership, seeing a chance to gain votes.

As Table 1 on page 14 shows, the referenda in all three countries brought a high turnout. The highest percentage of "yes" votes was achieved in Austria, where almost exactly two thirds of the voters were in favor of EU membership. In Finland, the "yes" side also gained a comfortable majority, whereas in Sweden the outcome of the referendum was rather close. The strong public support for EU membership in Austria was at least partly due

⁸ The negotiations with Norway ended on 15 March 1994. Switzerland had already suspended its membership quest in December 1992, after the Swiss rejected EEA membership in a referendum.

⁹ In addition, there was a referendum in Norway, but the Norwegian accession was rebuffed by popular vote in November 1994.

to the media's strong backing. Here the support of the daily *Kronen Zeitung*, which is read by more than 40 percent of Austrians every day, probably played a crucial role. Many prominent elite figures endorsed membership. In addition, the government stressed the advantages of EU membership in its referendum campaign, the most notorious being the “1000 Schilling” (about 72 Euros) each Austrian family would gain per month through lower prices induced by EU membership.¹⁰

Table 1. The Results of the EU Membership Referenda in Austria, Finland and Sweden (Percentages)

Date	Country	“Yes”	“No”	Turnout
12.6.1994	Austria	66.6	33.4	82.3
16.10.1994	Finland	56.9	43.1	74.0
13.11.1994	Sweden	52.7	47.3	83.3

Notes: The results of the Swedish referendum were calculated in the same way as the results in the other countries, i.e., the blank votes were excluded from the calculation of “yes” and “no”, but included in the turnout. When calculating the “official way”, the results in Sweden were 52.3 percent “yes”, 46.8 percent “no” and 0.9 percent blank votes. In a special vote on 20 November 1994, the people of the Åland Islands decided by a majority of 74 percent, with only 49 percent of the eligible voters participating, to join the EU together with Finland.

Source: Paul Luif, *On the Road to Brussels: The Political Dimension of Austria's, Finland's and Sweden's Accession to the European Union*, Vienna: Braumüller, 1995 (= Laxenburg Papers, No. 11), pp. 320 and 336.

¹⁰This promise was made by Brigitte Ederer (SPÖ), the State Secretary for Europe.

3 AUSTRIA AS A MEMBER OF THE EUROPEAN UNION

The Grand Coalition was unable to preserve the good will which it had gained in the EU referendum. The government parties quarreled about who should sign the Accession Treaty, the ÖVP declining to grant this privilege to the SPÖ State Secretary for Europe, Brigitte Ederer at the signing ceremony in Korfu, on 20 June 1994. The SPÖ refused to ratify the Accession Treaty before the general elections in October 1994, because it would have increased the chances of the ÖVP, the party of Foreign Minister Mock, who as “Mr. Europe” was regarded as the principal victor of the referendum campaign. The elections for Parliament (the *Nationalrat*) proved disastrous for the Grand Coalition parties. The SPÖ lost almost 8 percent, the ÖVP more than 4 percent, whereas Haider’s FPÖ gained almost 6 percent and the Greens 2.5 percent. For the first time since 1945, Austria’s two main parties did not possess the two-thirds majority in Parliament necessary to pass constitutional laws.

The opposition parties used their new power to obtain an (in their eyes) important concession in the implementation of the EU Accession Treaty. Thus, Parliament was given extensive rights to control the behavior of the government representatives in the EU Council. In the new Article 23e of the Austrian Constitution, the government’s representative is bound by the position of the Parliament’s Main Committee during the negotiations and at the voting in the EU Council. The representative can deviate from the position of the Main Committee only if there are “compelling reasons concerning foreign or integration policy”. But the minister may deviate from the position only after the Main Committee has considered the matter once again. If a planned legislative act of the EU would entail a change to the Austrian Federal Constitution, the minister may only deviate from the position of the Main Committee if the Committee does not oppose this deviation within a reasonable period of time. In practice, the power of giving instructions to the Austrian minister as regards voting in the EU Council has proven to be not as efficient and relevant as anticipated; negotiation positions simply cannot be rigidly defined in advance.

Another important adjustment to Austria’s EU membership was the introduction of Article 23f in the Austrian Constitution. This Article (and its further modification after the Amsterdam Treaty) has allowed Austria to fully participate in the EU’s Common Foreign and Security Policy (CFSP) and in the developing European Security and Defense Policy (ESDP), in spite of the still existing Constitutional Law on Neutrality.

Even with this peculiar international status and in contrast to the other two

newcomers, Austria wanted to be part of the “core” of the EU right from the very beginning. It joined the exchange rate mechanism of the European Monetary System already in early January 1995. In April 1995, Austria signed the Schengen Agreement. In order to fulfill the “Maastricht criteria” and to become part of the Economic and Monetary Union (EMU), the Austrian government had to introduce several “austerity packages”, aimed at reducing the budget deficit. These measures again reduced the popularity of the Grand Coalition government, but they assured that Austria could participate in the third phase of the EMU and introduce the euro in 2002. The problem with Austria’s budget deficit was aggravated by its payments to the EU budget. Austria became one of the “net payers” of the EU; since the beginning of its membership, it has paid more money to Brussels than it has received back. This should have come as no surprise, since the country has been one of the EU’s richest members, measured by per capita income. Statistics also point at a negative development of some economic indicators after membership. One can see in Table 2 (in the Annex) that GDP per capita declined in Austria after 1995 and according to Table 3 (in the Annex), unemployment rose relative to the EU average.

Graph 1 (in the Annex) depicts the attitudes of Austrians (as well as Finns and Swedes) towards the EU after accession. In the early days of membership, in spring 1995, there was a majority of Austrians who thought that the country benefited from membership. This result was roughly in line with the results of the membership referendum; the positive view in Austria was almost as great as the average of the EU-15. But in the autumn of the same year, the opinion of the Austrians on the general effects of EU membership became rather negative. Finns and Swedes had already started their membership with a (in the case of Sweden very) critical attitude toward the supposed benefits of EU integration.

It took several years until Austria was fully able to participate in the Schengen area. At first, it had to strengthen the controls of its 1450 km long border with its Eastern neighbors. For a long time, the Bavarian police (police matters being the task of the *Länder* in Germany) criticized the implementation of the Schengen rules by Austria. To improve the controls, the Austrian authorities used (and still use) military assistance in controlling the borders with Hungary and Slovakia. Finally, border controls were abolished step-by-step between Austria on the one side and Germany and Italy on the other side (as well as the controls at the airports) between December 1997 and March 1998.

When in the autumn of 1995 the Grand Coalition parties were unable to agree on the savings for the following year’s federal budget, the ÖVP

opted for new elections. These general elections of December 1995 produced somewhat surprising results. The SPÖ, promising no reductions in social expenditure, gained votes, the ÖVP advanced only slightly and Haider's FPÖ actually lost votes. In contrast, the first elections to the European Parliament in October 1996 were lost by the SPÖ, the ÖVP obtaining slightly more votes than the Social Democrats. The FPÖ almost caught up with the two "major" parties.¹¹ These results of a "second-order" election were a portent of things to come.

¹¹The SPÖ got 29.1 percent of the vote, the ÖVP 29.6 and the FPÖ 27.6 percent. The turnout at the first elections to the European Parliament was rather high at 67.7 percent. This percentage declined in 1999 to 49.4 percent and in 2004 to 42.4

4 THE FIRST PRESIDENCY

Austrian representatives chaired the meetings of the European Council and of the EU Council and thus took over the “EU Presidency” for the first time after accession in the second half of 1998. Austria was the first country of the three new members that attained this position. In order to get ready for this difficult task, the government began its preparations at a fairly early stage. In the Foreign Ministry, an *Exekutivsekretariat* (Executive Office) was established in mid-1996 under the State Secretary Benita Ferrero-Waldner (ÖVP). It was charged with the organizational tasks. The Federal Chancellery (SPÖ) and the Foreign Ministry (ÖVP) had the task of coordinating the more politically relevant questions concerning the EU Presidency.

As often happens with presidencies, the agenda of the first Austrian Presidency was heavily influenced by events outside its control. One case in point was the elections in Germany in late September 1998. Long-time Chancellor Helmut Kohl from the Christian Democrats was defeated and Gerhard Schröder from the Social Democrats became the new Chancellor at the end of October 1998. EU decision-making on important matters almost came to a standstill until the transfer of political power in Germany had been completed.

