CHAPTER

14

The European Union

More than 200 years ago, the 13 American states joined together in a single political system—the United States of America. Today, there is a movement toward European integration. Will there ever be a United States of Europe similar in form to the United States of America? Most likely not. The historical circumstances are so different that Europe will not simply copy the American model. The main difference is that the European countries have far **older historical traditions** than the American states had when the United States of America was founded. As a consequence, the European Union has sometimes greater problems than the federal government in the United States to make sure that the member countries fully comply with EU laws. Tanja A. Börzel and her colleagues have discovered that the most powerful countries are least likely to comply with EU laws whereas smaller countries with an efficient bureaucracy are most likely to do so.[1]

Nonetheless, European integration is already a reality to a certain extent. European voters participate regularly in elections for the European Parliament. Other governmental bodies include the European **Council of Ministers**, the **European Council**, the European Commission, and the European Court of Justice (ECJ). What are the functions of these institutions, and how much power do they have? What is the relationship between these European institutions and the political institutions in the member countries of the European Union (EU)? These questions are very important for American students who, later in their professional lives, may be involved in European affairs. With regard to business dealings in Europe, the main responsibilities in many areas are no longer in the national capitals but in Brussels, the capital not only of Belgium but also of the EU. To export oranges, for example, from Florida to Great Britain, the paperwork must be submitted to European bureaucrats in Brussels. Similarly, if an American company wants to sell kitchen tools in France, it must be aware of the safety standards that are set by European authorities. The influence of the EU extends even across the Atlantic. Already as early as 2001, Mario Monti, then European competition commissioner, blocked a merger between General Electric and Honeywell, two American companies that had secured approval from the U.S. Justice Department for their merger.[2] As the chapter will show, however, "The European Union is more than a means to lower economic transactions costs," as Liesbet Hooghe and Gary Marks argue in a literature review of the European Union.[3] They show that besides the purely economic aspect, the EU has much to do with the identity of people in Europe. Some develop a European identity, whereas others insist on their national identity and reject the entire concept of European integration.

HISTORY OF EUROPEAN INTEGRATION

European countries warred for many centuries. A serious effort to stop these seemingly endless wars once and for all was made after World War I. In 1914, European leaders had sent their countries' youths to war fired with enthusiasm. Each side expected a quick and heroic victory. The eventual Allied victory, however, came only after four years of trench warfare and tremendous losses on both sides. After the war, many well-meaning people became active in the so-called **Pan-European movement**, which demanded the unification of Europe so that war could never again break out. Members of this movement urged Europeans to recognize their common cultural heritage. But the time for this movement was not yet ripe. Mussolini's Fascist Party took over Italy in 1922. In 1929, the Great Depression began. In 1933, Hitler became dictator of Germany, and in 1939, another world war began.

World War II was, if such comparisons are possible, even more dreadful than World War I. Aerial bombardment increasingly spread the suffering directly to the civilian population. After the war, the idea of European unification was quickly brought up again. In a famous speech in Zürich in 1946, Winston Churchill called for the construction of a "kind of United States of Europe."

A first step was the foundation of the **Council of Europe** in Strasbourg, France, in 1949. Its members were drawn from the national parliaments of the Western European democracies. The Council of Europe had only a consultative character. It required no surrender of national sovereignty, and its decisions were based on unanimous votes, giving each country a veto power. The Council of Europe still exists today and does important work; its Commission on Human Rights investigates human rights abuses. The Council of Europe also has a Court of Human Rights. Although it has no means to enforce its rulings, they are widely followed by the member states, since there is great moral pressure to do so. In order to increase this pressure, the Council of Europe decided in April 1996 that countries violating human rights may be suspended temporarily from some activities of the council.[4]

There is sometimes resistance to rulings of the European Court of Human Rights, in particular in Great Britain, against which the court has ruled on several occasions. In March 1996, for example, the court upheld the appeal of the journalist Bill Goodwin against the British courts' refusal to acknowledge that he should be entitled to protect professional sources from disclosure.[5]

The Council of Europe has also established the **European Social Charter**, expanding its activities to the area of social rights. The charter guarantees, for example, the right to work, the right to health care, and the right to welfare. Such rights, however, are more controversial than human rights, so in regard to social rights, the Council of Europe has less influence.[6]

After the breakdown of Communism in Central and Eastern Europe in 1989, it was the Council of Europe that offered these countries their first access to a European institution. Compared with the EU, the Council of Europe is much less important. Although the Council of Europe meets in Strasbourg in the same building where the parliament of the EU meets, it is important to differentiate between the two institutions.

The current EU had its institutional beginning in the **European Coal and Steel Community** (ECSC), which was founded by the Treaty of Paris on April 18, 1951. At the time, coal and steel were the crucial elements in any war effort. It was felt that pooling these important raw materials on a European level should prevent future wars in Europe. With this goal in mind, the key aspect was to include both France and the Federal Republic of Germany, which had gone to war with each other three times in the preceding hundred years: in 1870–1871, 1914–1918, and 1939–1945. Also participating in the ECSC were Italy, Belgium, the Netherlands, and Luxembourg. The initiative was made successful through such leaders as Jean Monnet and Robert Schuman of France, Alcide De Gasperi of Italy, and Paul-Henri Spaak of Belgium, who are today counted as the founding fathers of the EU.

In 1954, European integration suffered a painful setback. The six member countries of the ECSC had planned to extend their collaboration to the establishment of a European Defense Community. Five countries had already ratified the corresponding treaty when the French National Assembly voted against it, not wishing to have French troops under a common European command.

After this setback in defense affairs, the economic route to European integration was pursued further. A common market for coal and steel having been established, its six member countries extended their economic collaboration to other areas. In 1957, they signed the crucial Treaty of Rome, establishing the *European Economic Community (EEC)*. For the peaceful use of nuclear energy, they created a special organization, the *European Atomic Energy Community (Euratom)*. The three communities, ECSC, EEC, and Euratom, were never merged into a single entity. However, there were good reasons to regard them as constituting one unit insofar as their political and legal structure was concerned. In the media and in everyday life, the three communities were commonly called the *European Community (EC)*. On February 16, 1978, the European Parliament acknowledged this usage and accepted a resolution that the three communities "be designated the European Community."

Despite Churchill's Zürich speech, Great Britain was not a founding member of the EC. In 1957, the British did not really feel that they were a part of Europe. For the British, Europe was the Continent, and when they crossed the English Channel, they considered that trip as "going to Europe." But by the 1960s, Britain had changed its mind and—mainly out of economic necessity—applied for membership. France, under General Charles de Gaulle, feared for its own leadership position, and it twice vetoed the entry of Britain. It was only in 1973, when de Gaulle was out of office, that Britain was able to join. To this day, many British citizens have strong emotional reservations about the process of European integration. Denmark and the Republic of Ireland also joined in 1973; Greece followed in 1981; Spain and Portugal in 1986; and Austria, Finland, and Sweden in 1995. By the time these latter three countries joined, the EU had been formally established. After the breakdown of Communism in 1989, it took until 2004 for the first formerly Communist countries to join the EU: the Czech Republic, Hungary, Poland, Slovakia, Slovenia, and the three Baltic countries of Estonia, Latvia, and Lithuania. The two Mediterranean islands of Cyprus and Malta joined the EU at the same time. Three years later, in 2007, Bulgaria and Romania joined. Thus, the EU currently has 27 members.

