EU Political Economy Bulletin – Issue 22, Summer 2016
A publication of the EUSA EU Political Economy Interest Section
https://www.eustudies.org/interest-sections/political-economy/newsletter

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Update on Taxing Labour in the Eurozone

By DAVID L. CLEETON, Illinois State University

The current major eurozone labour-market policy debate is taking place within the administration and on the streets of France as the Socialist government has shifted to decree mode to implement extensive labour market reforms covering employment conditions and job-protection rules. While it has taken several years of his term, President Hollande now seems focused on the necessity of deregulating important aspects of the French labour market along with a parallel support for shareholder rights, if the exercise of those rights is aimed at controlling excessive compensation packages for the CEOs of the largest French companies.

From the center right, Alain Juppe, former prime minister and a leading candidate to gain the nomination for next year's presidential election, has announced a set of further economic reforms which would be expected to make significant progress in lowering the unemployment rate below 10 percent toward what he believes is a reasonable target of 5 percent. His planned path toward a sustainable economy focuses on reducing both governmental expenditures and taxes. Included in the plans would be the lessening of employer taxes and fees which drive a sizable wedge between what employers pay and workers receive.

A timely release by the Organization for Economic Cooperation and Development (OECD) provides both a comprehensive data set along with in-depth analysis of the alternative structures of taxation with regard to labour across developed economies. In these most-advanced economies, wage taxes continue to make up a significant portion of the overall cost associated with employing workers. Wide variations across countries in labour taxation impose differential costs on both employers and employees and have direct impacts on firms' degrees of competitiveness via unit labour costs which are dependent on both employer costs and labour productivity.

The report[1] focuses on several types of measures of taxation on labour. The central focus is placed on the analysis of the tax wedge – a widely-used measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee. The usual measure is calculated by adding up personal income tax, employee plus employer social security contributions together with any payroll tax, minus family benefits and expressing this sum as a percentage of total labour costs. Employer-based social security contributions and, in some countries, payroll taxes are totaled along with the gross wage-based earnings of employees to estimate total labour costs[2]. The average tax wedge represents the fraction of total labour costs which is assigned to tax and social security contributions net of any cash benefits returned through the personal income tax or family benefits system. In contrast the marginal tax wedge is the incremental increase in total labour costs that is captured as net tax levies.

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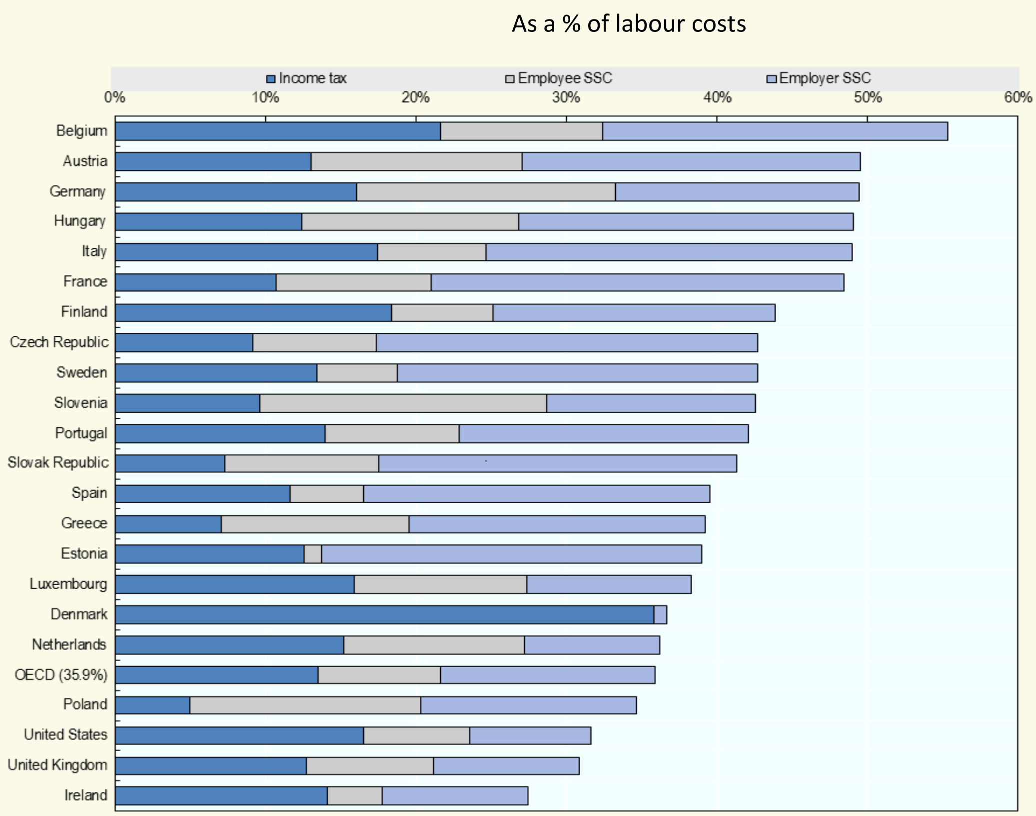
[1] Taxing Wages, 2016, OECD, April 2016.
See: http://www.oecd.org/newsroom/oecd-tax-rates-on-labour-income-stabilise-in-2015.htm
Readers with online access to the ***OECD iLibrary*** can access the database, charts, and graphs via links located at: http://www.oecd-ilibrary.org/taxation/taxing-wages_20725124