The most memorable meeting of the Austrian Presidency was probably the informal meeting of the heads of state and government discussing the future of Europe, 24/25 October 1998, at Pörtschach, a lake resort in the southern province of Carinthia. It was chaired by Viktor Klima, the Austrian Chancellor from the Social Democrats. Just before the meeting, the British Prime Minister Tony Blair put forward that Britain would support the creation of a European military defense capacity, the reversal of a long-standing British policy. European security policy thus stood, together with unfair tax competition and employment, at the center of the discussions among the political leaders of the 15 EU countries and Commission President Jacques Santer. The summit clearly showed the dominance of social democratic politicians in the EU, personified by the designated German Chancellor, Gerhard Schröder.¹²

¹²In the international press, the summit meeting was regarded as “highly successful”. See Charlemagne: Viktor Klima, Europe’s summiteer, in: *The Economist*, 12.12.1998. Similar words came from French President Jacques Chirac: “[C]e sommet informel a été agréable et chaleureux. Il nous laissera un très bon souvenir”, in Jean-Michel Apathie/Henri de Bresson, *Une ambiance consensuelle de l’avis de tous, même du président Jacques Chirac*, in: *Le Monde*, 27.10.1998.

Less successful was the informal meeting of the Foreign Ministers (the *Gymnich* meeting) in Salzburg, 5/6 September 1998. Foreign Minister Wolfgang Schüssel (ÖVP) wanted to debate the improvement of the EU's decision-making processes and the strengthening of the coordination function of the General Affairs Council (i.e. the Foreign Ministers). Schüssel's colleagues were much more interested in debating the relations with Russia. But the conservatives scored a point when Defense Minister Werner Fasslabend invited his colleagues to an informal meeting in Vienna, 3/4 November 1998. The meeting had been arranged, amid criticism from the Social Democratic coalition partner, already in June 1998, before the changes in British attitudes had been made public. All the defense ministers from the EU member states came together for the first time and discussed crisis management as well as the streamlining of EU decision-making.¹³

The concluding European Council in Vienna, 11/12 December 1998, turned out to be almost a "non-event". Already before the European Council, the Austrian decision-makers had decided not to strive for any substantial decisions on the contentious issues of the Agenda 2000 reforms. The Austrians wanted to prepare the decisions, but leave the actual decision-making for the following German Presidency. So the European Council was a very harmonious affair.

This quest for harmony was one element of the *Risikoscheue* ("dread of risk") the first Austrian Presidency was criticized for. Another negative assessment concerned the *Proporz-Denken* of the Austrian politicians since they were always eager to "balance" the activities of the government parties. The occasional lack of coordination between the offices in Vienna and the Permanent Representation in Brussels were also noted. Sometimes initiatives were announced without being prepared in a prior coordination among member states. However, the professional execution of the Presidency by a relatively "young" member state was praised.¹⁴

The difficulty in the coordination of Presidency activities was caused, beyond the political quarrels among the ruling parties, by the *Ressortprinzip*

¹³The meeting had quite an echo in the media. See e.g. Alexander Nicoll, Defence: EU aims to increase military capability, in: Financial Times, 5.11.1998, Daniel Vernet, Les Quinze se disent d'accord pour doter l'Europe d'une politique de défense. Les rapports avec l'OTAN restent au cœur du débat, in: Le Monde, 6.11.1998, and Taking Sachertorte, while wars rage, in: The Economist, 7.11.1998.

¹⁴This frank assessment is taken from confidential minutes of a meeting of the 14 ambassadors of the EU member states in Vienna, parts of which were published by Otmar Lahodynsky, "Angst vor Fehlern", in: profil, no. 3, 8.1.1999.

of the Austrian federal administration. In contrast to Germany, the Austrian Federal Chancellor (the Prime Minister) has no coordination powers; the ministers are formally only responsible to Parliament. The coordination of policies is usually organized in a political manner, since the party chairman of the ruling party is normally the Head of Government. A government with two partners of similar strength, as in a Grand Coalition, therefore entails problems for the management of government activities, in addition to the ideological conflicts.

5 THE MEASURES AGAINST THE NEW GOVERNMENT IN 2000

EU accession was *the* success of the Grand Coalition government. But the quarreling among the two ruling parties and especially their often futile attempts at consolidating the federal budget strengthened the opposition, in particular the FPÖ with its outspoken chairman, Jörg Haider. In the parliamentary elections of October 1999, the Social Democrats lost heavily and received only 33.2 percent of the vote. The ÖVP and the FPÖ both got 26.9 percent and the Greens 7.4 percent. After long and tortuous discussions among all parties, the ÖVP finally agreed on a coalition with the FPÖ; Wolfgang Schüssel (ÖVP) was nominated as Chancellor, although the ÖVP had received 415 votes less than the FPÖ in the elections; Jörg Haider did not join the government and remained as Governor of Carinthia. Even before the new ÖVP-FPÖ coalition was formed, Austria came under pressure by its partners in the EU. Many politicians and commentators in the EU member states and beyond regarded the FPÖ as an extreme right-wing, neo-Nazi party, an accusation widely rejected in Austria.¹⁵

On 31 January 2000, the Portuguese EU Presidency announced the measures 14 EU countries would take should the FPÖ join the Austrian government. This threat was ineffective and therefore the measures were implemented: The governments of the 14 member states abstained from bilateral contacts with the Austrian officials, they did not support Austrian candidates seeking positions in international organizations and the Austrian ambassadors in EU capitals were only received at a technical level.

The main criticism of the FPÖ seems to have been based on statements by its leader, Jörg Haider, who had once commended the employment policy of the Nazis and strongly opposed the immigration of foreigners.¹⁶ The measures of the EU-14 could not be based on EU law since the conditions of Article 7 in the Treaty on European Union (“existence of a serious and persistent breach” of EU principles in deeds, not in verbal statements) were clearly non-existent. Therefore, the EU-14 introduced these measures

¹⁵See e.g. the statement of the Speaker of the Austrian Parliament (*Nationalrat*), Heinz Fischer (SPÖ), maintaining that “there is no neo-Nazi party in the Austrian Parliament, since the Austrian Constitution and Austrian laws would prohibit that; the same holds true for the government”, quoted from *Konfusion über die Sanktionen gegen Österreich. Mögliches Ausstiegsszenario der EU-Vierzehn als Totgeburt?*, in: *Neue Zürcher Zeitung*, 29.6.2000, translation Paul Luif.

¹⁶In January 2003, 9.3 percent of the Austrian population were foreigners; it was the highest percentage among EU member states after Luxembourg; *Statistisches Jahrbuch Österreichs* 2005, p. 520.

(soon called “sanctions”) for their *bilateral* relations with Austria; nevertheless, the Portuguese EU Presidency published them on the Presidency’s homepage.

There seems to have been a convergence of interests for this unusual behavior by the 14 governments. The Portuguese Prime Minister António Guterres was at the same time the President of the Socialist International. Most of the EU countries had social democratic (led) governments. The new Austrian government and others which might follow would clearly weaken the position of the Social Democrats in Europe. The conservative French President Jacques Chirac and the liberal Belgian Foreign Minister Louis Michel feared that the Austrian example would damage their policy of putting a “*cordon sanitaire*” of non-cooperation around the extreme rightwing parties in their respective countries.

In practice, the measures against Austria and Austrians extended far beyond the points mentioned in the statement of the EU-14. Foreign Minister Louis Michel even recommended to his fellow Belgians “*de ne pas aller skier en Autriche. Je pense que ce n’est pas moral [do not go skiing in Austria. I think that this is immoral]*”.¹⁷ This advice and also the very critical reports in the French media probably led to a reduction in tourist visits from these countries to Austria.¹⁸ Cultural, media and scientific contacts between Austria and other EU countries (in particular Belgium and France) were stopped or reduced for several months. Austrian schoolchildren who had exchange programs with French, Belgian and Portuguese schools were told not to come.¹⁹ There were even reports of Austrians being attacked in EU countries.²⁰

During the first weeks of the bilateral sanctions, the representatives of the Austrian government had to endure various “humiliations” by their colleagues at EU meetings. Ministers from the EU-14 who used to be on friendly terms with their Austrian counterparts suddenly refused to shake hands with them, French and Belgian ministers left the room when Austrian ministers spoke.

¹⁷Fabrice Voogt, “Louis Michel n’ira pas skier dans le Tyrol...”, in: *Le Soir*, 3.2.2000. It took Michel more than three weeks to realize that he had “commis une maladresse, presque une faute de goût”, see *La Libre Belgique*, 28.2.2000.

¹⁸According to statistics of Austrian tourism between May and July 2000 the visits from French and Belgians declined by 17 percent and 14 percent respectively compared to the year before; see *Die Presse*, 26.8.2000.

¹⁹Pascal Martin, “L’art et la science autrichiens, victimes collatérales,” in: *Le Soir*, 23.5.2000.

²⁰See *Neue Zürcher Zeitung*, 16.9.2000.

If the aim of the EU-14 measures was to topple the ÖVP-FPÖ government,²¹ they simply were not effective. Surveys showed that these measures were very unpopular at practically all levels of Austrian society. Asked about the “sanctions” in a public opinion poll in March 2000, 66 percent of Austrians said that they were “outraged”, only 24 percent showed an “understanding” for the measures of the EU-14.²²

The futility of the actions of the EU-14 made some (mostly smaller) EU countries, which had only reluctantly supported the measures in the first place, call for a termination of the “sanctions”. In particular, the Danish government pleaded for a cessation since the measures threatened to lend support to the opposition in the upcoming referendum on the introduction of the euro in Denmark.