To revitalize the EC, on February 18, 1986, its member countries signed the **Single European Act**. The act's goal was to set up a common market for goods, labor, capital, and services by the end of 1992. These goals were already contained in the Treaty of Rome, but with the Single European Act a fixed timetable was set, and by January 1, 1993, the EC had indeed, with a few exceptions, reached the goal of a common market. Profiting from the momentum of the project, in December 1991 at Maastricht in the Netherlands, the EC countries signed the **Treaty on European Union** (**EU**). The goal of this ambitious treaty is to strengthen the political and monetary ties in the community. It became effective on November 1, 1993, whereby the EC became the European Union. For the remainder of the chapter, we will adhere to this latter usage, except when we refer to specific events before November 1993, for which we will still use the name *European Community*. In recent years, the EU has attempted to give itself a proper constitution. We will deal with this aspect in a special section later in the chapter.

In addition to the Council of Europe and the EU, some other organizations contribute to European integration. The *European Free Trade Association (EFTA)* was created by Western European countries that did not wish to join the EC. Great Britain was the most important founding member of EFTA, but, like most other founding members, it later changed its membership to the EC. Currently, only four countries make up EFTA: Iceland, Liechtenstein, Norway, and Switzerland.

Then there is the *Organization for Security and Cooperation in Europe (OSCE),* which met for the first time from 1973 to 1975 in Helsinki and Geneva. This was the first institutional setting for Western, Central, and Eastern European countries to meet. Also included in this institution were the United States, Canada, and the Soviet Union. After the breakup of the Soviet Union, its membership was taken over by Russia. An important function of the OSCE is to supervise elections in countries that are still politically unstable, especially in Eastern Europe and in the Balkans.

COUNCIL OF MINISTERS

When the EC began to operate under the terms of the Treaty of Rome, the Council of Ministers was considered to be its legislature, operating by the unanimity principle. (The name was later changed to Council of the European Union, but since the old name is still widely used in the media, we do the same in this book.) The Council of Ministers still has important legislative functions, but it increasingly shares these functions with the European Parliament. The 27 member countries of what is now the EU each send one minister to the meetings of the Council of Ministers. The particular minister sent depends on the issue under debate. The Council of Foreign Ministers, also called the General Affairs and External Relations Council, is considered to be at the highest level. It deals not only with foreign policy issues but also with general matters, such as changes in the various treaties on which the EU is based. For other matters, the corresponding ministers come together; for agricultural matters, for example, the ministers of agriculture would meet. Meetings also take place at the level of ministers for finance, social affairs, transport, and so on. This list illustrates the broad range of topics discussed by the Council of Ministers. We should remember that the main job of the ministers is in the governmental institutions of their home countries; however, they spend more and more of their time with their EU colleagues.

How are decisions made in the Council of Ministers? With the Single European Act, an attempt was made to give more importance to the majority principle. Although it was not possible to abolish the unanimity rule altogether, it was agreed to use majority voting on matters such as the internal market, the environment, and research and technological development. For politically more sensitive issues, however, such as taxation and rights of workers, each country still can claim its veto power, although this power is rarely used now.

If voting takes place, how is it done? The allocation of votes to each country is roughly proportional to the square root of its population, which obviously favors the smaller countries. Germany, France, Italy, and the United Kingdom each have 29 votes; Spain and Poland 27; Romania 14; the Netherlands 13; Belgium, the Czech Republic, Greece, Hungary, and Portugal 12; Austria, Bulgaria, and Sweden 10; Denmark, Ireland, Lithuania, Slovakia, and Finland 7; Cyprus, Estonia, Latvia, Luxembourg, and Slovenia 4; and Malta 3. On this basis, the total number of votes is 345, and to reach a decision, a qualified majority of 255 (73.9 percent) votes is required. The votes in favor must also correspond to 62 percent of the total population of the EU. Thus, one needs to do quite a bit of math to determine whether the Council of Ministers has made a positive decision.[7]

EUROPEAN COUNCIL

The European Council brings together the chief executives of the 27 member countries. These are the most prominent political leaders in Europe. In the initial phase of the EC, the European Council did not exist. It evolved from the practice, dating from 1974, of regularly organizing informal meetings of the chief executives. Two leaders of the time, the French president, Valéry Giscard d'Estaing and the German chancellor Helmut Schmidt, were instrumental in setting up this tradition. In the Single European Act, the European Council was formally established as an institution of the EC. It meets at least twice a year for short sessions of a couple of days. The chair for these meetings used to rotate among all the member countries every six months, the same system as for the Council of Ministers. Since 2010, however, the European Council has a permanent chair, called European President. The first holder of this important office is Herman Van Rompuy, former prime minister of Belgium. The president of the European Commission, which will be discussed in the next section, attends the meetings of the European Council in his own right. The foreign ministers are also in attendance at these meetings. The European Council is also called European Summit.

If we compare with the United States, the European Council corresponds closely to the Governors' Conference. Imagine if the Governors' Conference were the most powerful political body in the United States! Each governor would probably feel responsible primarily for the interests of his or her own state. This is, indeed, the situation in the European Council. The power base for each participant is in his or her own respective country. To survive politically, the members of the European Council must, first of all, win elections at home. If they lose those elections, they are also out of the European Council. Thus, the members of the European Council naturally view a problem first from their own national perspective and not from an overall European view. Therefore, important decisions can be reached only if all national interests are more or less accommodated. Meetings of the European Council often resemble a "game of chicken," in which each participant tries to wait out all others before making concessions. This leads to hectic, late-night sessions in which some bargain is finally struck out of exhaustion. Quite often, however, such late-night agreements tend to obscure real differences, such that the issue must be taken up again at a later meeting. Observers have grown accustomed to an atmosphere of crisis at European Council meetings, but somehow the European Council muddles through to keep the EU going. After all, the participants know that the demise of the EU would leave every member country worse off. Thus, a solution of some kind is always found, even if it is only to study the problem further. Overall, the European Council has become the most important institution of the EU. It is here that the basic political compromises are worked out. They are usually prepared elsewhere, but the key issues are left to the chief executives. If their power base is weakened in their home countries, this also weakens decision making in the EU.

EUROPEAN COMMISSION

The institution that brings continuity to the operations of the EU is the European Commission. In contrast to the members of the Council of Ministers and the European Council, commissioners work full time for the European Union. There are 27 commissioners, one for each country. The members of the commission are nominated by their respective national governments and appointed by the "common accord" of the governments of the member countries. Under the Maastricht treaty, their appointment has to be approved by the European Parliament. The European Parliament can force the commission to resign *en bloc,* by a no-confidence vote. In fact, in March 1999, following the release of a scathing report issued by the European Parliament, the entire commission resigned amid charges of patronage, cronyism, and financial irregularities. This is quite instructive in that it shows that the powers of the European Parliament and the European Commission are similar to those in the domestic realm of parliamentary systems.

The commission is headed by a president, who is chosen by agreement of the member countries. Once a president is appointed, the member countries appoint the other 26 members of the commission. The president of the European Commission is sometimes labeled by the American media as the "European president." Pictures are published with the caption "Two Presidents," showing the American president and the president of the European Commission standing side by side. The powers of the two offices, however, are quite different. Nevertheless, the duties of the 27 commissioners are clearly not to represent the interests of their national governments. In fact, they must take an oath swearing that they will represent the interests of the EU only and will not take any instruction from their national government or any other body. This is of course difficult in reality, as it is impossible to suddenly distance oneself from one's own national identity and interests. Still, the commission is clearly the most supranational body of the EU.

