



THE ATLANTIC COUNCIL  
OF THE UNITED STATES

## Whither the European Union?

By David C. Acheson\*

The stunning rout of the proposed EU constitution a year ago in the referenda in the Netherlands and France leads one to wonder, a year later, where Europe goes from here. One must also consider what went wrong and whether circumstances have changed, or will change, sufficiently to allow another approach to a European charter, as proposed by the European Council at their June gathering.

Various causes of the demise of the 2005 draft constitution have been assigned. Probably all of the following played some role in the failure of the referenda:

- The political elites sponsoring the draft seem to have assumed that the voters would follow their lead and did not perform the necessary missionary work with the labor unions and other interest groups, particularly those that were feeling the stagnation in the economy.
- There was broad unhappiness over the remoteness, arbitrariness, and lack of transparency in the regulatory role of the Commission and bureaucracy of the EU in making trade rules and product specifications. There is an echo here of De Gaulle's famous complaint: "How can one govern a country that makes over 100 kinds of cheese?"
- The timing was unlucky in that the voting came at a time of a slow economy over most of Europe, which cast the issue as one of lack of confidence in the national governments.
- Former French President Giscard d'Estaing, chair of the drafting committee was the epitome of the elite mentality, noted for a politically tin ear, when a figure who could have empathized with the public's economic pain would have been a better choice.
- The extreme length and complexity of the draft was seen by some as evidence of the remoteness of the EU leadership from the material concerns of ordinary citizens.

In short, the draft was a leap too far when voter concerns about the economic management of the EU were rising. The defeat was not surprising a year ago or in retrospect. The draft, one might say, sought to put the roof on the house when there was still disagreement over the number, size, and shape of the rooms. Fundamental issues were and are far from settled, such as whether the EU should be a federation (a United States of Europe), a confederation of limited central power (something like Switzerland), or a trade organization.

At present, the EU is more, but not a lot more, than a trade organization. It is an incomplete economic regimen with a parliament, an executive, a court of limited power, and a central

bank. Only thirteen of the twenty-five nation members are in the Euro currency zone. All of the members have reserved to their national legislatures questions of fiscal (tax) policy, labor policy, and social benefits. These are all key parts of effective economic regulation, but also key aspects of national politics.

The constitutional setback is hardly a disaster, for Europe can live a long time with its existing treaties while it sorts out the next step. And the EU has already done much to stabilize Europe by the inclusion of all but a few countries. But since 2004, when the fifteen became twenty-five, consensus has become more difficult. Consensus has been put under added strain by high unemployment (9 percent or more in the EU compared to about 5 percent in the U.S. in 2004), sluggish GDP growth (1.7 percent compared to 3.5 percent in the U.S. in 2005), almost universal negative population growth, and the controversial candidacy of Turkey. Some years ago the EU was debating its priorities: whether first to increase its membership or consolidate its institutions of governance, "broadening or deepening" as the choice was then called. In the end the EU tried to both at the same time. It might have been possible if the EU enjoyed flush times, but it was not so lucky.

Yet, to put the 2005 referenda in perspective, if the constitution had been adopted, it cannot be assumed it would settle the structural issues. Consider the case of the United States. It is not an exaggeration to say that the ratification of the 1787 constitution was a major misunderstanding and the beginning of fundamental controversy. Jefferson and much of the south believed that the new republic was a voluntary association. The Virginia and Kentucky Resolutions in 1798 provided for nullification by the states of any federal laws thought to exceed constitutional authority. In 1814, the New England states met in Hartford to consider secession as a protest against the unpopular War of 1812 (the protest was rendered moot by Jackson's victory at New Orleans in 1815). In the 1830s, John C. Calhoun, actually vice president at the time, proposed nullification of the federal tariff laws and South Carolina passed such a nullification. The Southern states seceded in 1861 over the slavery issue in the conviction that a voluntary association could be disbanded. Thus the character of the U.S. constitution was not settled in 1787, but in 1865 by the surrender of the Confederacy.

While no one expects a comparable drama to arise in Europe, no one expected it in 1787(except possibly Benjamin Franklin, whose answer to the question what the Philadelphia convention had wrought was "A republic, Madam, if you can keep it"). The point is that a constitution must embody, not seek to stretch, the underlying consensus. For the EU, beset by some profoundly unfavorable trends, this is not to be forgotten. Fortunately, the current treaty regime affords sufficient stability to give the EU adequate time for the next step. The structural issues can coast for a while with little damage to the European enterprise. And if the EU leadership can show a way out of economic stagnation, the members are likely to accept any reasonable political form in which the economic solutions are clothed. The more modest the reach, the surer the grasp.

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