[2] It should be noted that this procedure may underestimate true total labour costs paid by employers because additional non-tax compulsory payments may be levied on employment, e.g., required payments for unemployment insurance schemes or periodic per employee taxes and fees.

The *Taxing Wages* report gives extensive cross-sectional breakdowns of average tax wedges along with decompositions of the components, i.e., employee and employer social security payments and personal income taxes. International comparisons are presented of average tax wedges for alternative household compositions along dimensions of both single and married households with zero or two children. Breakdowns are also determined for average tax wedges at center points of and over ranges of percentiles of average wage levels along with computations of average and marginal tax wedges in each country over the range from 50% to 250% of the average wage level. Finally, a detailed chapter of the report presents international comparisons on how tax wedges on wages of secondary earners within families vary across countries; which has important implications for the labor-supply decisions of secondary workers.

We can look at some of the main results with a focus on both EU member states and the subset of eurozone countries[3]. Within the entire set of 34 OECD countries, the highest average tax burdens for childless single workers with an earning level at the average national wage were in Belgium (55.3%), Austria (49.5%), Germany (49.4%), Hungary (49.0%), and Italy (49.0%). In fact, the top 15 positions were all held by EU member states. *Figure 1* below and *Table 1* on the following page detail the breakdown in the various types of taxes. As a relative reference, comparative figures are also given for the United States (24th position at 31.7%) and the OECD unweighted average (35.9%).

Figure 1. Income tax plus employee and employer social security contributions, 2015 (Source: OECD)



[3] The OECD reports on 34 countries including EU member states comprised of: Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, German, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom. Non-EU OECD countries include Australia, Canada, Chile, Iceland, Israel, Japan, Korea, Mexico, New Zealand, Norway, Switzerland, Turkey, and the United States.

Table 1. Taxes as Percentage of Labour Costs, 2015
Source: OECD

	Income tax	Employee SSC	Employer SSC	Total
Belgium	21.6	10.8	22.9	55.3
Austria	13.1	14.0	22.4	49.5
Germany	16.1	17.2	16.2	49.4
Hungary	12.5	14.4	22.2	49.0
Italy	17.5	7.2	24.3	49.0
France	10.7	10.3	27.5	48.5
Finland	18.4	6.7	18.7	43.9
Czech Republic	9.2	8.2	25.4	42.8
Sweden	13.5	5.3	23.9	42.7
Slovenia	9.7	19.0	13.9	42.6
Portugal	14.0	8.9	19.2	42.1
Slovak Republic	7.4	10.2	23.8	41.3
Spain	11.6	4.9	23.0	39.6
Greece	7.1	12.4	19.7	39.3
Estonia	12.6	1.2	25.3	39.0
Luxembourg	16.0	11.4	10.9	38.3
Denmark	35.8	0.0	0.8	36.7
Netherlands	15.2	12.1	8.9	36.2
OECD	13.5	8.2	14.3	35.9
Poland	5.0	15.3	14.4	34.7
United States	16.5	7.0	8.1	31.7
United Kingdom	12.8	8.4	9.7	30.8
Ireland	14.2	3.6	9.7	27.5

Eurozone member states
Non-EU comparative references

While there is substantial variation in the division of the total burden of social security contributions between employee and employer contributions, most economist agree that the long-run economic incidence of both types of contributions falls almost exclusively on the employee; the statutory or legal incidence being unimportant. The proportion of the total tax wedge comprised of social security taxes in the majority of EU member states falls within the 60-80% range with Finland, Luxembourg, and the Netherlands just below this range and Greece and the Slovak Republic just above the range. Significant outliers are Poland (85.5%) on the high side and Ireland (48.5%) on the low side close to the United States (47.8%). Denmark is completely different with a labour-tax scheme based almost entirely on the personal income tax[4]. Poland's high proportion of social security contributions is the mirror image of the fact that it has the lowest income tax rate at only 5 percent. In fact only four other countries come in with income tax rates below 10 percent: Greece (7.1%), the Slovak Republic (7.4%), the Czech Republic (9.2%) and Slovenia (9.7%).