In assessing the nature of the presidency of the European Commission, we see that there is an intriguing chicken-and-egg problem: What comes first, a powerful office or a powerful officeholder? Must the office be made powerful to attract powerful leaders, or is the first step appointing a powerful leader who can lend power to the office? At first, it was difficult to attract powerful leaders to head the commission, but recently, competition has increased among top politicians wishing to become its president. When Jacques Delors resigned as president in 1994, the prime ministers of Belgium, the Netherlands, and Luxembourg all wanted the job. There was fierce bargaining in the European Council, and at the end, Jacques Santer of Luxembourg was appointed. His predecessor, Jacques Delors, had served under French president François Mitterrand as an influential economic minister but, at the time, had no immediate prospect of becoming president of France. Hence, he was willing to move to Brussels to head the commission. This pattern has not yet changed: To be the top leader in France and the other big countries is still preferable to being president of the commission. As the appointment in 1994 demonstrated, top leaders in the smaller countries are increasingly eager to exchange their jobs for the position of president of the commission. The newest example is José Manuel Barroso, who in 2004 resigned as prime minister of Portugal to become president of the European Commission. After the election of the European Parliament in June 2009, Barroso was appointed for another term. He was the only candidate, and the vote in the newly elected European Parliament was 382 against, 219 in his favor, and 117 abstentions. It is important to note that before this parliamentary vote, Barroso was endorsed by the European Council, which consists of the chief executives of all 27 member countries. This shows that the real power in the EU is still with the European Council rather than with the European Parliament. Without the endorsement of the European Council, no one has a chance to become president of the European Commission.

The European Commission directs a large bureaucracy at the headquarters in Brussels. The commission meets at least once a week. Each commissioner is responsible for specific policy areas, such as external relations, agriculture, social affairs, energy, and transport. The commission is in charge of the EU's routine day-to-day operations. It also has the authority to make certain policy decisions on its own, what Martin Shapiro and Alec Stone call "administrative rule making."[8] Sensitive policy decisions, however, are dealt with by the Council of Ministers and, if they are extremely sensitive, by the European Council. The main task of the commission is to prepare the meetings of the Council of Ministers and the European Council. The commission also has executive functions in the sense that it supervises the implementation of the decisions reached by the Council of Ministers, the European Council, and the European Parliament.

EUROPEAN PARLIAMENT

In the Treaty of Rome, the European Parliament was called an "assembly," but in 1958, it gave itself its current name. Initially, the European Parliament consisted of delegates of the national parliaments, and it met for short sessions in Strasbourg. This led to useful contacts, but the European Parliament had virtually no decision-making power, although it could approve nonbinding resolutions and submit questions to the Council of Ministers. Its only real decision power was to force the European Commission to resign with a no-confidence vote. But as we have seen earlier, this right was not used for a very long time, indeed not until 1999. Thus, for a long time, the European Parliament was not much more than a forum for an exchange of ideas among delegates from the national parliaments.

The real legislature was, as noted, the Council of Ministers, and this arrangement was increasingly seen as a democratic deficiency of the EC. To be sure, the Council of Ministers had democratic legitimacy in the individual member countries in the sense that its members belonged to the respective national governments, and these national governments were selected by the national parliaments, which in turn were elected by the national electorates. However, this was too long a chain to give to the Council of Ministers real democratic legitimacy. It was felt that the European voters should have a direct voice. Thus, on December 20, 1976, the Council of Ministers decided that the European Parliament should be directly elected by the European voters. The first direct elections took place in 1979. The term was five years, and further elections were held in 1984, 1989, 1994, 1999, 2004, and 2009. Voter turnout was 62 percent in 1979, 59 percent in 1984, 58 percent in 1989, 57 percent in 1994, 50 percent in 1999, 45 percent in 2004, and 43 percent in 2009. Compared to national European elections, these turnouts are rather low (see Chapters 3 and 10). It is particularly disturbing that the trend is downward. This raises the question of the extent to which the European Parliament has been able to establish itself as a representative institution of the European voters.

Turnout was lowest in Slovakia (20 percent), Lithuania (21 percent), Poland (27 percent), Romania (27 percent), Slovenia (28 percent), and the Czech Republic (28 percent), all new member countries in Central and Eastern Europe. If voter turnout is a measure of the political involvement of the citizenry and their belief that by participating they can affect various outcomes, the declining turnout rates are disturbing, to say the least. It might very well be that citizens perceive politics in Brussels as too far removed to affect them, or that their voice would not make a difference at all, or both. The low turnout to elections for the European Parliament is one manifestation of the often cited "**democracy deficit**" that plagues the EU. This is paradoxical insofar as the impact of the EU on the daily lives of Europeans is increasing rather than decreasing.

What political parties are represented in the European Parliament? They are basically the same party families that can be found at the national levels, listed as follows (with the 2009 election results in parentheses):[9] Conservatives and Christian Democrats together form a parliamentary group (EPP/ED) (36 percent); Socialists (PES) (22 percent); Liberals (ALDE) (11 percent); and Greens and European Free Alliance (EFA) (7 percent).

Two party groupings within the European Parliament are outspokenly against EU integration: the Independence-Democracy Party (Ind/Dem) (2 percent) and the Union for Europe of the Nations (UEN) (5 percent). The latter states unmistakably that it favors a "Europe based on the freedom of nations to decide, where diversity is the first of all riches, and not a federal Europe which would subject sovereign nations and take away the identity of European peoples."[10] There is even a "regional" party represented in the European Parliament: the European United Left/Nordic Green Left, which received 4 percent of the vote in the 2009 elections. The remaining votes went to various splinter parties.

The MEPs (members of the European Parliament) sit in their chambers in Strasbourg and Brussels not according to their nationality but rather according to their party affiliation. Just like in the national parliaments, party loyalty matters also in the European context, where MEPs who go against the party line may not be placed on particularly influential delegations or committees, or may even be fined, though this rarely happens.

The European Parliament has basically the same problem as the European Commission, in the sense that it is unclear whether a powerful office or powerful officeholders come first. In the first elections, some eminent leaders, such as Willy Brandt of Germany and François Mitterrand of France, were elected. But it soon turned out that, for many, their participation was mostly a symbolic gesture of goodwill. Brandt and Mitterrand, for example, gave up their seats in the European Parliament to continue their careers in their home countries. When the European Parliament was elected for the second time, relatively few prominent leaders entered the race. They considered a seat in the European Parliament an insufficiently powerful position. This still appears to be the case at the beginning of the third millennium.

How powerful has the European Parliament become since its direct election by the voters? A historical analysis of the development of national parliaments all over the world suggests that the crucial step has been gaining control over the **budget**. The U.S. Congress is powerful because it controls the purse. In this respect, the European Parliament still has little power. The budget does not originate in the European Parliament but in the European Commission. It then passes between the Council of Ministers and the European Parliament. The real budgetary power has remained with the Council of Ministers. Parliament can reject the budget but has no authority to draw up its own budget. Nevertheless, it has gained the right to make certain amendments to the budget in certain limited areas. The power of the European Parliament ultimately will be determined in the battle over these budget questions. If Parliament can obtain significant control over both revenues and expenditures, it will be the crucial step in transforming the EU into a truly supranational organization: Essential sovereign power will have been transferred from the member countries to the European level. But many politicians and voters—especially in Great Britain, but also elsewhere—fear such a development and will resist any effort to expand the European Parliament's budgetary power. Seen in this broader context, quarrels over the budgetary rights of the European Parliament are not at all technical in nature but go to the very heart of European integration.

In the parliamentary system of government to which Europeans are accustomed, it is crucial that parliament exercises power in the selection of the executive cabinet. In this respect, too, the European Parliament lacks power; it is not even clear who the executive is and whether the EU has an executive at all. As we have seen in the preceding sections, the European Commission has executive functions for the day-to-day operations of the EU. However, for politically sensitive matters, the Council of Ministers makes executive decisions, although it also has legislative functions. Finally, there is the all-important European Council, which makes the most sensitive executive decisions.

