

## **Report on THESEUS International Summer School and Simulation Exercise**

### **“The Future of EU Economic Governance” 2012<sup>1</sup>**

The THESEUS Summer School 2012 held from July 2 to July 6 in Brussels at the Fondation Universitaire, co-organized by the University of Cologne and TEPSA, was dedicated to the issue of “The Future of EU Economic Governance”.

Although the selection of delegates for the Simulation Exercise was randomly structured, great attention was paid to the fact that participants did not represent the country of their real origin. The participants of the Summer School coming from diverse countries were provided with their role as part of the delegation to the European Council, which they represented in the Simulation Exercise, almost two months before the Summer School. During this period, participants were asked to draft position papers of their respective delegations after conducting research. As a result, the agenda of the meeting was prepared taking into consideration the positions of all delegations. Subsequently, the delegations also expressed their positions concerning the agenda items through the means of Forum, which provided a strong basis for the further negotiations.

The first part of the Summer School provided the participants with the relevant information and analysis concerning the current developments in the area of Economic Governance, building the theoretical background for the simulation exercise. Lectures were divided into several separated panels. An academic point of view was introduced during the first panel, when Professor Iain Begg (London School of Economics) presented the conundrum of European economic policy making and governance tracing the origin of the prolonged economic and financial crisis in the EU. His presentation pointed out concealed governance challenges including a proposal of lasting economic governance solutions and possible exit strategies. Professor Jacques Le Cacheux (OFCE, Sciences Po Paris) revealed importance of current macroeconomic imbalances, which have to be resolved by future economic governance including European semester, macroeconomic surveillance and an application of the Fiscal Compact. Next presentation of an “academic block” was held by Jacques Pelkmans (College of Europe, Bruges), who stressed multi-step approach to successful economic policy; starting with well-defined goal, followed by appropriate tools of economic governance and finally confirmed by political legitimacy. Credible European economic governance should be supported by firm rules and strong commitments of individual member states in order to re-establish confidence of financial markets to overcome possible adverse pro-cyclical impacts. The solution lies in deeper cooperation

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<sup>1</sup> This report has been written by the participants of the THESEUS Summer School 2012: Melanie Bleil, L’ubica Debnárová, Dana Depo, Rosen Dimov, Randi Laura Gebert, Krisztina Ignáth, Ketevan Kerashvili, Ganna Kuznetsova, Thomas Leszke, Moritz Liebe, Lars-Erik Middecke, Tehseen Nisar, Nyomakwa-Obimpeh, Gabrielle Peterson, Michael Princ, Milena Ratković, Sebastian Reiter, Nicolas Täuber.

and more substantive competitiveness enhancements inspired for example by BRIC countries<sup>2</sup>. A final presentation was introduced by Carsten Pillath (Director General, Council, DG Economic Affairs and Competitiveness), who made a refreshing interactive lecture devoted to operations of the Secretariat and the actual economic governance. A perfect mixture of theoretical guide through governance processes was accompanied by stories describing the evolution of policy application in practice.

During the second panel lecturers focused on applications of economic governance from a point of view of euro-outsiders. Christian Weise (European Commission, DG ECFIN) identified main weaknesses of the European Monetary Union (EMU) in a lack of economic policy cooperation accompanied by improper economic analyses, which resulted to disproportional budgetary consolidations, fiscal imbalances and competitiveness divergences. The key to success lies in a better cooperation of economic strategies of individual member states. Brendan Donnelly (The Federal Trust, London) described basic obstacles deterring United Kingdom to access EMU, national political situation and Euro turmoil. It is difficult to determine the efficiency of Euro adoption in difficult times; but it is necessary to cooperate on a European level to keep a high competitiveness. United Kingdom is thus closing to crucial crossroad; to maintain national interests or adopt coordinated European policy.

In the final thematic session Euro-insiders presented their ideas regarding future economic policies. Cinzia Alcidi (Centre of European Policy Studies, Brussels) presented a detailed comparison of the recent economic crisis in Greece with the default scenario in Argentina in 2001, highlighting the implications of a possible exit from the euro zone for creditors as well for the global economy, which could resemble the Argentinian case. Surprisingly, Greek difficulties are not directly connected with the recent global financial crisis, but rooted in the dysfunctional public sector. Georges Siotis (European Commission's Task Force for Greece) analysed the same Greek story from a different perspective and thus showed that a possible solution is very complex and that both macroeconomic and microeconomic tools are necessary to overcome the crisis. The way to success depends crucially on the adoption of the proposed reform programme and an improvement of inefficient Greek market adversely affected by endemic corruption and clientelism.

Professor Jean-Victor Louis re-opened the most substantive academic block of presentations, which was again enriched by practical examples. His approach revealed legal and institutional approaches, which almost completed the complex puzzle of future of economic governance. Present activities of the European Council have initiated a dynamic evolution towards a deeper European cooperation with promising goals including banking, budgetary or fiscal unions.

The last presentation before the beginning of the interactive simulation was held by Jean-François Jamet (Sciences Po Paris). He presented an overview of the history of Franco-German Relations and

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<sup>2</sup> BRIC countries stands for Brazil, Russia, India and China, the fastest growing and largest emerging markets economies.

analysed the current situation regarding the change in the French leadership and the different positions with regard to the economic crisis.

Subsequent to the preparations, the last two days of the Summer School were dedicated to the European Council simulation exercise. The fact that all participants were already prepared before the start of the Summer School was a truly valuable asset for the successful negotiations. The negotiations for the European Council meeting already started from the first day leading to effective formal sessions. Discussions both during the formal sessions, as well as during informal discussions, were constructive, with heated debates about the possible solutions to the existing problems. The informal negotiations during the breaks between the sessions, which aimed at an exchange of information and dialogues, were very successful. The participants worked hard to coordinate their points of view and to identify the issues acceptable for everyone. After heated debates, an agreement was reached on multiple agenda items. The European Council recognized the need for action to address current tensions and came up with the concrete measures, which were reflected in the European Council Conclusions – document, which was signed by every delegation. The delegates also adopted an Euro Group Statement.

All in all, the Summer School ensured the possibility for each participant to contribute through their knowledge and experience and to be actively involved during the Summer School, as well as during the preparation period. Hence, the Summer School was concluded with effective and beneficial results providing the participants with a valuable experience.