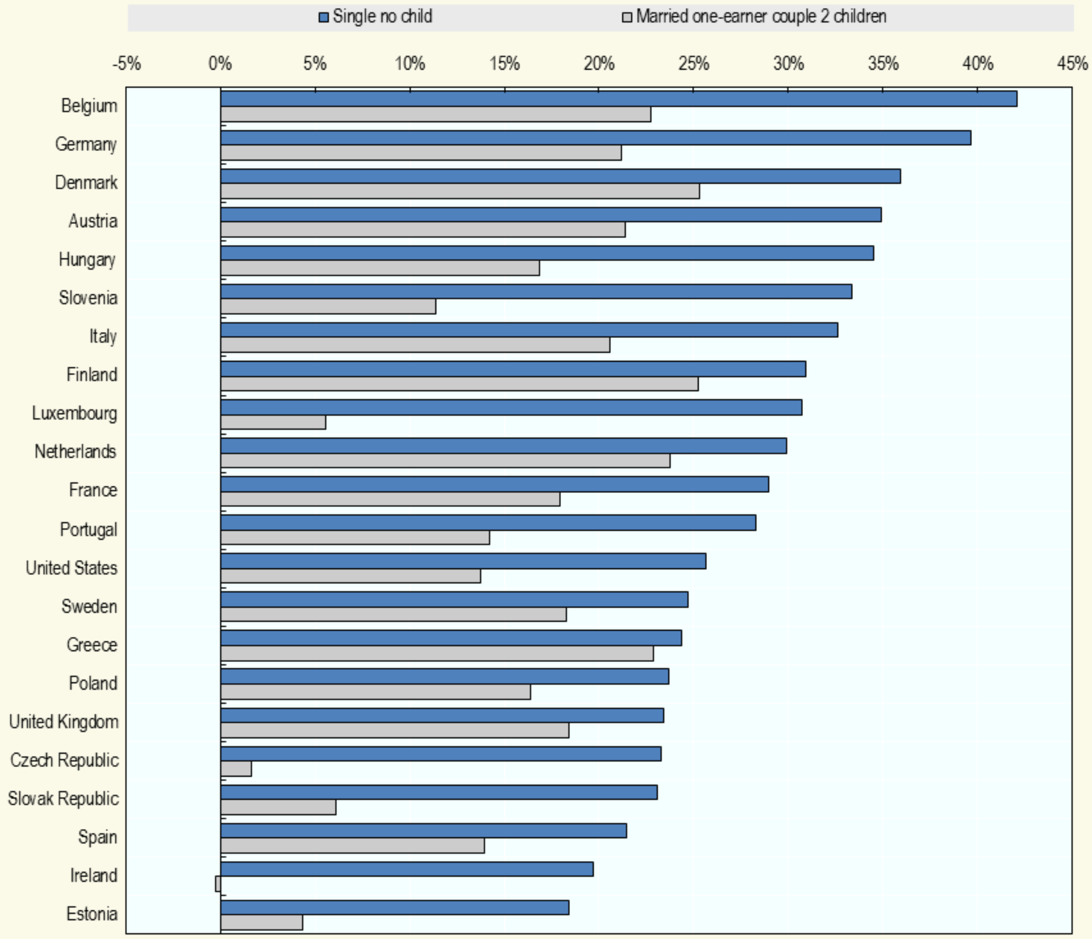
[4] High Danish income taxes finance a large proportion of the state budget which includes a significant social welfare system. In addition, pension saving in Denmark is mostly a significant private obligation as opposed to being reliant on a large public social security system. Pension savings are normally stipulated as a part of the salary package.

In comparison the highest tax wedges for one-earner families with two children at the average wage were in France (40.5%) and Belgium (40.4%). Austria, Finland and Italy had tax wedges of between 39% and 40%. Among the larger OECD group, New Zealand had the smallest tax wedge for these families (4.9%), followed by Chile (7%), Ireland (9.5%) and Switzerland (9.8%). The average for OECD countries was 26.7%. The tax wedge for families with children is lower than that for single individuals without children in all OECD countries with the exception of Chile and Mexico, where both family types have the same level of tax burden. The differences are more than 15% of labour costs in the Czech Republic, Germany, Ireland, Luxembourg and Slovenia.

Figure 2 and *Table 2* on the following page offer instructive comparisons between the single-earner families with zero or two children after an adjustment is made for offsetting cash benefits dependent on family size.

Figure 2. Income tax plus employee contributions less cash benefits, 2015

As % of gross wage earnings, by family-type



Notes: Countries ranked by decreasing rates for single taxpayer without children.
Family types: a single individual without children and earnings at the average wage level and a one earner married couple with two children and earnings at the average wage level. Source: OECD

Table 2. Income tax plus employee contributions less cash benefits (listed by single no-child tax rate), 2015
Source: OECD