The Portuguese government whose EU Presidency had suffered under the quarrels on the Austrian case, finally succeeded in putting together a possible scenario for ending the EU-14 measures. It found “outside help” by asking the President of the European Court of Human Rights, the Swiss Luzius Wildhaber, to appoint a three-man panel to assess Austria’s human rights record. Luzius Wildhaber only accepted this mandate under the condition that the Austrian government would consent to the appointment of the “three wise men” by him. The Austrians agreed to this procedure; it was the first time they were at least indirectly involved in a decision of the EU-14 concerning their government. No time frame was laid down by the EU-14 but Wildhaber recommended to the wise men that they “should deliver their report as quickly as at all possible”.²³

The conclusions of the “three wise men” concerning the Austrian government, delivered in September 2000, were unambiguous:

[B]ased on a thorough examination, it is our considered view that the Austrian Government is committed to the common European values. The Austrian Government’s respect in particular for the rights of minorities, refugees and immigrants is not inferior to that of the other European Union Member States. The legal situation in the three mentioned areas is well up to the standards applied in other EU Member States. In some areas, particularly concerning the rights of national minorities, Austrian standards can be considered to be higher than those applied in many other EU countries.

²¹This (essentially undemocratic) goal was openly declared by Foreign Minister Michel, see Louis Michel, “‘Je veux faire tomber l’actuel gouvernement autrichien, en tout humilité’. L’interview de Pascal Vrebos”, in: *Le Journal du mardi*, No. 40, 29.2.–6.3.2000.

²²Phone poll Nr. A38 of the Sozialwissenschaftlichen Studiengesellschaft, 17.–25.3.2000, N=998.

²³The quote from Wildhaber’s letter to the EU Presidency is from the *Neue Zürcher Zeitung*, 30.6.2000.

Concerning the evolution of the political nature of the FPÖ, the report was critical:

There are reasons why the description of the FPÖ as a right wing populist party with radical elements appears to be still correct.²⁴

In describing the FPÖ as a basically “populist” party, the three wise men seemingly adhered more to the opinion of the social scientists who had regarded the FPÖ as a populist party rather than an extreme rightwing or (neo) Nazi party.²⁵

The EU-14 were unable to reach a consensus on a conditional suspension of the “sanctions” and a monitoring of Austria’s government as French and Belgian politicians wanted. Instead, in the evening of 12 September 2000, the EU-14 agreed on an unconditional end to the measures imposed on 3 February. “This is a big success for Austria” was the comment of Chancellor Wolfgang Schüssel (ÖVP); Vice-Chancellor Susanne Riess-Passer (FPÖ) spoke about a “victory of reason”.²⁶ Less levelheaded was Jörg Haider, who had already called the French President Jacques Chirac a “pocket-sized Napoleon”, speaking now of Chirac’s “Waterloo”.²⁷ The Report by the three wise men was widely regarded as a “clean bill of health on human rights”²⁸ for the Austrian government.

The EU Commission President Romano Prodi had become increasingly critical of the EU-14; after the lifting of the “sanctions” he said “this will never happen again.” The EU would have to accept governments of member states as long as they did not violate the rules of democracy.²⁹ While the measures by the EU-14 were to start with widely seen as an important indicator for the development of a “European public”, scientific publications after the end of the “sanctions” episode expressed more skeptical views.³⁰

²⁴Martti Ahtisaari, Jochen Frowein and Marcelino Oreja, Report, Adopted in Paris on 8 September 2000, mimeo, both quotes on p. 32.

²⁵See e.g. Yves Mény/Yves Surel, *Par le peuple, pour le peuple. Le populisme et les démocraties*, Paris: Fayard, 2000.

²⁶Joëlle Stolz, “Wolfgang Schüssel triomphe, mais se prépare à une nouvelle partie de poker,” in: *Le Monde*, 14.9.2000.

²⁷Jacques Le Rider, “Quand l’Autriche haidérisée sanctionne l’Europe,” in: *Le Monde*, 17.9.2000.

²⁸These were the words of an editorial comment in the *Financial Times*, 12.9.2001.

²⁹See *Neue Zürcher Zeitung*, 18.9.2000.

³⁰E.g. Michael Merlingen/Cas Mudde/Ulrich Sedelmeier, “The Right and the Righteous? European Norms, Domestic Politics and the Sanctions Against Austria,” in: *Journal of Common Market Studies*, Vol. 39, No. 1 (March 2001), pp. 59–77. A more positive note on the “sanctions” comes from Rebecka Ulfsgard, *Norm Consolidation in the European Union: The EU14-Austria Crisis in 2000*, Växjö: Växjö University Press, 2005.

This “sanction” episode had serious repercussions in Austria. As can be seen in Graph 1 on page 46, in the run-up to the Austrian EU Presidency the Austrians increasingly regarded EU membership as beneficial. With the measures of the EU-14, the attitude became strongly negative in spring 2000. The view of the Austrians then became more positive again, only to see fewer benefits from EU membership since spring 2003. In 2005, Austrians had a more negative view of the EU than the Finns, but still saw the EU in a more positive light than the Swedes. The populations of all three countries have a significantly more negative opinion on the benefits of the EU than the average EU citizen.³¹

The “sanctions” also had an impact on the Austrian political landscape. The representatives of the ÖVP, which used to be the “party of Europe”, became less enthusiastic about European integration. A case in point was Foreign Minister Benita Ferrero-Waldner. In 1998, when she still was State Secretary under Foreign Minister Schüssel, she was in favor of Europe developing into a federal state.³² When Wolfgang Schüssel became Chancellor as head of the ÖVP-FPÖ government, Ferrero-Waldner was appointed Foreign Minister. The experience with the EU-14 measures convinced her that the idea of a European federal state was “dead”. The EU would remain a “union of sovereign states”.³³

As a historical irony, in 2004 Ferrero-Waldner became the Commissioner for External Relations and European Neighborhood Policy in the Barroso Commission. Her external relations portfolio was meant to be only for a transitional period, until the position of an EU Foreign Minister had been created by the Constitutional Treaty. The rejection of the Constitution by the French and Dutch has made her senior position in the Barroso Commission more permanent. A member of the same Commission is also the former Belgian Foreign Minister Louis Michel, but as Commissioner for Development and Humanitarian Aid he has a more junior status compared to Ferrero-Waldner. In matters like EU development assistance, both commissioners have to cooperate very closely.

³¹The skeptical Austrian view of the EU was the fault of the EU-14 measures, the former German Minister for the Environment (from the Green Party) explained; see EU-Skepsis in Österreich: Für Trittin sind “Sanktionen schuld”, in: Der Standard, 13.3.2006.

³²Europa braucht einen Präsidenten, in: profil, no. 35, 24.8.1998, p. 18.

³³“Bundesstaat tot”, in: profil, no. 51, 18.12.2000, pp. 42/43.

6 THE POLICIES OF THE ÖVP-FPÖ GOVERNMENT

As could have been expected, the FPÖ was not able to continue with its populist stances in government. After the end of the “sanctions” and with the outside pressures gone, the government and in particular the FPÖ ended up in trouble. The internal quarrels within the FPÖ – its ministers inside the government opting for more “rational” policies, Jörg Haider as an outsider pushing for more “populist” policies like reducing taxes and maintaining a critical policy toward the EU – led to a temporary end of the ÖVP-FPÖ coalition and general elections in November 2002.

In the election campaign, the opposition (SPÖ and Greens) criticized the austerity measures of the government, which in 2001 had achieved a budget surplus for the first time in decades. The FPÖ tried to gain the EU critical vote. The ÖVP put the personality of Wolfgang Schüssel at the center of its campaign and both ÖVP and FPÖ warned about a red-green experiment which had brought negative results for Germany. The popular Finance Minister Karl-Heinz Grasser left the FPÖ during the campaign and promised to participate in a future government led by the ÖVP. Grasser came under pressure from the EU Commission where data suggested that in spite of all the savings the national deficit would rise again to 1.8 percent in 2002. Grasser “guaranteed” that the deficit would be no more than 1.3 percent.³⁴

The results of the general elections in November 2002 were a great surprise. The ÖVP received 42.3 percent of the votes cast, an increase of more than 15 percentage points. For the first time in an Austrian parliamentary election since 1966, the ÖVP surpassed the SPÖ, which also increased its voting share, but only to 36.5 percent. The big loser was the FPÖ, which was reduced to 10.0 percent. The Greens obtained only slightly less, 9.5 percent of all the votes cast. The risky strategy of 2000 had paid off in the end for Schüssel and the ÖVP. Negotiations on a new government first started between the ÖVP and the SPÖ. When they proved futile, the ÖVP talked with the Greens and then with the FPÖ. The outcome of these talks was a renewal of the ÖVP-FPÖ coalition in February 2003, albeit with a much weaker position of the FPÖ in the government.