The European Council does not depend on a vote of confidence of the European Parliament, nor does the Council of Ministers. For the European Commission, the situation is ambiguous. Legally, the European Parliament has the right, as we have seen in the last section, to dismiss the commission with a vote of no-confidence, which in fact, as noted, it did in the spring of 1999. But it has no right to select a new commission, so the national governments could simply reappoint the old one. With the Maastricht Treaty, Parliament received the additional right to approve the appointment of a new commission for its five-year term. In 2004, a new commission president and 24 new commissioners needed to be installed for the 2004–2009 legislative period. The European Council nominated a new commission president, José Manuel Barroso, and the Council of Ministers nominated one commissioner from each country. This was followed by hearings by the European Parliament that voted on the whole body (the commission president and the 24 commissioners). The Barroso European

Commission was approved by 449 members of Parliament, with 149 "no" votes, 82 abstentions, 12 who did not vote, and 38 absentees.[11] The European Parliament thus approved the commission by 61 percent. Thus, the approval by the European Parliament was not a formality at all.

After approval by the European Parliament, the new "government of the EU" is appointed by the Council of Ministers. This process is similar to the process of **investiture**, the formal process of government formation that can be found in various national parliaments. Some discussion exists within the EU concerning transforming the Council of Ministers into a second parliamentary chamber called the *Senate*. The institutional construction would be similar to that in Germany, where the Bundestag represents the people and the Bundesrat represents the Länder (states). Under this arrangement, the current European Parliament, as a first chamber, would represent the European voters; the renamed Council of Ministers, as a second chamber, would represent the individual countries. This would allow the European Commission to develop from an "embryo of a European government" (see previous section) into a real European government. As in a regular parliamentary system, it would derive its legitimacy from a vote of confidence in Parliament. With such a development, the European Council would become redundant, because the European Commission clearly would be the executive. Such a construction would be in the interest of both the European Parliament and the European Commission, but certainly not of the political institutions in the national capitals. The strongest resistance against such a plan comes from the British House of Commons, which would be degraded to a local parliament, analogous to an American state legislature. There is also resistance from other national capitals, such as Copenhagen, the capital of Denmark. Thus, it is not likely that the European Union will receive the clearly structured institutions of a parliamentary system anytime soon. The ambiguous relationships among the current institutions will continue for some time. In the context of the present section, it is important to stress once more that the European Parliament is *not* a classical legislature. It shares this function in a complex way with the Council of Ministers. This ambivalence is expressed in the following description in an official publication of the EU:

> The Council of Ministers, which represents the Member States, adopts Community legislation (regulations, directives and decisions). It is the Community's legislature, although in certain areas specified by the Single European Act and the Maastricht Treaty it shares this function with the European Parliament.[12]

This is typical convoluted bureaucratic language from Brussels, which makes it so difficult for Europeans to understand the institutions of the EU. The fault, however, is not primarily with the bureaucrats in Brussels but with the unclear delimitation of the various EU institutions.

If we look at the legislative process in detail, the European Parliament plays four different roles according to the issue at hand: (1) agreement of European Parliament required, (2) European Parliament has no say, (3) cooperation procedure between European Parliament and Council of Ministers, and (4) co-decision procedure between European Parliament and Council of Ministers. We look at each of these in turn below:

1. Based on the Single European Act and the Maastricht Treaty, there are certain issue areas where the agreement of the European Parliament is required, such as the acceptance of new EU members. The agreement of the European Parliament is also required for changes in the rules for the European parliamentary elections, for the introduction of a European citizenship, and for the organization of a European central bank.
2. There are other issue areas in which the European Parliament has no say. This is the case for changes in the existing treaties of the EU and the proposal and ratification of new treaties. Thus, the Maastricht Treaty was ratified only by the member countries, but not by the European Parliament. This is a strong limitation on the power of the European Parliament because the various treaties form the constitution of the EU. The European Parliament is also excluded from most foreign policy and security issues.
3. The cooperation procedure is described in Article 189c of the Maastricht Treaty. It applies in particular to the issue areas of transport, the environment, developing aid, and workplace, regional, and social policies. For these issue areas, two readings in the Council of Ministers and two in the European Parliament are required, but ultimately the views of the council prevail.
4. The co-decision procedure was introduced with Article 189b of the Maastricht Treaty. It applies in particular to the internal market, consumer protection, mutual recognition of diplomas, education, culture, and technology. In these areas, the European Parliament is able to block a proposal of the Council of Ministers. But Parliament is still not able to impose its own will. If, after its second reading, an absolute majority of Parliament rejects a proposal of the council, a conciliation procedure begins. If this procedure fails, Parliament can kill a proposal made by the council if once again an absolute majority of the members of Parliament reject this proposal. Thus, the co-decision procedure gives the European Parliament a veto power in certain areas.

The European Parliament has its regular sessions in the French city of Strasbourg, and France very much insists that it continue to do so. Many committee meetings, however, and some extraordinary plenary sessions are held in Brussels, the seat of the European Commission. To make things even more complicated, the secretariat-general of the parliament is located in Luxembourg. Because the members of the European Parliament, therefore, travel a great deal, one sometimes speaks in this context of a "circus." The elections for the European Parliament are held within the individual countries. The election system in all countries is based on proportionality. Even Great Britain changed in 1999 to proportional representation, although for national elections to the House of Commons it kept the winner-take-all system (see Chapter 3).

Another central institution of the European Union is the European Court of Justice. For more detailed information on the European Court of Justice, see Chapter 5, where we discussed this institution as part of the court system in Europe.

EUROPEAN BUREAUCRACY

Perhaps the best guarantee of the EU's continued existence is the many thousands of bureaucrats it employs. These "Eurocrats," as they are often called, have an obvious career interest in the continuation of EU operations. In addition, many lobbyists working in Brussels have a personal professional interest in the survival of the union. Over the years, all of these people, working directly or indirectly for the EU, have developed some elements of a common cosmopolitan European culture. They tend to live in the same neighborhoods in Brussels, and they attend the same parties and share the same gossip. When the Eurocrats went on strike one day—without regard to nationality—it was said, of course as a joke, that this was the best sign yet that European integration was alive and well. A drawback to the development of this bureaucracy in Brussels is that ordinary European citizens increasingly see the EU as a giant, anonymous organization over which they have no control. And yet, they sense that this distant bureaucracy has an important impact on their daily lives.

WHAT DOES THE EUROPEAN UNION DO?

What the EU can do depends very much on the resources available. This raises a very important question: How is the EU financed? The EU is financed by essentially three elements: first, what is called **traditional own resources** (TOR). These are customs duties and agricultural duties levied on imports coming from countries outside the EU. A small amount is also contributed to the EU budget by sugar producers, who pay levies for exporting sugar. That first element covers about 13 percent of total EU revenue in the 2011 budget. The second resource for the EU budget comes from levies based on the various member states' **value-added tax** (VAT) levels, which accounted for about 11 percent of total EU revenue in 2011. Finally, the third and most important resource of EU budget are the **contributions** made by the various member states measured as a percentage of their gross national income (GNI). This third resource amounts to about 75 percent of the EU budget. The rest represents "other revenue" such as bank interest, repayments of unused community financial assistance, and interest on late payments. The total EU budget is currently capped at 1.24 percent of combined national GNIs, which corresponds to about 293 euros per EU citizen per year on average. There is a widespread misconception that the EU budget is enormous. In reality, it is about 140 billion euro which is smaller than the budget of a medium-sized member state such as Austria or Belgium. Interestingly, not unlike American states, the European budget must be balanced, that is, it is not possible for the European Union to go in debt.[13]