	Single no child	Married one-earner couple 2 children
Belgium	0.420	0.227
Germany	0.397	0.212
Denmark	0.359	0.253
Austria	0.349	0.214
Hungary	0.345	0.169
Slovenia	0.333	0.114
Italy	0.326	0.206
Finland	0.309	0.252
Luxembourg	0.307	0.056
Netherlands	0.299	0.238
France	0.289	0.180
Portugal	0.283	0.142
United States	0.256	0.137
Sweden	0.247	0.183
Greece	0.243	0.229
Poland	0.237	0.164
United Kingdom	0.234	0.184
Czech Republic	0.233	0.017
Slovak Republic	0.230	0.061
Spain	0.215	0.140
Ireland	0.197	-0.003
Estonia	0.184	0.043

Eurozone member states
Non-EU reference

The five countries with the most generous cash-benefit systems tied to income taxation, measured as the difference between the single no-child and married one-earner couple with 2 children rates, are, in order; Luxembourg, Slovenia, the Czech Republic, Ireland, and Belgium. If we would rank the countries simply by the lowest total effective tax rate for the married one-earner couple with 2 children, the ten most generous systems, evaluated at the average wage level are: Ireland (-0.3%), the Czech Republic (1.7%), Estonia (4.3%), Luxembourg (5.6%), the Slovak Republic (6.1%), Slovenia (11.4%), the United States (13.7%), Spain (14%), Portugal (14.2%) and Poland (16.4%).

For increased complexity, the report allows us to look at how the net tax rate varies at the margin by marital status (single or married), by number of children (zero or two), and by income level referenced as a percentage of the average wage level (as measured in the national currency). *Table 3* reports a variety of alternative combinations across France, Germany, and the United States as well as the averages across the entire OECD and the OECD subset of 21 EU countries. These tables incorporate favorable tax treatment for two-earner families, which by definition excludes single-earner families, refundable tax credits based on family size, and progressive tax structures across the earnings levels. For example, a single worker with no children earning 2/3rds (67%) of the average wage level would face an effective tax rate of 39.9% in France, 47.1% in Germany, and only 29.1% in the United States. While a two-earner married couple with 2 children earning between 100% and 133% of the average wage would face tax rates of 22.1% in France, 46.7% in Germany, and as before 29.1% in the United States. Some general patterns emerge, such as the relatively generous cash benefits across a wide range of income tied to children in France or the slightly higher tax rates across all categories among the EU member states compared to the OECD averages.

Table 3. Marginal rate of income tax plus employee contributions less cash benefits, 2015

As % of gross wage earnings, by family-type and wage level

Source: OECD

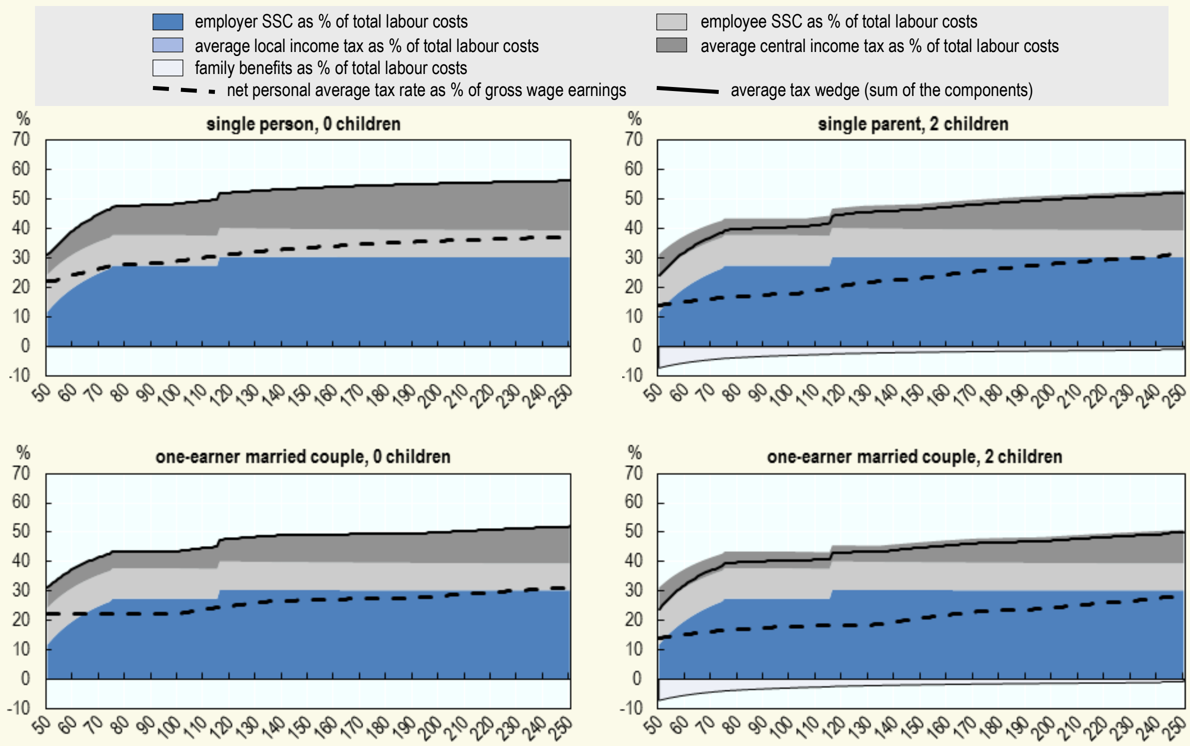
	Single 0 ch 67 (% AW)	*Single 0 ch 100 (% AW)*	*Single 0 ch 167 (% AW)*	*Single 2 ch 67 (% AW)*	*Married 2 ch 100 (% AW)*	*Married 2 ch 100-33 (% AW)**	*Married 2 ch 100-67 (% AW)**
France	39.9	43.9	42.6	22.1	22.1	22.1	39.9
Germany	47.1	52.5	44.3	44.7	43.1	46.7	49.5
United States	29.3	39.3	39.3	46.6	29.3	29.3	29.3
Unweighted averages							
OECD-Average	*32.1*	*36.2*	*40.2*	*34.8*	*34.8*	*34.8*	*34.7*
OECD-EU 21	*36.6*	*39.8*	*44.0*	*37.9*	*35.1*	*35.8*	*37.8*