The new government soon had to tackle various EU issues. During the negotiations for a Constitutional Treaty, Austria led the group of like-mind-

³⁴In the end, the deficit was only 0.6 percent; the forecast of the Commission was wide off the mark. For further information see Paul Luif, Österreich, in: Werner Weidenfeld/Wolfgang Wessels (eds.), *Jahrbuch der Europäischen Integration 2002/2003*, Bonn: Europa Union Verlag, 2003, pp. 381–386.

ed small and medium-sized countries which tried to defend their interests against the major EU member states. The group was only partially successful.³⁵ In spite of the negative referenda in France and Denmark, Austria ratified the Constitutional Treaty, without a referendum, in June 2005. The enlargement of the EU with the countries of Central and Eastern Europe proved controversial. The FPÖ was rather critical about the accession of the Czech Republic, since the Czechs refused to abolish the so-called “Beneš Decrees”, which condoned the atrocities of the Czechs against German speaking people after World War II. The ÖVP-led government also came under pressure from citizen action groups demanding the closure of nuclear power plants in the acceding states, again in particular in the Czech Republic. Despite these demands, parliament ratified the enlargement treaties with large majorities in December 2003.

A longstanding complaint of Austria has been the transit traffic, in particular the traffic of heavy lorries through the Alps. A Transit Traffic Agreement, signed in connection with the European Economic Area Agreement in 1992 alleviated at least part of the Austrian grievances. The Accession Treaty limited the duration of the Transit Traffic Agreement until the end of 2003 since it was regarded as a hindrance to the free flow of traffic through the EU. The Austrians expected that by that date the EU would itself have become more responsive to the problems of road traffic and would allow the restrictive Austrian measures to be extended indefinitely. But this was not the case. Lengthy negotiations brought only negative surprises for the Austrians, e.g. the European Parliament voting against strict measures for heavy lorry traffic and the German Greens not supporting Austria. The compromise arrived at in late 2003 was regarded as completely useless by Austria since it would not stop any trucks wanting to cross Austria. Austria was simply outvoted in the Council and in the European Parliament.

In May 2004 the Austrian Finance Minister Grassler called for an abolition of voting rights for the EU countries that had breached the 3 percent deficit threshold of the Stability and Growth Pact. This brought Austria in direct conflict with one of the notorious offenders, Germany.³⁶ The German

³⁵See Hannes Farnleitner (ed.), *Unser Europa – gemeinsam stärker. Die Kooperation der Klein- und Mittelstaaten im EU-Konvent*, Vienna: MMC Media Med Consulting, 2004 (this book about the cooperation of small and medium-sized countries during the Convention includes all contributions in German and English).

³⁶Grassler's demand was regarded as “audacious” by the Germans, see Ulrich Schäfer, Zoff um die Minuszeichen: „Deutschland soll EU-Stimmrecht verlieren“, in: *Süddeutsche Zeitung*, 27.5.2004.

side also complained when Austria, in preparation for the EU enlargement in 2004, reduced its corporation tax from 34 to 25 percent. German companies, in particular from Bavaria, saw this reduction as an incentive to move to Austria.

In Austria, every student who graduates from high school/upper secondary school (“Gymnasium”) can go to any Austrian university and study the subject of his choosing.³⁷ In addition, tuition fees are very low at the mostly public universities. Previously, students from other EU countries were only accepted, if they could prove that they were entitled to study the particular subject in their home country. This helped to stop German students who were not eligible to study e.g. medicine in Germany to come to Austria. On 7 July 2005, the European Court of Justice decided that students from other EU countries have the same right to study in Austria as Austrian students. All German students were now able to study e.g. medicine in Austria, even if they had not been accepted by a German university. Immediately thousands of German students registered at Austrian universities. Austria had to introduce limits or entrance exams for several university studies like human medicine and veterinary medicine.³⁸

One of the most sensitive issues for the Austrian government has been the EU’s relations with Turkey. The FPÖ strongly opposed the start of membership negotiations with Turkey. A similar position was taken by the SPÖ,³⁹ the Greens supporting the start of the negotiations. Among the Austrian population, Turkish EU membership is supported only by a small minority.⁴⁰ Thus, the senior government party, the ÖVP, had to act rather carefully, although it was basically in favor of the start of negotiations. Chancellor Schüssel had already been instrumental in reaching a consensus on Turkish accession negotiations in the European Parliament’s largest political group, the centre-right European People’s Party (EPP) of which the ÖVP is a member. On 16 December 2004 the EPP party leaders agreed “that negotiations can be put on hold, suspended or broken off if serious problems arise regarding the Union’s fundamental values” and that “the accession negotiations are an open-ended process; the outcome cannot be

³⁷There are a few subjects where high school graduates/upper secondary school leavers would have to pass an entrance exam, like sports and music.

³⁸Erich Witzmann, Österreich: Freier Hochschulzugang gekippt, in: Die Presse, 8.7.2005.

³⁹The SPÖ in Vienna supported the start of membership negotiations with Turkey since a large number of Austrians of Turkish descent live there.

⁴⁰The Eurbarometer survey in the autumn of 2005 showed that only 11 percent of Austrians were in favor of Turkey becoming a part of the European Union in the future, 80 percent opposed it; the data for the EU-25 was 31 percent in favor and 55 percent against membership.

guaranteed before-hand”.⁴¹ The following European Council (16/17 December 2004) then programmed the opening of the accession negotiations with Turkey by requesting the Council to agree on a framework for negotiations with a view to open negotiations by 3 October 2005.

The rejection of the EU Constitutional Treaty in France and the Netherlands by popular vote in May/June 2005 changed the political landscape in the EU, at least according to Austrian officials. Therefore, Austria wanted the concerns of its population (and the populations of other EU countries) to be clearly expressed in the framework of the negotiations. In spite of the strong opposition it succeeded in getting a reference to the absorption capacity of the EU and to a fair financial burden sharing among EU member states at the Council meeting on 3 October 2005.⁴² At the same meeting, the start of accession negotiations with Croatia, for which Austria had strongly lobbied was decided as well.

Although Austria accepted the start of the accession negotiations with Turkey and Chancellor Schüssel maintained that he had always supported membership negotiations with Turkey,⁴³ media in the EU and the US accused Austria of racism, in almost a replay of the “sanctions” affair of 2000. An editorial in the Wall Street Journal called Austria’s elite “racist” and “ignorant”.⁴⁴ The New York Times wrote about Austria’s “shoddy gambit on Turkey”.⁴⁵ Emma Brockes in the Guardian argued that you did not have to “guess which EU nation was holding up talks on Turkey’s accession to the Union”. According to her, Austria was the “land of Edelweiss and yodelling and the greatest enthusiasm for far-right politics in western Europe”. It was a land in which “one can scarcely open a cupboard without stumbling across an old Nazi in hiding”.⁴⁶ The Turkish newspaper Hurriyet discreetly displayed on an inside page the front page it had prepared in the event that, according to Hurriyet, Austria had prevailed in its attempt to deny Turkey full EU membership. The mock-up featured a giant photo of Adolf Hitler throwing a straight-arm salute. “The Same Spirit,” the headline read.⁴⁷ Strangely enough, some of the journalists accusing

⁴¹Richard Carter, Centre-right says “yes” to talks with Turkey, EU-Observer, 16.12.2004 [Internet: <http://euobserver.com/?aid=18031&rk=1>].

⁴²According to background information from the Austrian Foreign Ministry.

⁴³See e.g. „300 Sprachen und 500 Dialekte – das ist mein Europa“. Interview mit dem künftigen Ratspräsidenten der EU, in: Süddeutsche Zeitung, 31.12.2005.

⁴⁴Quoted from Wolfgang Böhm, Neuauflage des Sanktions-Mythos, in: Die Presse, 7.10.2005.

⁴⁵Austria’s Shoddy Gambit on Turkey. Editorial, in: New York Times, 6.10.2005.

⁴⁶Emma Brockes, The question: What is Austria’s problem?, in: The Guardian, 4.10.2005.

⁴⁷Karl Vick, E.U. Bid Keeps Turkey on Path of Reform. Goal Is Distant, But Pressure Isn’t, in: Washington Post, 5.10.2005.