A glimpse at the expenditure side of the 2011 EU budget reveals two major components. Around 42.5 percent goes to the preservation of the environment and natural resources in order to ensure a healthy environment and safe agricultural products. The second major expenditure, around 35.6 percent, goes to working toward cohesion for growth and employment. This is designed to create economic growth and jobs in the member countries and to create more "**cohesion**" among the member states by helping weaker regions of Europe to transform their economies to more successfully compete in a globalized world. Of the remaining 22 percent, 9 percent are used toward "competitiveness for growth and employment." These are funds used for research and education, training, as well as innovation. Almost 5.7 percent are spent on what is called "The EU as a Global Player," which means the "foreign policy" of the EU. Around 5.6 percent are used toward administrative costs to run the European Union, which include the staff salaries and building costs of all EU institutions. Finally, 1.6 percent goes to information sharing in order to fight crime, terrorism, and illegal immigration.[14]

Agricultural Policy

In the 1970s the agricultural policies of the EU amounted to little more than subsidizing farmers. This often led to surpluses of "mountains of butter" and "lakes of milk" that were bought by the EC and then destroyed in order to stabilize prices, while at the same time consumers paid relatively high prices for these goods. This overemphasis on food production had its roots in the postwar food shortages as well as in the strong **influence of farmers** in the EC. However, in 2003 the Common Agricultural Policy (CAP) moved to much broader goals: sustainable agricultural policies, which not only means increasing the competitiveness of European farmers but also achieving this with concerns for the ecological balance and the viability of farming as a respected profession. But the CAP is also concerned about food quality and food safety in addition to animal welfare. There are now precise regulations as to how much space pigs, laying hens, and calves must have in their holding pens; light, temperature, and floor requirements; and how animals must be treated during transport and prior to slaughter.[15]

A well-known point of contention between the United States and the EU is over genetically modified organisms (GMOs). The EU has been very suspicious of gene-spliced crops, termed "Frankenfood" in Europe, particularly in the wake of the outbreak of mad cow disease in the United Kingdom and other European countries. The United States takes the view that the EU uses the health concerns of the European public as an excuse to impose nontariff barriers. Eventually, the EU agreed that some GMOs can be sold in Europe, but only after they are labeled as such and when their traceability (where did they originate?) is ensured. There is a healthy distrust among much of the European public for GMOs, seriously limiting the sales of such products.

Regional and Development Policy

The Structural and Cohesion Fund is designed to promote solidarity among EU countries by reducing developmental gaps among the regions and alleviating disparities among EU citizens. Among the most important elements of the Structural and Cohesion Fund are the development of **infrastructure**, such as roads, railroads, ports, bridges, airports, power lines, and power-generating plants. The fund also provides support to prevent industrial decline, support the development of rural areas, provide training for workers, combat long-term unemployment, and promote research and development.

Since Ireland joined the EU in 1973, it received over 17 billion pounds in structural and cohesion funds. In the past 10 years alone, the funds helped develop major road projects, rail systems, and the construction of seaports. In 1973, Ireland, Greece, Spain, and Portugal qualified for cohesion funds because each country's GNP per capita was less than 90 percent of the EU average. In 2003, Ireland did not qualify for the receipt of funds because it passed this threshold as a result of outstanding economic performance. This shows the remarkable impact of the structural policies of the EU in terms of its ability to shape the infrastructure of a society to such an extent that it can compete on a global level. As these brief examples show, the two main goals of EU policy are agricultural and regional development policy. However, these are such broad definitions that it can be said that literally no policy area is left untouched by the EU.

Common Currency—the Euro

A remarkable feat occurred when, on January 1, 2002, the euro bills and coins were introduced in 12 out of the then 15 EU countries. Sweden, Denmark, and the United Kingdom still use their own national currencies. The European Central Bank described the establishment of the euro as "the biggest monetary changeover in history."[16] Slovenia joined the euro in 2007, Malta and Cyprus in 2008, Slovakia in 2009, and Estonia in 2011. Thus, today 16 of the 27 EU countries are members of the euro zone. Other Central and Eastern European countries hope to join in the near future.

Great efforts have been made by governments to persuade European publics to embrace the euro. As might be expected, it is not easy for any society to give up its currency, because it represents part of the identity as a nation. The economic advantages of having a unified currency across most of the EU area are evident. Anyone who has traveled in Europe before the euro knows the hassles connected with having to change currency (and pay transaction fees and commissions) every time one arrives in a different country. In addition, macroeconomic advantages of the euro range from eliminating exchange rate fluctuations, to price transparency that invigorates competition, to more opportunities for foreign investors. Also, because the economic area covered by the euro is so much larger than the previous individual economies with their own currencies, external shocks to the European economy will have much lower impacts on the euro area than they had when each nation had its own currency and was not economically integrated. Moreover, having a single currency in a market based on the four freedoms of movement (people, goods, capital, and services) and that encompasses about 500 million consumers makes the EU a powerful countervailing power to the economic hegemony of the United States and enhances its impact in international organizations such as the International Monetary Fund (IMF) and the World Bank.[17]

Prior to the introduction of the euro, Germany insisted on the following two criteria: Governments must keep their deficits under 3 percent of their GDP and their national debts under 60 percent of GDP. Germany was concerned that with the introduction of the euro, member states might engage in lavish spending programs leading to inflation—an economic curse with which Germany had a particularly bitter experience in the 1920s. However, in the fall of 2003 both France and Germany experienced economic recessions, forcing them to exceed the 3 percent deficit rule of the convergence criteria. In theory, any member state exceeding one of these criteria would have to pay excessive fines. Alas, neither Germany nor France was punished, to the chagrin of many smaller European countries such as Ireland, Portugal, and Austria, which under heavy political and social costs stuck to the criteria. As a result, the existing rift between bigger and smaller EU members opened even wider, and a perception among the European public grew that there were really two Europes: one for the big, powerful countries that could flaunt rules, and another for the smaller ones that complied with them. Thanks to the improvement of economic conditions in Europe, France and Germany were able to reduce their fiscal deficits below 3 percent. With the global financial and economic crisis of 2008–2009, several countries in the euro zone were forced to increase their budget deficits beyond 3 percent of GDP in order to stimulate their economies. Under these exceptional circumstances, the European Commission allowed these countries quite a bit of time to bring their budgets back to under 3 percent of GDP.

Overall, the euro can be considered as quite a success story. In relation to the U.S. dollar, the euro turned out to be quite strong. One goal, however, was not attained in the euro zone, namely equalization in the international competitiveness of the participating countries. On the contrary, there is a worrisome drifting apart, with Greece and Spain in particular becoming less competitive and Germany and the Netherlands more so. The European Commission sees the reason for this drifting apart in the tendency of countries such as Greece and Spain to spend too much on consumption and not enough on investments.[18] As discussed in Chapter 9, there are great advantages to having a unified currency, but one disadvantage is that a country in the euro zone cannot devalue the euro, which would make exports cheaper and imports more expensive, which presumably would put countries on a path to economic recovery as they become more competitive. Such inability could be considered a serious undermining of national sovereignty. In fact, Greek leaders reportedly considered for a brief period leaving the euro in May 2011 and reintroducing their "old" currency, the drachma. Such a move would have drastic consequences (see Box 14.1). And yet, there is no mechanism of "getting out of the euro." When the common currency was conceived, nobody believed that any country would give it up once the positive aspects of the common currency had been experienced.

BOX 14.1 GREECE CONSIDERS EXIT FROM EURO ZONE

By Christian Reiermann

The debt crisis in Greece has taken on a dramatic new twist. Sources with information about the government's actions have informed Spiegel Online that Athens is considering withdrawing from the euro zone. The common currency area's finance ministers and representatives of the European Commission are holding a secret crisis meeting in Luxembourg on Friday night.