Note: ch = children. It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

*Two-earner family.

To extend this analysis below we have the graphs which illustrate the changing marginal tax rates decomposed into income tax, social security (both employer and employee contributions) as well as family cash benefits across alternative income levels referenced to the average wage[5]. Here we illustrate the results for France in 2015. In the two left-side graphs there are no adjustments for family benefits for the aggregate tax wedge is simply the vertical addition of the three tax components (income tax and employer and employee social security contributions). In the right-side graphs the presence of 2 children creates a family benefit which partially offsets the three tax components. The effective rate of this subsidy declines with higher earnings; in the 2-child case illustrated here, the family benefits subsidy amounts to 7.25% of gross earnings when family earnings are half (50%) the average wage and falls to 0.86% of gross earnings when the family earnings level reaches 250% of the average wage.

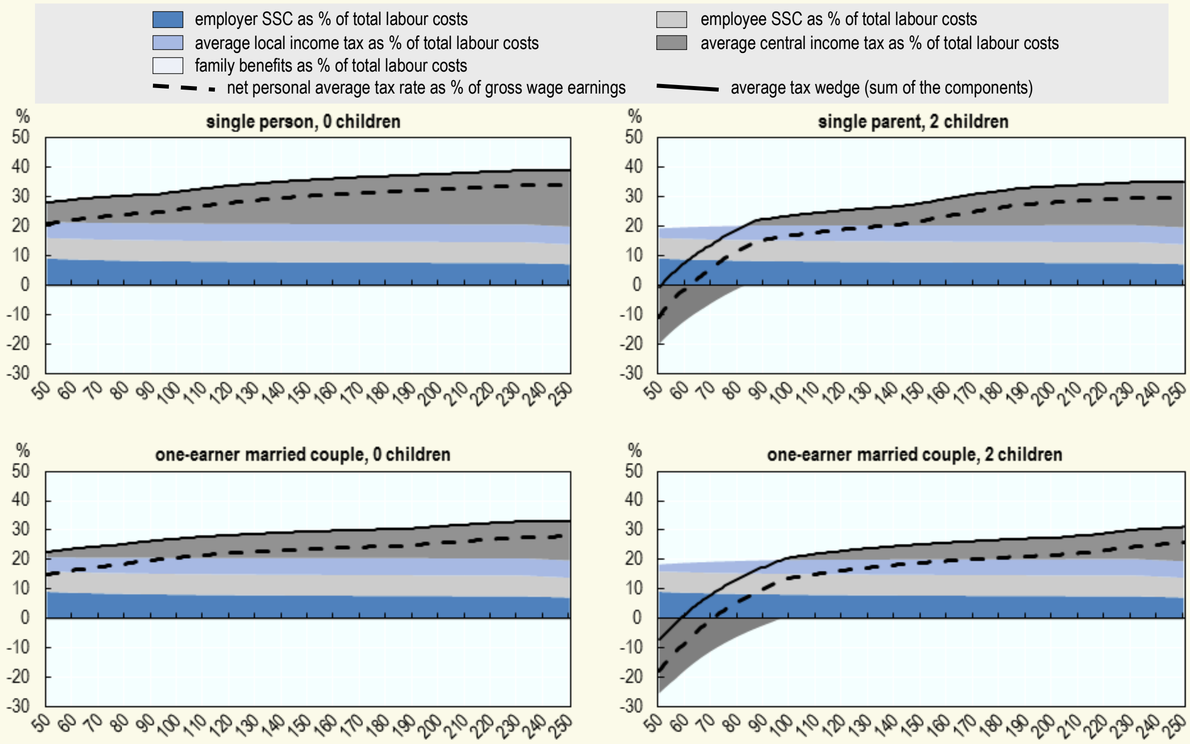
Figure 3: France (2015) average tax wedge decomposition by level of gross earnings expressed as a % of the average wage



We can see in *Figure 4* on the following page that in the United States the Earned Income Tax Credit (EITC) results in a substantial low-income range over which the effective net tax rate for a one-earner married couple with 2 children is in fact negative (this range extends up to 61% of the average wage). While this represents a substantial subsidy to low-income working families, it should be kept in mind that the tax wedge burden on employers is unaffected by the refundable tax credit system.