Austria of racism and extremism displayed a considerable amount of these vices themselves. Analysts feared that these old, and newer, resentments could seriously burden Austria's Presidency.⁴⁸

While Austria's external image on Islam-related issues was dented by its position on Turkey, the domestic reality was widely regarded as being more positive. Austria's 200 000-strong Turkish community is well integrated, with few of the resentments that led to the riots in Paris, for instance. Austria is the only EU country in which Islam is an officially recognized religion; this status already dates back to the Austro-Hungarian Monarchy.⁴⁹ Although it is Sweden, Denmark and Finland that regularly capture headlines about economic reform in the EU, Austria has also made its economy more dynamic and its welfare state more sustainable. It combines low unemployment, labor market flexibility and respectable economic growth with social equality.⁵⁰

It was clear that the Austrian EU Presidency might face risks, unforeseen events abroad and problems at home. One of the most important possible problems was solved right at the end of the British Presidency in December 2005: the EU's Financial Perspective for 2007–2013. The compromise, spending 1.045 percent of GNI, went slightly above the wishes of Austria and the other net payers in the Union. In Austria, the budget compromise was condemned by the Social Democrats who had become more critical of the EU. Journalists started to reproach the Social Democrats for their populism.⁵¹ Since Austrians are among the most skeptical EU members, playing on the euroskeptic sensibilities of the general public is quite tempting. So the two American political advisors quoted above found that there would be no better time for the Austrian government to let the enlightened, cosmopolitan spirit of Mozart, whose 250th birthday would be celebrated in early 2006, guide the country in its turn at the EU helm.⁵²

⁴⁸Eric Frey/Haig Simonian, Old resentments may burden EU presidency, in: Financial Times, 25.10.2005.

⁴⁹Donald Bandler/Peter Rashish, Let Mozart's spirit guide Vienna at Europe's helm, in: Financial Times, 29.12.2005. Donald Bandler is senior director and Peter Rashish is European affairs adviser at Kissinger McLarty Associates, the international strategic advisory firm, founded by former Secretary of State Henry Kissinger and Mr. McLarty, who served as President Bill Clinton's chief of staff.

⁵⁰This is the opinion of Bandler/Rashish, note 49.

⁵¹„Ein Eiertanz der Sonderklasse“, in: Der Standard, 7.1.2006.

⁵²Bandler/Rashish, note 49.

7 THE SECOND EU PRESIDENCY

7.1 The Organization of the Presidency

The end of the Grand Coalition government brought also an end to the ideological conflicts between the Chancellery and the Foreign Ministry; since then both have been led by politicians from the ÖVP. Two new laws, from 2000 and 2003, tried to make the competences of the Chancellery and the Foreign Ministry more clear-cut. The Foreign Ministry has been put in charge of the general coordination of EU policy. The Chancellery deals with fundamental EU matters, like the debate on the future of the EU, EU enlargement and the financial perspective. It also prepares the European Councils and scrutinizes the implementation of their decisions. In addition, the Chancellery monitors the implementation of EU law in Austria. This has been important because the federal structure of Austria makes the transformation of EU law into Austrian law, especially concerning EU directives, slow and cumbersome.

Nevertheless, a well-oiled form of cooperation between the Chancellery and the Foreign Ministry is important to further Austria's influence in Brussels. Preparing for the second Austrian EU Presidency, an "Executive Group" for organizational matters was installed again in 2004. A Group of Senior Officials (*Sektionsleitergruppe*) is in charge of the policy coordination of the Presidency. It is headed by one high official from the Chancellery and one from the Foreign Ministry and consists of the officials in charge of the EU departments in the ministries. In addition, a group of five political leaders meets to discuss important political issues, made up of the Chancellor (ÖVP), the Vice-Chancellor (FPÖ), the Foreign Minister (ÖVP), the Minister for Social Affairs (FPÖ) and the State Secretary in the Foreign Ministry.⁵³

The main actor of the Austrian EU Presidency besides Chancellor Schüssel has been Foreign Minister Ursula Plassnik, the "tall blonde" of the Turkish media, who standing 190cm (6ft 3in) tall, overshadows most of her colleagues among the EU's predominantly male corps of foreign ministers. Plassnik is a career diplomat who served as *chef de cabinet* to Wolfgang Schüssel, first during his time as Foreign Minister in the late 1990s, then as Chancellor until 2003. In October 2004, she became Foreign Minister, after Benita Ferrero-Waldner took up her position in the European Commission.

In July 2005 the Austrian Foreign Ministry moved from its cramped quarters in the Federal Chancellery into new offices at the heart of Vienna's

⁵³Background information from the Austrian Chancellery.

government district in the Minoritenplatz. The transfer has allowed the Ministry, which has nearly 600 staff in Vienna and 750 abroad, to consolidate in one location rather than in six separate buildings as before.⁵⁴ The appointment of Hans Winkler, the former head of the Ministry's human rights department, to the position of State Secretary responsible for EU affairs in July 2005 strengthened the decision-making capacity of the Foreign Ministry.

7.2 The Program of the Presidency

The Austrian Presidency has not produced a program – the great effort required to put together a program for the first Presidency was probably a disincentive to do it again. Immediately after the program was presented in 1998, it was already forgotten. This time the Austrian Presidency based its activities on two documents. The first was the “Multiannual Strategic Program” which was prepared jointly by the six presidencies which assumed stewardship for the EU Council in the period 2004 to 2006.⁵⁵ It was adopted by the European Council in December 2003. Since Austria took over the Presidency towards the end of this three-year period, this Multiannual Program has had little relevance to the execution of the Presidency.

Of higher relevance has been the “Operational Program of the Council for 2006” submitted by the incoming Austrian and Finnish Presidencies.⁵⁶ It was prepared by Austrian and Finnish officials after intensive, sometimes demanding discussions, commencing with a meeting of 50 Austrian and 50 Finnish civil servants in Vienna in April 2005. The Council Secretariat was involved in the preparation of the Operational Program as well. In the Program the two Presidencies stated that they “will work closely together in order to ensure that the work of the Council during 2006 contributes to economic and social welfare, protection of environment, freedom and security of European citizens as well as strengthening the role of the Union within the world.”

In his speech to the European Parliament, Chancellor Schüssel announced the more concrete aspirations of the Austrian Presidency. For him, the “sound of Europe is not a solo instrument but an orchestra”. The Austrian Presidency, to surmount the difficult phase of the EU in 2005, wishes to increase “public confidence in the EU, the mutual trust among Member States and their confidence in the Union and the trust among the institu-

⁵⁴Haig Simonian, Ursula Plassnik: Standing out in a murky political climate, in: Financial Times, 25.10.2005.

⁵⁵Council of the European Union, Brussels, 8 December 2003, 15896/03, POLGEN 85.

⁵⁶Council of the European Union, Brussels, 22 December 2005, 16065/05, POLGEN 51.

tions". No politician can "promise employment", but Schüssel stressed the importance of growth and jobs to decrease the "unease felt about Europe". Here, the central issue is the "promotion of small and medium-sized enterprises", which are the "only real engine for job creation in Europe". Taking the experience of Austria, he stressed the importance of the European social partners.

Schüssel also touched on a controversial issue in his speech: "Europe needs more self-financing". The EU should tax "short-term financial speculation" as well as "air or ship transport". During the period of reflection on the European Constitution, the Austrian Chancellor proposed a wide-ranging debate, but not an "elite discussion". As a true Christian Democrat, he emphasized the notion of subsidiarity: "Europe must hand over the small tasks so that her hands are free for the big tasks". Finally, the discussion on the Constitution is also a debate about the "European way of life". Schüssel urged the Europeans to see their way of life with pride, since "peace, democracy and solidarity are not self-evident and come at a price".⁵⁷

7.3 The Start of the Presidency

2006 opened with the traditional New Year Concert at the "Musikverein" in Vienna. The moment this year's conductor, the Latvian Mariss Jansons took up the baton, Russia's natural gas giant, Gazprom, cut the gas supplies to the Ukraine, first by 30 percent, then by 50 percent. The Austrian Economy Minister Martin Bartenstein had the task of finding a solution together with the Ukrainian, Russian and European partners.⁵⁸ The deal imposed an almost fivefold increase in the price of gas paid to Gazprom by the Ukraine. But, after mixing in gas supplies from the central Asian states of Turkmenistan and Kazakhstan, the price for the Ukraine only doubled. Russian and central Asian gas was to be delivered through an intermediary, RosUkrEnergo, a joint venture between the banking arm of Gazprom and Raiffeisenbank of Austria. Raiffeisenbank held the stakes on behalf of unidentified ultimate owners.⁵⁹

⁵⁷ All quotes from the Speech in the European Parliament by the President of the European Council, Federal Chancellor Wolfgang Schüssel. Presentation of the Austrian Presidency's programme, 18.1.2006 [Internet: http://www.eu2006.at/en/News/Speeches_Interviews/1801schuesselredeep.html].

⁵⁸ As Wolfgang Schüssel told the story in his speech at the European Parliament, see note 57.

⁵⁹ At the end of April 2006 it was revealed that 50 per cent of RosUkrEnergo is owned by Gazprom. The other 50 per cent is controlled by Centragas Holding, a company in which Dmytro Firtash, a secretive 40-year-old Ukrainian businessman has a 90 per cent stake; see Stefan Wagstyl/Tom Warner, Gazprom's secretive Ukrainian partner tells of lone struggle to build business, in: Financial Times, 28.4.2006.