Greece's economic problems are massive, with protests against the government being held almost daily. Now Prime Minister George Papandreou apparently feels he has no other option: Spiegel Online has obtained information from German government sources knowledgeable of the situation in Athens indicating that Papandreou's government is considering abandoning the euro and reintroducing its own currency [...]

One year after the Greek crisis broke out, the development represents a potentially existential turning point for the European monetary union—regardless which variant is ultimately decided upon for dealing with Greece's massive troubles [...]

Sources told SPIEGEL ONLINE that Schäuble [German Finance Minister] intends to seek to prevent Greece from leaving the euro zone if at all possible. He will take with him to the meeting in Luxembourg an internal paper prepared by the experts at his ministry warning of the possible dire consequences if Athens were to drop the euro.

"It would lead to a considerable devaluation of the new (Greek) domestic currency against the euro," the paper states. According to German Finance Ministry estimates, the currency could lose as much as 50 percent of its value, leading to a drastic increase in Greek national debt. Schäuble's staff have calculated that Greece's national deficit would rise to 200 percent of gross domestic product after such a devaluation. "A debt restructuring would be inevitable," his experts warn in the paper. In other words: Greece would go bankrupt.

It remains unclear whether it would even be legally possible for Greece to depart from the euro zone. Legal experts believe it would also be necessary for the country to split from the European Union entirely in order to abandon the common currency. At the same time, it is questionable whether other members of the currency union would actually refuse to accept a unilateral exit from the euro zone by the government in Athens.

What is certain, according to the assessment of the German Finance Ministry, is that the measure would have a disastrous impact on the European economy.

"The currency conversion would lead to capital flight," they write. And Greece might see itself as forced to implement controls on the transfer of capital to stop the flight of funds out of the country. "This could not be reconciled with the fundamental freedoms instilled in the European internal market," the paper states. In addition, the country would also be cut off from capital markets for years to come.

(Continued)

BOX 14.1 CONTINUED

In addition, the withdrawal of a country from the common currency union would "seriously damage faith in the functioning of the euro zone," the document continues. International investors would be forced to consider the possibility that further euro-zone members could withdraw in the future. "That would lead to contagion in the euro zone," the paper continues.

Moreover, should Athens turn its back on the common currency zone, it would have serious implications for the already wobbly banking sector, particularly in Greece itself. The change in currency "would consume the entire capital base of the banking system and the country's banks would be abruptly insolvent." Banks outside of Greece would suffer as well. "Credit institutions in Germany and elsewhere would be confronted with considerable losses on their outstanding debts," the paper reads.

The European Central Bank (ECB) would also feel the effects. The Frankfurt-based institution would be forced to "write down a significant portion of its claims as irrecoverable." In addition to its exposure to the banks, the ECB also owns large amounts of Greek state bonds, which it has purchased in recent months. Officials at the Finance Ministry estimate the total to be worth at least €40 billion ($58 billion) "Given its 27 percent share of ECB capital, Germany would bear the majority of the losses," the paper reads.

In short, a Greek withdrawal from the euro zone and an ensuing national default would be expensive for euro-zone countries and their taxpayers. Together with the International Monetary Fund, the EU member states have already pledged €110 billion ($159.5 billion) in aid to Athens—half of which has already been paid out.

"Should the country become insolvent," the paper reads, "euro-zone countries would have to renounce a portion of their claims."

Source: Der Spiegel Online, May 6, 2011.

Nevertheless, in August 2011, the European Central Bank (ECB) announced that it will buy government bonds from Italy and Spain, two other countries teetering on financial collapse in order to avoid any contagion spreading from Greece to the other Mediterranean countries. This action by the ECB will put Euros into Italy's and Spain's coffers and, combined with austerity measures, will enable these countries to avoid default, or so it is hoped.

Continued Expansion: Where Does "Europe" End?

The process of EU enlargement was negotiated through the treaty of Nice (signed in 2001), which laid the institutional groundwork for future enlargement. It was ratified in all the EU parliaments, except in Denmark and Ireland, which required referenda. The Irish people rejected the treaty in 2001 by 54 percent but in 2002 voted for it. Incorporation of the relatively poor countries from Central and

Eastern Europe raised concerns about large numbers of workers offering cheap labor arriving in the "old" EU countries, that the more developed EU countries will have to pay for the reconstruction of the new Central and Eastern European members, and that investment capital from the richer EU countries will move toward the east, where labor costs are a fraction of those in the west. In fact, the new EU members in Central and Eastern European are already engaged in a "race to the bottom" in order to attract foreign direct investment from the rest of the EU.

In addition, some observers are concerned that the generous **welfare systems** in the "core" EU states such as Germany and Austria might act like a magnet and attract people from the new EU members in Central and Eastern Europe. Just as countries are competing against each other to attract investment by lowering standards, so might welfare states have to begin lowering benefits to deter Central and Eastern Europeans from moving to richer EU countries. Hans Werner Sinn, head of the Institute of Economics at the University of Munich, has argued that competition between states to reduce the generosity of their welfare systems in order to deter immigrants will lead to an erosion of the German welfare state, so that "in 50 years we'll have a situation like that in America."[19] Indeed, many countries imposed restrictions on the eligibility for welfare benefits to members of the accession countries: For example, people from the new EU countries in Central and Eastern Europe have to be employed for a certain time depending on the host country before they can claim welfare benefits.

Although some of these concerns are well founded, similar arguments were heard when Spain, Greece, and Portugal were considered for EU membership. In the meantime, these countries have become trusted members of the EU, have seen dramatic economic development, and have upheld basic principles of democracy and human rights within their borders. The rationale for the 2004 and 2007 expansion was that incorporating the new countries would unite Europe in peace after a history of division and conflict, extending prosperity and stability to its member states, thus making Europe a safer place and stimulating economic and social reform in the new member states. It is very likely that these effects will occur in the long run.

For countries to join the EU, they must meet the "Copenhagen criteria," which state that a prospective member must:

- be a stable democracy, respecting human rights, the rule of law, and the protection of minorities
- have a functioning market economy
- adopt the common rules, standards, and policies that make up the body of EU law

In November 2005, the European Commission presented an "enlargement package" that included potential candidates for further enlargement in the western Balkans, such as Albania, Bosnia and Herzegovina, Macedonia, Serbia, Montenegro, and Kosovo. These countries will be screened in terms of their progress toward fulfilling the Copenhagen criteria. At the time of this writing, the accession negotiations with Croatia have been completed and Croatia is expected to become the 28th member of European Union by July 1, 2013.

Turkey's EU Membership Prospects

One of the most hotly debated countries considered for EU entry is Turkey. In October 2005, membership talks between the EU and Turkey began in earnest, thus securing Turkey's 40-year campaign to become a member of the EU. Though it could take a long time, if ever, for Turkey to become an actual member, fierce resistance was put forth by many EU countries, particularly France, Germany, and Austria. Particularly with the election of Nicolas Sarkozy as French president, the chances of Turkey becoming a member of the EU in the near future have diminished. German chancellor Angela Merkel has also been against full-membership talks.

There are three main concerns voiced against membership of Turkey in the EU: its size, poverty, and religion. First, if Turkey joined the EU in about 10 years, it would have an expected population of around 80 million people. Given the drastic decline of Germany's population, which stands at around 82 million now, Turkey could easily be the most populous country in the EU 10 years from now. It grows seven times faster than the EU average. This could mean that in terms of votes in the Council of Ministers and seats in the European Parliament, Turkey will have at least the same influence as, if not more than, London, Berlin, or Paris.