[5]These detailed breakdowns are provided in the report for each OECD country. See "Graphical Exposition of the 2015 Tax Burden," Chapter 4 in Taxing Wages, 2016, OECD, April 2016.

Figure 4: United States (2015) average tax wedge decomposition by level of gross earnings expressed as a % of the average wage



While most of the comparative analysis is conducted using the average domestic wage as the reference point for international comparisons across EU and other OECD countries, when examining competitiveness we should convert the figures using market exchange rates to a common currency basis. Within the EU, eurozone countries are operating with a common currency but will still differ in their average wage levels. For non-eurozone countries we can convert their domestic wage levels measured in national currencies into euros. Using the average of the monthly exchange rates within each of the years 2014 and 2015, as reported by Eurostat, we can report the comparative statistics in *Table 4* on the following page. Columns 1 and 2 give the average gross wage level in units of the national currency. Using the prevailing exchange rates, we can translate these figures into Columns 3 and 4 where the euro-based gross wage levels are given. Sorting the values in Column 4 ranks the wage levels in 2015 as follows:

Average Gross Wage (2015)					
Luxembourg	€ 55.55			Greece	€ 20.30
Denmark	€ 53.36	Sweden	€ 43.75	Slovenia	€ 18.11
Netherlands	€ 49.24	Finland	€ 43.54	Portugal	€ 17.28
United Kingdom	€ 47.14	Austria	€ 43.48	Estonia	€ 12.93
Germany	€ 47.04	France	€ 37.79	Czech Republic	€ 11.24
Belgium	€ 46.69	Ireland	€ 34.85	Poland	€ 10.63
United States	€ 45.31	Italy	€ 30.71	Slovak Republic	€ 10.62
		Spain	€ 26.26	Hungary	€ 10.06

Table 4. Comparison of wage levels

Country	Gross wage in national currency 2014 (1)	Gross wage in national currency 2015 (2)	Gross wage in euros 2014 (3)	Gross wage in euros 2015 (4)	Annual change in national currency terms 2014-15 (%): Gross wage (5)	Inflation[1] (6)	Real wage before tax (7)	Change in personal average tax rate[2] (8)
Austria	€ 42.814	€ 43.484	€ 42.814	€ 43.484	1.6	0.9	0.7	0.2
Belgium	€ 46.451	€ 46.693	€ 46.451	€ 46.693	0.5	0.6	-0.1	-0.3
Czech Republic	308.688 Kč	317.924 Kč	€ 11.200	€ 11.241	3.0	0.4	2.6	0.2
Denmark	kr. 397.600	kr. 405.876	€ 53.363	€ 53.363	2.1	0.5	1.6	0.3
Estonia	€ 12.338	€ 12.926	€ 12.338	€ 12.926	4.8	0.1	4.7	-1.2
Finland	€ 43.035	€ 43.536	€ 43.035	€ 43.536	1.2	-0.2	1.3	0.2
France	€ 37.307	€ 37.792	€ 37.307	€ 37.792	1.3	0.1	1.2	0.3
Germany	€ 45.700	€ 47.042	€ 45.700	€ 47.042	2.9	0.1	2.8	0.2
Greece	€ 20.450	€ 20.296	€ 20.450	€ 20.296	-0.8	-0.9	0.2	-0.7
Hungary	3,054.276 Ft	3,172.122 Ft	€ 9.960	€ 10.056	3.9	0.1	3.8	0.0
Ireland	€ 34.178	€ 34.847	€ 34.178	€ 34.847	2.0	0.1	1.8	-0.5
Italy	€ 30.400	€ 30.710	€ 30.400	€ 30.710	1.0	0.2	0.9	1.0
Luxembourg	€ 54.920	€ 55.553	€ 54.920	€ 55.553	1.2	0.1	1.1	0.7
Netherlands	€ 49.155	€ 49.235	€ 49.155	€ 49.235	0.2	0.3	-0.1	-0.6
Poland	44.083 zł	45.521 zł	€ 10.502	€ 10.626	3.3	-0.8	4.1	0.1
Portugal	€ 17.411	€ 17.280	€ 17.411	€ 17.280	-0.8	0.5	-1.3	1.1
Slovak Republic	€ 10.422	€ 10.616	€ 10.422	€ 10.616	1.9	-0.2	2.1	0.1
Slovenia	€ 17.948	€ 18.109	€ 17.948	€ 18.109	0.9	-0.6	1.6	0.1
Spain	€ 26.191	€ 26.259	€ 26.191	€ 26.259	0.3	-0.6	0.8	-1.5
Sweden	408.188 kr	421.364 kr	€ 44.762	€ 43.746	3.2	0.1	3.2	0.3
United Kingdom	£35.182	£36.017	€ 43.568	€ 47.137	2.4	0.1	2.2	-0.2
United States	$50.099	$50.964	€ 38.625	€ 45.305	1.7	0.0	1.7	0.0

1. Estimated percentage change in the total consumer price index.
2. Difference in the personal average tax rate of the average worker (single without children) between 2015 and 2014.