Austria's Presidency also started with internal turbulence. A project group, called "25 Peaces", funded by the government, had commissioned posters from 75 artists from the 25 EU states. These posters were put on billboards just days before the start of the Presidency. A public outcry followed as two of these pictures were regarded as "pornographic".⁶⁰ The Catholic Church, the SPÖ, the FPÖ and the "Kronen Zeitung" demanded the removal of these billboards. The two artists responsible for the posters finally took them off. The Social Democrats criticized the government for spending money on these "porn posters".⁶¹

7.4 The Sound of Europe

The first major event of the Austrian Presidency was the "Sound of Europe" summit in Salzburg, neatly coinciding with a gala concert celebrating the 250th anniversary of Mozart's birth (27/28 January 2006). More than 300 high-ranking politicians, intellectuals and artists, including four EU government leaders and two presidents, were invited to Salzburg to discuss the future of Europe. The French Prime Minister Dominique de Villepin, in a keynote speech identified a "deep crisis" in the EU, a "crisis of legitimacy" as well as an "identity crisis." The Dutch Prime Minister Jan Peter Balkenende was more upbeat, rejecting the notion of a crisis. He indicated that the EU should refrain from "abstract" institutional talk and "show concrete results and solutions" instead.

The Austrian and Finnish leaders echoed this call for pragmatism, with the Austrian Chancellor Wolfgang Schüssel pledging a move "away from the grand phrases to concrete experiences." Commission President Jose Manuel Barroso renewed his call for a focus on "growth and jobs". He urged EU leaders not to create "new cleavages" over the Constitution. However, Javier Solana, the EU's foreign policy chief, warned against the emergence of two opposing camps. Some "people want tangible results first, and others want the Constitution first." He called for "legitimacy through action" and a "result-oriented" pragmatism, but he added "surely we can better deliver with a Constitution."

The leader of the Austrian Social Democrats, Alfred Gusenbauer termed the event as an "elitist, absurd theatre," and organized an alternative gath-

⁶⁰One picture showed three naked models masked as Jacques Chirac, Queen Elizabeth and George W. Bush depicted in sexual positions, the other the lower body of a woman with her legs spread and wearing EU-flagged underwear; Lisbeth Kirk, EU sex-posters spark protests in Austria, EU-Observer, 29.12.2005 [Internet: <http://euobserver.com/?aid=20612&rk=1>].

⁶¹Erregter Streit um EU-Pornoplakate in Österreich. Künstler ziehen Werke zurück, in: NZZ Online, 29.12.2005.

ering with citizens and NGOs at a European Socialist meeting in Dublin instead.⁶² The Salzburg event was competing with the concurrent World Economic Forum in Davos. On the cultural field Salzburg beat Davos hands down – Mozart’s 250th birthday was honored with a concert featuring Riccardo Muti conducting the Vienna Philharmonic and a surprise stand-in appearance by star singer Cecilia Bartoli.⁶³

The “Sound of Europe” event was typical for the state of the EU in early 2006. The continent’s political, cultural and academic elite were present and ordinary citizens were absent. There was agreement among the 300 privileged participants that the “No” votes in France and the Netherlands highlighted a gulf between the people and the EU and the need to rediscover the common values behind the European project.⁶⁴ But they were divided about the concrete answers to the EU’s problems. The Austrian Presidency could offer a nice venue and great music which can help to create an atmosphere conducive of finding a way out of the conundrum. But small countries normally lack the power of leadership to impose a solution.

7.5 The Reduced-Rate Value Added Tax and the Services Directive

14 EU Presidencies did not succeed in finding a compromise on the reduced rate for value added tax (VAT). At the end of January 2006, 22 Finance Ministers backed the extension until 2010 of a scheme for reduced rates of VAT on five services: home renovations (the most significant), domestic care, window cleaning, hairdressing and small repairs to clothes and bicycles. Poland, Cyprus and the Czech Republic wanted a broader list of exemptions. The Cypriots and Czechs lifted their vetoes, but Poland held out.

Poland argued that it was not fair that “old” member states could extend the existing sales tax derogations from the EU minimum rate of 15 percent until 2010 and also keep several permanent exemptions, while the “new” countries could not prolong their VAT holidays. The Austrian Finance Minister Karl-Heinz Grasser subsequently held talks in Vienna with his Polish counterpart Zyta Gilowska and EU Tax Commissioner László

⁶²All quotes are from Mark Beunderman, EU leaders seek legitimacy through action at “elitist” event, EU-Observer, 30.1.2006 [Internet: <http://euobserver.com/?aid=20797&rk=1>].

⁶³Haig Simonian/George Parker, Hills are alive to the sound of Mozart. Observer from Salzburg, in: Financial Times, 30.1.2006.

⁶⁴George Parker/Haig Simonian, Leaders sing praises of “European project”, in: Financial Times, 30.1.2006.

Kovacs on 1 February 2006. Poland's Finance Minister won assurances that her country could continue to charge less than the European Union's standard minimum of 15 per cent for new housing indefinitely as part of its "social policy". The European Commission would apply a generous definition of "social housing", giving a wide-ranging tax break to construction work on the rebuilding of the country's low-quality housing stock. With this incentive, Poland finally lifted its veto. The outcome of the negotiations in Vienna was, according to Commissioner László Kovacs, a "balanced compromise", whereas Minister Grasser even called it "a victory for Europe".⁶⁵

The Services Directive was first presented to the European Parliament and Council in March 2004 by the European Commission; it has been also known as the "Bolkestein Directive" – from the name of the Commissioner responsible for the Internal Market at the time. The initial Directive aimed at removing national barriers to cross-border services by allowing firms to offer their services across the EU according to rules valid in their home country.

The European Parliament, in a first reading vote on 16 February 2006, removed the so-called "country of origin" principle and replaced it by a wording that stated that member states must allow foreign companies in, but they can keep "necessary" restrictions as part of their public policy. This compromise was based on an agreement by the two largest parties in the European Parliament, the European People's Party and the European Socialists. Austria's Economic Minister, Martin Bartenstein, welcomed this compromise and Austria has since then pushed to get it accepted by its fellow member states in the Council. But there still exists opposition from the new members in Central and Eastern Europe (but also e.g. Luxembourg); they want to maintain the "country of origin" principle.

7.6 The Brussels European Council, 23/24 March 2006

Every Spring European Council is used to debate economic issues, the so-called "Lisbon Strategy". At the invitation of the Austrian Presidency the heads of the European social partners, Ernest-Antoine Seillière, President of UNICE (Union des Industries de la Communauté européenne) and Cán-

⁶⁵See George Parker/Stefan Wagstyl, Poland lifts veto over new sales tax regime, *Financial Times*, 2.2.2006, and Lucia Kubosova, EU clears up VAT holiday row, *EU-Observer*, 2.2.2006 [Internet: <http://euobserver.com/?aid=20817&rk=1>], and Philippe Ricard, La levée du blocage polonais permet le maintien des taux de TVA à 5,5%, in: *Le Monde*, 3.2.2006.

dido Méndez Rodríguez, President of the ETUC (European Trade Union Confederation), spoke at the summit meeting.⁶⁶

The German Chancellor Angela Merkel was asked by Wolfgang Schäussel to give the keynote speech. “We can only have an internal market when electricity flows freely and when we accept European champions and don’t just think nationally,” she said at the start of the meeting, hinting at the conflicts with France and Spain on obstructing the merger of their countries’ energy companies with foreign firms. In her statement Merkel also opposed any new competencies for Brussels.

The Austrians succeeded in steering clear of a row about protectionism at the Summit. Instead, Chancellor Schäussel pushed to put concrete figures into the Presidency Conclusions.⁶⁷ One EU ambassador called Schäussel’s attempt as “childish”.⁶⁸ The Danish Prime Minister Rasmussen wanted to meet the goals already decided upon rather than set new goals.⁶⁹ Still, Austria’s proposals were finally accepted. Point 36 of the Conclusions called for “an increase in European employment of at least 2 million jobs yearly until 2010”. Point 38 is even more explicit:

By the end of 2007 every young person who has left school and is unemployed should be offered a job, apprenticeship, additional training or other employability measure within six months, and within no more than 4 months by 2010.

Austria achieved an emphasis on “a more favorable business environment, especially for small and medium-sized enterprises (SMEs)” (Point 27). Drawing on Austrian experience, the Presidency Conclusions demanded that member states should “considerably reduce the average time for setting up a business, especially an SME, with the objective of being able to do this within one week anywhere in the EU by the end of 2007” (Point 30).

The Summit called for an effective “Energy Policy for Europe” which should fulfill “in a balanced way the three objectives of security of supply, competitiveness and environmental sustainability” (Point 44). The European Council also invited the Commission and the High Representative of

⁶⁶Since Ernest-Antoine Seillière, a Frenchman, spoke in English, the French President Jacques Chirac, Foreign Minister Philippe Douste-Blazy and Finance Minister Thierry Breton left the room to protest against the use of English. See Chirac verlässt aus Protest den Saal, in: *diepresse.com*, 24.3.2006.