The second concern voiced against Turkey's membership is its poverty level. In 2009, Turkey's GDP per capita measured in purchasing power standards was about 31 compared to the indexed EU-27 average set to 100. In other words, the per capita value of all goods and services produced in Turkey, controlling for their prices, is less than one-third of that produced on average in the EU-27. Education in Turkey also lags seriously behind all the EU-25 countries. The PISA scores (OECD's Program for International Student Assessment), which were designed to measure the effectiveness of school systems in providing young people with a solid foundation of knowledge and skills, show Turkey to be last compared to the EU-27 in terms of the reading, science, and mathematics skills. Thus, a serious developmental gap exists between Turkey and the EU-27, not to mention that between Turkey and the EU-15, which will require massive amounts of financial assistance over a long period of time. Most of this assistance will have to be provided by the more well-to-do members of the EU.

The third issue, and for many observers the most intractable of all concerns, is the fact that Turkey is 99.8 percent Muslim, 70 percent of which belong to the Sunni sect of Islam. With the horrific attack on the World Trade Center on September 11, 2001, the gruesome assassination of Theo van Gogh in the Netherlands by a radical Muslim, and the growing Islamophobia in Europe since the early 1990s triggered by increasing immigration of Muslims into relatively homogeneous European nations, many observers argue that European citizens will find it very difficult to accept Turkey as a partner in the EU on cultural grounds. One example of the cultural chasm separating Turkish and Western cultures can be found in the **honor killings**, where in countries such as Germany and Italy, Turkish women were murdered by their own family members, mostly their brothers or husbands, because they wanted to end a relationship with their Turkish partners, refused to wear the traditional *hijab* (the Muslim headscarf), or, the ultimate shame, decided to adopt a Western lifestyle. Other observers raise the issue of geography: From a geographical perspective, only a very small part of Turkey is located on the European continent, which is separated from Asia Minor by the Bosporus strait. On which basis, they ask, can Turkey be admitted to the "European" Union?

The religious differences between Turkey and the EU are used by many as an argument against Turkish membership. However, including an overwhelmingly Muslim country such as Turkey into the fold of the EU could help to stave off radicalization in Turkey and even help in the integration of Muslims in Europe. Turkey is one of the very few Muslim countries that has managed to remain secular and pro-Western as a member of NATO (North Atlantic Treaty Organization), and yet is made up of a society with deeply held Muslim beliefs. On this basis, Barack Obama, visiting Turkey in the spring of 2009, encouraged the EU to accept Turkey as a member.

Sweden, Italy, and the United Kingdom are the staunchest supporters of Turkey to join the EU while Austria, France, and Germany are some of the strongest opponents to accession. French and Austrian government officials flatly state that Turkey should not become a member while Germany's Angela Merkel speaks of a "privileged partnership" of Turkey with the EU. According to a Eurobarometer survey, while in 2004, 80 percent of Turks supported EU accession, by 2009 that percentage had dropped to 45.[20]

In fact, even Turkish elites and certainly investors are becoming less enamored with the EU given the debt crises its southern members face and the sluggish economic growth in Europe, combined with growing Islamophobia. While in the first quarter of 2011, the EU economies grew by 2.5 percent, Turkey's economy grew by 11 percent over the same period, making it the highest-growing economy in the world. Turkey's credit rating is one of the few which has actually been upgraded since the economic crisis of 2008 began.[21]

In August 2007, the Turkish parliament elected a new president, Abdullah Gül. He is the first president who outspokenly shares his Muslim conviction and whose wife wears the *hijab,* prompting some nervous moments in Turkey as it was unclear how the military, a staunch defender of secularism, would react. But President Gül's unwavering support for full Turkish EU membership helped to ease the tensions in the wake of his election. Interestingly, the more obstacles the EU presents for full membership talks, the less public support there is in Turkey to become a member of the EU. With Turkey receiving the cold shoulder from the EU for so many years, it is very possible that it reorients its attention from the West to the East, to Iran, Iraq, and Syria—which in Turkey is called the "no problem strategy"—a development that could not be in the interest of the European Union. To be sure, much of the negative reaction by European publics is based simply on racism and xenophobia, which cannot be tolerated, particularly given Europe's past. Yet in the case of Turkey, given the relentless expansion by the EU, many Europeans are asking themselves the question, "What is Europe, and where does it end?" With accession of so many more countries, many of them increasingly diverging in cultures, economic capacities, and religions, on which grounds could a **European identity** emerge?

A CONSTITUTION FOR EUROPE? "NON" AND "NEE"

The purpose of creating a European constitution would be to enshrine in one encompassing framework the multitude of complex treaties that have hitherto governed the EU. Moreover, the union's confusing three-pillar structure would have to be streamlined into one body of law with a single legal personality.

Ratifying the EU constitution could have been achieved in two ways: by votes in the national parliaments or by the politically riskier method of referendum. For the constitutional treaty to come into effect, all 25 EU countries at the time had to ratify it (this was before entry of Bulgaria and Romania). Before the French cast their ballots on the treaty, nine countries (Austria, Germany, Greece, Hungary, Italy, Lithuania, Slovakia, Slovenia, and Spain) had already endorsed the EU constitution. Spain did so in a referendum, with 77 percent of Spaniards supporting the document, although the voter turnout was barely over 42 percent.

The date for the French referendum on the EU treaty was set for May 29, 2005. That date was awaited with much anticipation, since France was the first, large, founding member of the EU to hold such a referendum. Most remarkably, the French national constitution did not necessitate a referendum on this issue. It could have been passed via votes in Parliament. However, a year prior to the 2005 referendum, French president Jacques Chirac had decided to ratify the EU treaty via referendum, confident that it was winnable.

It was not. The night of the referendum brought a debacle for the French president and the "oui" supporters; around 55 percent of the voters rejected the treaty. Voter turnout was a robust 70 percent. This result sent shockwaves across Europe because there was no "Plan B" in terms of what to do in case of a rejection of the treaty. Only three days after the French rejected the treaty, the Dutch held their referendum. The Dutch tend to be very loyal "Europeans," but there the treaty was shot down also, even more decisively—with 62 percent of the voters saying "nee" to the EU constitution with a turnout of almost 63 percent. The people of two founding member states had spoken, and they delivered a resounding slap in the face to the elites who favored passage of the treaty.

The shock of these two referenda was so severe that the ratification schedule was suspended and replaced by an indefinite "period of reflection." The purpose of the suspension of the ratification schedule was to avoid further blows to the EU treaty and allow leaders of countries with wavering publics, such as Great Britain, to extract themselves from the process without having to face a referendum.

Why did French and Dutch voters reject the EU constitution? It is fair to say that very few voters actually read the constitution before they made their decision. Few issues in the EU treaty were part of the public debate, which itself was cleverly orchestrated by the respective "yes" and "no" organizers. In France, section III of the treaty, which dealt with competition policy and market economy principles, became the focus of the "non" campaign, even though many of these principles date back to the Treaty of Rome signed in 1957. Critics of the document argued that section III would undermine social solidarity by favoring the well-to-do at the expense of the working class. In addition, with 10 percent unemployment, public fears were rampant that people from the new EU countries in Central and Eastern Europe would come to France and take away jobs from the locals. The poster child of these fears was the imagined "Polish plumber" who would show up immediately to fix the sink and charge less than the French plumber, thereby driving French plumbers out of business.[22]

The most outspoken critics of the constitution were to be found on both sides of the political spectrum. The former Socialist prime minister Laurent Fabius stirred up a very popular "non" campaign in his party, winning over many skeptics, even though the Socialist Party was officially a supporter of the EU constitution. Fabius feared that the constitution was too pro-market, would undermine the French welfare state, and would leave insufficient protections for workers' interests. The Communists, together with the Greens, unionists, and the antiglobalization movement, made similar arguments about the undermining of the welfare state, the exploitation of the environment, and the loss of French identity should this referendum pass.