Sources: country submissions, OECD Economic Outlook Volume 2015 (No. 98), and exchange rates from Eurostat.

Eurozone member states
Non-EU comparative references

Columns 5 through 8 give the percentage changes over the year (2014 to 2015) based on the national currency figures. For example, in France the increase in the gross wage was 1.3% and with a very low inflation rate of only 0.1% the real wage index increased by 1.2%. However, a small portion of this real wage increase was reduced by the 0.3% increase in the average tax rate. The largest downturn in the labour market occurred in Portugal where a drop in the real wage of 1.3% was combined with a 1.1% increase in the average tax rate. The biggest gain was made by Estonian workers who saw real wage increases of 4.7% further boosted by a reduction of 1.2% in the average tax rate.

As eurozone policy makers continue to debate the proper directions in which to guide fiscal and monetary policies, it is clear that labour market reforms and tax policy are key factors affecting momentum in job growth which is fundamental in starting to make a significant impact in reducing the unacceptably high levels of unemployment lingering across large parts of the eurozone. The role of income and social security taxes in maintaining tax wedges of substantial magnitudes in a significant number of eurozone member states needs to be directly addressed. The new OECD report on the currently existing framework for taxing wages should prove to be an important resource of comparative data to help analysts better understand the intricate details of these complex tax structures.

Variation in the Distribution of European Regulatory Authority: the Case of the Insurance and Occupational Pensions Sector

By MARK DINGFIELD, Temple University

When compared to the dramatic transfer of regulatory authority that occurred in forming a European Banking Union and the "state of permanent revolution" (Moloney, 2014: 36) that has existed in EU securities regulation since 2008, regulatory developments over the past two decades in the insurance and occupational pensions sector present a stark contrast. EU regulatory authority in the insurance and occupational pensions sectors remains the least integrated of the three financial regulatory pillars, in terms of both rule-making and supervisory authority. This is despite the critical role that both sectors play in providing financial capital in domestic European economies,[6] the significant losses they suffered as a result of the global financial crisis,[7] and the increasing pressures on both sectors due to an aging European population and increased cross-border labor mobility.

Tracing the limited supranational integration of these markets through the implementation of the Solvency II directive in 2014 reveals institutional configurations and regulatory fault lines similar to early developments in the banking and securities markets. European insurance firms in fact have greater cross-border business than the banking sector, with 36% of total premiums written in countries outside of a firm's home country in 2012 (Shoenmaker and Sass, 2014: 3). Despite the internationalization of the insurance sector, the main supervisory and regulatory law covering the insurance sector was written more than forty years ago (in 1973) and was only revised by Solvency II.

Attempts to integrate the domestic regulatory institutions in these sectors, a political process described by one MEP as being "as agonizing" as childbirth,[8] can be largely explained by deep divisions in member state preferences resulting from distinct varieties of European capitalism (Hall and Soskice, 2001). The institutions that regulate the insurance and pensions sectors have extensive institutional complementarities and exhibit strong, path-dependent characteristics. Specifically, European coordinated- and liberal- market economies (CMEs and LMEs respectively) have developed distinct pathways for how financial capital is provisioned and distributed throughout the economy.

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[6] For example, primary and reinsurance firms in Germany had an investment portfolio of nearly €1.4 trillion in 2013, while the comparable UK figure was €2.2 trillion. Sources: Gesamtverband der Deutschen Versicherungswirtschaft e.V (Germany Insurance Industry Association), *Statistical Yearbook of German Insurance 2014* (2014: 1); and Association of British Insurers, *UK Insurance Key Facts 2014* (2014: 15). Note: exchange rate based on December 31, 2013 weekly rate of 1.20 GBP/EUR.

[7] In 2008 European pension funds lost 20% of their real value (Casey, 2012: 247).

[8] Sharon Bowles, chairwoman of the European Parliament's Monetary Affairs Committee, as quoted in Gray, A. "Insurers Welcome Solvency II deal". *Financial Times*, November 15, 2013.

Domestic regulations governing insurance and pension funds' asset allocations and capital requirements are designed to support and protect long-term, conservative investments in CMEs, while LMEs privilege investments in equity markets, with comparatively shorter time horizons. These two historical institutional factors generate a strong cleavage in state preferences, particularly between Germany and the UK, toward the Commission's proposals to integrate domestic regulatory institutions.