⁶⁷Brussels European Council, 23/24 March 2006, Presidency Conclusions.

⁶⁸George Parker/Jan Cienski, Yawning gap between promises and reality, in: *Financial Times*, 24.3.2006.

⁶⁹EU: Grundstein für Energiestrategie gelegt, in: *diepresse.com*, 24.3.2006.

the CFSP to work closely together on the important issue of “external energy relations” (Point 48).

In Point 57 the Presidency Conclusions suggested that the Commission should base the amended proposal for the Services Directive on the outcome of the European Parliament’s first reading. This was also very much in line with the Austrian intentions. A rather sensitive question for Austria has been nuclear energy. Here the Conclusions spoke of the “future role of nuclear energy in the EU for Member States which wish to pursue this option” (Point 30). Chancellor Schüssel immediately stressed that no country could be forced to use nuclear energy.⁷⁰

7.7 EU Foreign Policy

Most of the foreign policy events of the Austrian Presidency cannot be adequately described here. A few examples should suffice. An early challenge for Austria was the “cartoon crisis”, when Muslims all over the world protested against the cartoons of the Prophet Mohammed that were published in a Danish newspaper. Even the Austrian Embassy in Tehran was firebombed on 6 February 2006. The Austrian Presidency displayed a “wait-and-see” attitude; in Denmark this was criticized for the lack of support for Danish interests.⁷¹ To improve the situation, the Austrian Foreign Minister Ursula Plassnik organized a “Dialogue of Cultures” in Vienna on 16 February 2006. The Danish Foreign Minister Per Stig Møller, the Danish-Lutheran Bishop Steen Skovsgaard, the Grand Mufti of Bosnia-Herzegovina Mustafa Cerić, the Grand Mufti of Syria Ahmad Bader Hasoun, and the President of the Islamic Community in Austria Anas Shakhfeh participated. The dialogue turned out to be rather difficult.⁷²

On 27 February 2006, the General Affairs Council adopted a regulation establishing financial support for the economic development of the Turkish Cypriot community. This represented a breakthrough in a complex dossier after more than one and a half years of negotiations and several failed attempts by previous Presidencies. The decision released 139 million euros for the Turkish Cypriot community, which will be used to improve the economy of the northern part of the island. Intensive discussions with Federal Chancellor Schüssel and Foreign Minister Plassnik during the visit to Vienna by the Cypriot President Papadopoulos played an important part in achieving this solution. According to Foreign Minister Plassnik, this

⁷⁰EU: Grundstein, note 69.

⁷¹Teresa Kuchler/Lisbeth Kirk, Danish politicians disappointed by EU in cartoon row, EU-Observer, 7.2.2006 [Internet: <http://euobserver.com/?aid=20847&rk=1>].

⁷²Thomas Seifert, Karikaturen-Gipfel: Dialog der Kulturen, in: Die Presse, 17.2.2006.

regulation should “bring a clear, tangible benefit for the population in their daily lives”.⁷³

At the informal meeting of the Foreign Ministers (the *Gymnich* meeting) in Salzburg, 10/11 March 2006, the Foreign Ministers from all the Western Balkan states were present. Still, France wanted to avoid any explicit promise on EU membership for these countries. The more explicit wording was seen by Western Balkan diplomats, but also by Austria, as crucial at a time when the EU public is suffering from enlargement fatigue and Brussels is mooted alternatives to membership, such as “privileged partnerships”, for Turkey and the Ukraine.

The final statement confirmed “that the future of the western Balkans lies in the European Union” (Point 2 of the Salzburg Declaration).⁷⁴ It went on that “all [Western Balkans states] have in the last year made significant steps along their road towards the EU, with EU membership as ultimate goal” (Point 3 of the Salzburg Declaration). But Albania, Bosnia and Herzegovina, Croatia, Macedonia and Serbia and Montenegro lost the battle to remove the term “absorption capacity” from the final text. The statement reads: “The EU also notes that its absorption capacity has to be taken into account,” referring to the union’s own capacity to welcome new members (Point 2 of the Salzburg Declaration).⁷⁵ At the end of the Salzburg meeting, Foreign Minister Plassnik maintained that “without the Balkans, European integration would remain a patchwork”.⁷⁶ Leading the West Balkan states into the EU has remained one of the priorities of Austria’s EU policies, in particular during the Presidency.

In December 2005, the EU Council endorsed a “Strategy for the External Dimension of Justice and Home Affairs”.⁷⁷ In order to meet the expectations of EU citizens the member states realized that the EU must have a strategy to respond to the security threats of terrorism, organized crime, corruption and drugs and to the challenge of managing migration flows. In order to be effective in this, the EU needs to work with countries outside

⁷³General Affairs Council regulation on establishing financial support for the economic development of the Turkish Cypriot Community, Brussels, 27-28 February 2006, Press release, http://www.eu2006.at/en/News/Press_Releases/February/2702Cyprus.html.

⁷⁴The Salzburg Declaration, EU/Western Balkans Joint Press Statement, Salzburg, 11.3.2006 [Internet: http://www.eu2006.at/en/News/Press_Releases/March/1103EUWesternBalkansStatement.html].

⁷⁵Mark Beunderman, EU membership goal clarified under Balkan pressure, EU-Observer, 11.3.2006 [Internet: <http://euobserver.com/?aid=21107&rk=1>].

⁷⁶EU-Zukunft für Balkan-Staaten. EU-Aussenminister halten an Erweiterung fest, in: NZZ Online, 12.3.2006.

⁷⁷Council of the European Union, Brussels, 6 December 2005, 15446/05, JAI 488, RELEX 741.

the Community. The geographical location of Austria quite simply compels the country to be active in this field.

Therefore, on the initiative of the Austrian Presidency, a Ministerial Conference was organized on 4/5 May 2006 in Vienna dealing with “The Role of Internal Security in Relations between the EU and its Neighbors”. Ministers and representatives from over 50 countries and international organizations conveyed the increasing role of internal security in external relations. Representatives of neighboring Arab countries were invited to the Conference. In the “Vienna Declaration on Security Partnership”, the Conference expressed the common wish to develop a “Partnership for Security” in order to work towards an enhanced area of freedom, security and justice.⁷⁸ On the periphery of the Vienna Ministerial Conference, representatives from the EU, the Russian Federation and the United States⁷⁹ met on 4 May 2006 in order to discuss a possible future tripartite form of cooperation in the field of justice and home affairs. As an innovation by the Austrians, the EU was represented at this tripartite meeting not by all EU member states or the “Troika”, but by Austria (the Austrian Interior Minister Liese Prokop) and the incoming Presidencies of the EU (Finland, Germany, Slovenia, Portugal)) as well as by Commissioner Franco Frattini and Ivan Bizjak, General Director of the General Secretariat of the Council.⁸⁰ The representatives from Russia and the United States participated as observers at the Internal Security Conference.

One of the biggest international conferences ever organized in Vienna was the EU-Latin American and Caribbean Summit. 60 Heads of State and Government from the EU, including the acceding countries Bulgaria and Romania, and of Latin America and the Caribbean participated at the Summit on 12 May 2006. On 11 May, the Foreign Ministers of these countries held a preparatory meeting, and on 13 May there were a number of subregional meetings of individual countries and subregions of Latin America and the Caribbean with the European Union. The outcome of this mega-event was not very significant. The only concrete result was the promise of the EU and Central American countries to launch negotiations for an association agreement, including the establishment of a free trade area.⁸¹

⁷⁸“Vienna Declaration on Security Partnership”, Vienna, 5.5.2006, text provided by the Austrian Interior Ministry.

⁷⁹Both Russia and the United States were represented by fairly high-level delegations. Russia: Viktor Ivanov, Presidential Aide, Rashid Nurgaliev, Minister of the Interior, and Viktor Komogorow, Deputy Director of the Federal Security Service. USA: Alberto Gonzales, Attorney General, and Michael Jackson, Deputy Secretary of Homeland Security.

⁸⁰Information from the Austrian Interior Ministry.

⁸¹Point 31 of IV EU-LAC Summit (Vienna, Austria, 12 May 2006), Declaration of Vienna.

In February 2006 it was announced that President George W. Bush will participate at the EU-US Summit on 21 June 2006 in Vienna. This will be the first visit of President Bush to Austria. He has already visited neighboring Slovenia and Slovakia.