On the right of the political spectrum, nationalists such as Jean-Marie Le Pen, leader of the National Front, were also against the EU constitution because they feared that its ratification would allow even easier access of foreigners to come to France. Peasants and farmers remained unconvinced that supporting this document would be in their favor. In addition, the "no" vote on the constitution was as much a referendum on Chirac's policies as it was about the future of Europe, since many parties and movements used this opportunity to strike a blow at the substance of Chirac's policies as well as at his style of government.

In the Netherlands, the people voted "nee" for different reasons. Dutch "no" voters were concerned about "Europe" becoming too powerful and interfering with the traditionally very liberal Dutch policies on gay marriage and soft drugs. In addition, after the murder of filmmaker Theo van Gogh, the Dutch have become much more sensitive to immigration and the challenges associated with the growing heterogeneity of their society (Chapter 12).

Overall, the rejection in both France and the Netherlands of the EU constitution highlighted the general disillusionment of the people with the highly elitist character of the EU. In these two referenda, people voted not only on the EU constitution, but also on what they thought about the introduction of the euro; the enlargement from 15 to 25 EU countries in 2004; the initiation of talks with Bulgaria, Romania, and Turkey to become future members; and the general elitist way in which things are done in Brussels. It is well known that the EU suffers from a "democratic deficit," meaning that decisions are made at very high levels within the EU but also within the respective member states, and do not necessarily correspond to the desires of the citizens. There was remarkably little citizen input when the euro was introduced and when the 2004 enlargement was decided. Once the voters finally had a chance to make their voices heard, they reflected on the totality of their concerns about the EU, and their verdict was a resounding "no" to the direction in which the EU was going. The rapid introduction of the euro and the zeal with which EU elites pushed through enlargement was too quick for many citizens, and with their vote they essentially called for a pause in the fast-paced changes. In their literature review, Liesbet Hooghe and Gary Marks show that indeed the political elite in Europe have a much more positive attitude towards the EU than ordinary citizens, and they admonish that "party leaders in position of authority must look over their shoulders when negotiating European issues."[23] Andreas Follesdal and Simon Hix go in the same direction in their critique when they argue that "the EU is simply too distant from voters."[24]

Oftentimes, critics of the EU integration process underestimate how far Europe has come. Only a little over 60 years ago, the bloodiest battles in the history of mankind occurred in Europe together with the most gruesome genocide ever conceived. Today, Europe, despite some undeniable challenges, is a flourishing, dynamic, modern single market encompassing about 500 million consumers who are at peace with one another. The EU project remains one of the most ambitious undertakings ever devised in which countries voluntarily give up part of their sovereignty in order to reap the fruits that grow on common ground. The challenges that confront individual European democracies in the age of globalization are immense. European integration will ensure that European democracies can successfully compete against other economic superpowers such as the United States and Japan, and the future superpowers India and China.

This positive side of the accomplishments of the EU got a boost on June 23, 2007, when the European Council replaced the sensitive term of a European *constitution* with the narrower concept of a *Reform Treaty*. As American readers are well aware, the term *constitution* has a great emotional and symbolic significance, and many Europeans were not ready to have a constitution at the European level in addition to their national constitutions. "Reform Treaty" expresses better where the EU stands today. The text of this treaty is also much shorter than the initially proposed constitution. At the symbolic level, the European flag with the 12 stars on blue ground is no longer declared as the official flag of the EU; the flag, however, can continue to be used, although without official status.

In terms of substance, the negotiations were very hard, and at several times it looked as if they would break down. Poland wished to have more say in the decision mode for the Council of Ministers. They even brought up the very emotional argument that the Polish population would be much larger today if so many Poles had not been killed by Nazis in World War II. Considering this argument, Poland should get a greater weight in the Council of Ministers. Great Britain was opposed to granting even more power for the EU, in particular in the area of foreign policy where the initial draft of the Reform Treaty planned for an EU foreign minister.

In the first half of 2007, the rotating presidency of the EU was with Germany, so it was up to German chancellor Angela Merkel to preside over the controversial June 2007 meeting of the European Council. She did an excellent job, having separate meetings with the Polish president, Lech Kaczynski, and the British prime minister, Tony Blair, and bringing in other countries if necessary. The full meeting itself took 36 hours, going on long into the night. Finally, there was a breakthrough heralded by everyone. The president of the European Commission, José Manuel Barroso, exclaimed: "The goal for the summit was to reach a mandate for an institutional settlement. We have reached it. This shows that Europe is on the move in the right direction. Reaching agreement was a credibility test for the Union. This Reform Treaty provides the Union with the capacity to act."[25] The EU does not get a foreign minister, but a member of the European Commission with the cumbersome title "High Representative for Foreign Affairs and Security Policy," who will be at the same time the vice president of the European Commission. More importantly, this office holder will preside over the meetings when the foreign ministers of the member countries come together. Thus, in many ways, there will be a EU foreign minister, although not by title, a typical EU compromise. A typical EU compromise was also reached with regard to the decision mode for the Council of Ministers, namely, to extend a deadline. Initially, it was planned to replace the current decision mode described earlier in the chapter by 2009. This deadline was now extended to 2014 and under certain conditions even to 2017, which pleased Poland since the new decision mode will give Poland slightly less weight than the current one; therefore, Poland gets quite a long grace period. Afterward, for a decision to be valid it will need a double majority, 55 percent of the member countries, and the winning side must correspond to 65 percent of the total EU population.

These June 2007 negotiations of the European Council are typical of how the EU often works: compromises with regard to exact titles of particular offices, extensions of deadlines, and exhausting meetings long into the night. Although these are not elegant ways to make decisions, it works for the EU. It muddles through.

The Reform Treaty contains three other important institutional innovations: First, the presidency of the European Council shall no longer rotate every 6 months, but every 30 months, giving more continuity to the office. Second, a majority of the national parliaments can force the European Commission to redraft legislation, which should bring the EU closer to the citizens of the individual countries. A third innovation goes even further in involving citizens at the EU level: It gives 1 million EU citizens with their signatures the right to force the European Commission to begin to draft legislation in a particular issue area.

After all details were worked out, the Reform Treaty was formally signed by the EU leaders on December 13, 2007, in Lisbon; the treaty is thus also called the Lisbon Treaty. It needs to be ratified by all 27 member countries. Since the document is no longer called a constitution, ratification by the national parliaments was considered as sufficient. In Ireland, however, the Supreme Court was of a different opinion and decided that Ireland needed a popular referendum for ratification. In 2008, the referendum failed, with only 47 percent of voters supporting the Reform Treaty, once again throwing the EU in a crisis. One year later, however, with some concessions of the EU, the referendum on the treaty passed with 67 percent yes votes. Contributing to this turn-around in the Irish electorate was also the great deterioration of the Irish economy with the global economic crisis of 2008–2009. The EU helped Ireland with a huge financial package, and the Irish voters realized how much they depended on the EU. Barroso, the president of the European Commission, commented that "Ireland has given Europe a new chance."[26] The Reform Treaty could now go into effect. This means in particular that the presidency of the European Council is no longer rotating but is fixed for two and a half years. Herman Van Rompuy, prime minister of Belgium, was appointed as first permanent president.

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DISCUSSION QUESTIONS

1. What does Europe gain or lose by establishing an "ever closer union"?
2. How would you define "Europe"?
3. Can you foresee a time when there is a "United States of Europe"? Yes or no, and why?
4. What arguments are in Turkey's favor or disfavor in terms of joining the EU?
5. Why is there a "democratic deficit" in the EU?
6. How would you suggest making the EU more responsive to the people?
7. In which policy areas do you think the EU is the strongest? The weakest?
8. What institutions account for the supranational/intergovernmental character of the EU?
9. Compare the EU institutions with those of the United States. What are the similarities and differences?

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