8 A Midterm Evaluation

In March 2006, Jari Vilen, the Conservative Chairman of the Finnish Parliament's Grand Committee, said that Vienna's stewardship of the Union has so far been "all show".⁸² Austria did organize a number of impressive events, but no real decisions have been made so far. This could bode ill for the Finnish Presidency in the second half of 2006. Vilen thought that the looming general elections in Austria (planned for November 2006) could make the Austrians averse to risk.⁸³

This criticism from Finland is only partly justified. The "showy" events of the Austrian Presidency have been part of the larger efforts to increase trust in the EU, lacking among the EU citizens and in particular among the Austrians. One of these showy events was the "Café d'Europe" where representatives from the EU tried to have discussions with ordinary citizens in coffee houses all over Europe on Europe Day (9 May). In addition, authors from Vaclav Havel, the former Czech President, to the UK's Timothy Garton-Ash wrote a story inspired by Europa, the woman seduced by the god Zeus. Others attending the coffee morning in member-state capitals had the chance of writing their own stories, to be presented to EU leaders in June.⁸⁴

Another media event was the soccer game on 11 May 2006 in Vienna, where several Prime Ministers (including Wolfgang Schäussel and the Turkish Prime Minister Tayyip Erdogan) as well as Commission President José Manuel Barroso and Commissioner Olli Rehn participated. These activities brought the Financial Times to comment that Wolfgang Schäussel, "may not be running the most politically spectacular presidency of the EU, but he is certainly offering a wide variety of social events".⁸⁵

The most difficult question to be tackled by the Austrian Presidency will be the future of the European Constitution. Commission President Barroso and others have warned against member states trying to revive the EU Constitution before other European problems have been solved.⁸⁶ But Austrian Chancellor Schäussel reveals a more positive attitude. He does not "see a better option", since the Constitution is the "most successful attempt" to build on the achievements of 50 years of integration. 16 member states support the constitution with only two French and Dutch rejections.

⁸²Observer: Finn-ger pointing, in: Financial Times, 29.3.2006.

⁸³Finnische Kritik an Österreich, in: Der Standard, 18.3.2006.

⁸⁴Observer: Ode to Europa, in: Financial Times, 27.4.2006.

⁸⁵Observer, Schäussel's soccer diplomacy, in: Financial Times, 20.4.2006.

⁸⁶Renata Goldirova, Other EU problems should come before constitution, says Barroso, EU-Observer, 12.4.2006 [Internet: <http://euobserver.com/9/21372/?rk=1>].

For Schüssel the best way to rebuild public support for the draft EU Constitution is to highlight that it has “enshrined” important values like the “social dimension of Europe”.⁸⁷ According to Foreign Minister Plassnik, the aim of the Austrian Presidency is “to draw up a joint choreography on the constitutional process at the end of these 6 months”⁸⁸

It is always difficult to evaluate a Presidency before the end of its term. In the case of the British Presidency, all the important successes were achieved in the final weeks. The Austrians still have a few challenges ahead. If they continue to manage their Presidency in the same way as in the first months, it could go down in history as one the more positive episodes of European integration. But only the future will tell if it will have succeeded in increasing the citizens’ trust in the Union.

⁸⁷ Andrew Rettman, Austria gives peek into June “constitution summit”, EU-Observer, 9.5.2006 [Internet: <http://euobserver.com/9/21549/?rk=1>].

⁸⁸ Quoted from Europe

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ANNEX

Table 2. Gross Domestic Product at Current
Market Prices per Head of Population
(Purchasing Power Standards, EU-15 = 100)

	Austria	Finland	Sweden	EU-15	USA
1960	101.7	89.9	124.3	100.0	154.1
1965	98.8	90.6	126.6	100.0	149.8
1970	102.1	92.8	122.2	100.0	137.8
1975	108.0	101.0	120.6	100.0	132.7
1980	111.8	101.2	111.5	100.0	132.7
1981	111.5	103.1	111.3	100.0	134.9
1982	112.7	104.9	111.8	100.0	129.8
1983	114.5	105.4	111.9	100.0	132.0
1984	111.9	105.9	114.1	100.0	137.3
1985	112.1	106.5	113.7	100.0	138.0
1986	111.6	105.9	113.7	100.0	137.9
1987	110.4	107.4	114.2	100.0	137.7
1988	109.8	108.0	112.3	100.0	136.8
1989	109.8	109.4	111.2	100.0	136.0
1990	111.3	106.0	108.9	100.0	133.7
1991	112.7	97.4	105.6	100.0	130.0
1991	115.1	99.5	107.8	100.0	132.7
1992	115.6	94.4	105.0	100.0	134.2
1993	115.8	93.4	103.1	100.0	137.1
1994	115.5	94.3	104.0	100.0	137.4
1995	114.9	95.0	105.2	100.0	136.1
1996	115.6	95.1	105.0	100.0	137.5
1997	113.3	99.9	104.0	100.0	138.6
1998	112.4	102.7	103.0	100.0	138.8
1999	113.9	101.0	106.3	100.0	139.6
2000	114.8	103.2	107.5	100.0	138.5
2001	111.8	103.3	104.6	100.0	136.1
2002	110.2	103.1	103.6	100.0	136.0
2003	110.5	103.0	104.0	100.0	137.3
2004	110.4	104.5	105.5	100.0	139.2
2005	110.6	105.4	106.7	100.0	141.5

Source: European Commission, Statistical Annex of European Economy, Autumn 2005, pp. 46/47.

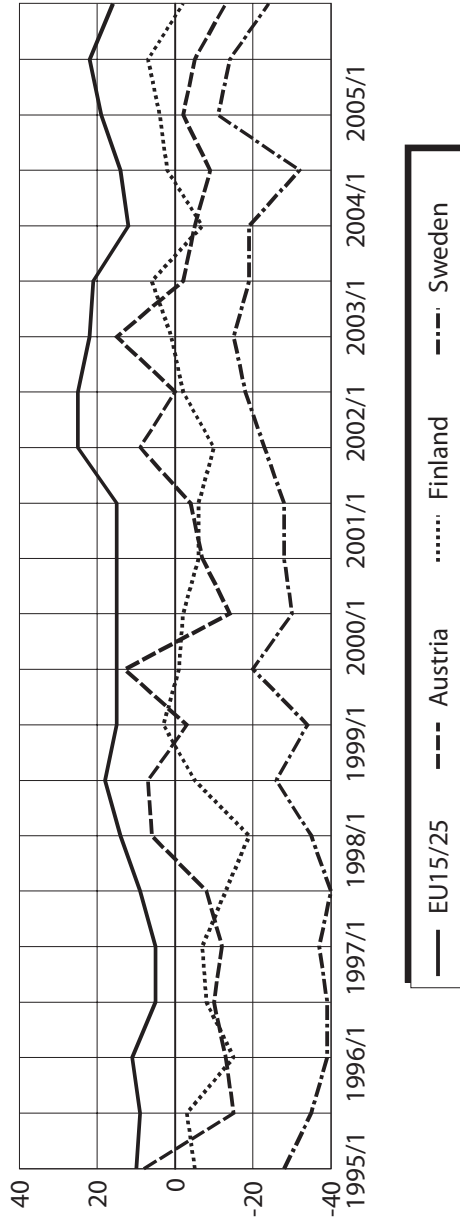
Table 3. Unemployment (Percentages)

	Austria	Finland	Sweden	EU-15	USA
1960–1970	2.1	2.2	1.7	2.0	4.8
1971–1980	1.4	4.0	2.1	3.8	6.4
1981	1.5	4.9	2.5	7.0	7.6
1982	2.4	5.4	3.2	8.2	9.7
1983	3.0	5.5	3.7	8.6	9.6
1984	2.9	5.2	3.3	9.2	7.5
1985	3.1	4.9	2.9	9.4	7.2
1986	3.3	5.2	2.7	9.3	7.0
1987	3.5	4.8	2.2	9.2	6.2
1988	3.3	4.2	1.8	8.6	5.5
1989	2.9	3.1	1.6	7.8	5.3
1990	3.1	3.2	1.7	7.3	5.5
1991	3.4	6.6	3.1	7.8	6.7
1992	3.4	11.7	5.6	8.4	7.4
1993	4.0	16.3	9.1	10.0	6.8
1994	3.8	16.6	9.4	10.4	6.1
1995	3.9	15.4	8.8	10.0	5.6
1996	4.3	14.6	9.6	10.1	5.4
1997	4.4	12.7	9.9	9.8	4.9
1998	4.5	11.4	8.2	9.2	4.5
1999	3.9	10.2	6.7	8.5	4.2
2000	3.6	9.8	5.6	7.6	4.0
2001	3.6	9.1	4.9	7.2	4.8
2002	4.2	9.1	4.9	7.6	5.8
2003	4.3	9.0	5.6	7.9	6.0
2004	4.8	8.8	6.3	8.1	5.5
2005	5.0	8.4	6.8	7.9	5.1

Note: Definition of unemployment according to Eurostat.

Source: European Commission, Statistical Annex of European Economy, Autumn 2005, pp. 34/35.

Graph 1: "Taking everything into account, would you say that [OUR COUNTRY] has on balance benefited or not from being a member of the European Union?" (Percentage benefited minus not benefited)



Source : Eurobarometer.

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