These divisions in member state preferences help explain the continual delays in implementing Solvency II, which after being adopted in 2009, did not come into force until January 2016, with implementation of some key provisions postponed until the early 2030s.[9] Capital requirements for the insurance sector were proposed across two dimensions. First, insurers were required to hold sufficient capital to guard against solvency risks. The second set of capital regulations related to the composition of insurance fund investments. Proposals on the "quality" of investments required insurers to "hold capital against market risk (i.e. fall in value of insurers' investments)."[10] Investments held in assets subject to greater market volatility would need to be backstopped by insurance funds holding a proportional amount of conservatively-invested capital.

Member state responses to these proposals were consistent with the expectations of a varieties of capitalism model. For example, the proposed quality of capital requirements regulating market risk in insurers' investment portfolios drew the strongest opposition from the UK. With insurance funds providing a comparatively significant portion of institutional investment in domestic equity markets (typically considered more volatile assets), these requirements would force insurers change their asset allocation, but could also disrupt an important supply of capital into UK financial markets. Emphasizing this potential effect, British insurers warned they might not be able to contribute a planned £2 billon toward public infrastructure projects because of the new capital requirements.[11] Prudential, the UK's largest insurer, also publically threated to relocate to Asia because of fears that the EU might not recognize foreign country – and particularly the U.S. – regulatory regimes and capital requirements as being equivalent.[12]

Reflecting the opposition from member states, Solvency II has left responsibility for direct insurance sector supervision with member states. Domestic authorities, either acting independently or coordinating with other domestic regulators through supervisory colleges, are responsible for all direct supervisory actions over insurance firms, including conducting reviews of solvency and quality of capital standards. Because many insurance groups developed internal models for evaluating their compliance with the solvency capital requirements, domestic supervisors possess significant responsibility for transposing and interpreting Solvency II measures.

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[9] Directive 2013/58/EU of 11 December 2013 postponing the application date of Solvency II.

[10] European Commission, Memo/07/286, 'Solvency II: Frequently Asked Questions (FAQs)', July 10, 2007.

[11] Pickard, J., et al. 'Insurers Warn on EU Threat to Investment Plan', *Financial Times*, March 2, 2012.

[12] Gray, A. 'Cameron Joins Insurers' Fight Against New EU Rules', *Financial Times,* March 8, 2012.

The Political Economy of the European Capital Markets Union[13]

By LUCIA QUAGLIA, University of York and DAVID HOWARTH, University of Luxembourg

In February 2015, the Commission published the Green Paper 'Building a Capital Markets Union' and launched a three-month consultation on its contents, with a view to elaborating an Action Plan setting out a roadmap and timeline for establishing a Capital Markets Union by 2019. In September 2015, the Commission presented an Action Plan for CMU and two proposed directives on securitisation: the first legislative building-blocks in the construction of CMU. Further legislative activity was to follow. CMU has been presented by the Commission as the 'new frontier of Europe's single market', with the aim of reducing fragmentation in financial markets, diversifying financing sources, strengthening cross border capital flows and improving access to finance for businesses, particularly Small and Medium Enterprises. More immediately, the Commission has used the CMU initiative to encourage bank and other corporate securitisation in the European Union (EU), the level of which plummeted in the aftermath of the international financial crisis. The Commission intended for CMU to boost the global competitiveness of European financial centres which, over the last decade, have lost ground in global rankings.

The CMU project is a potentially important development in the Single Market for two main inter-related reasons. First, full financial market integration has been a long-standing and rather elusive goal of the European Union. Second, the term Capital Market *Union* was deliberately chosen by the Commission to indicate that CMU was complementary to Banking *Union* and necessary for the completion of Economic and Monetary *Union* (EMU), which had been the focus of the EU's attention since 2012. While it is argued below that the logic behind the link between the three unions is at best problematic, the Commission has designed the CMU project to appeal to a range of EU Member States — both euro area countries and outsiders. Hence, it has been presented as a way to address the concerns regarding the repercussions of 'differentiated integration' — linked to EMU and, more recently, Banking Union — on the single financial market.

As in earlier initiatives concerning financial market integration in the EU, the European Commission has been the main driver of CMU, with strong support from the ECB, which endorsed the project as a way to provide funding to the real economy, notably to SMEs, and to ensure the effective transmission of monetary policy across the euro area. The Commission and the ECB have argued that securitisation, the main building block of CMU so far, is essential to re-start the flow of credit to the real economy in the EU, especially given the limited development of financial services other than banking in most Member State financial systems and the heavy reliance of nonfinancial companies (notably SMEs) on bank credit. The CMU project and the financial liberalisation and diversification that it promises have likely winners and losers — both Member States and specific sectors of the economy.

Those Member States with more diversified financial systems and more open banking systems are more likely to support CMU. Of all EU Member States, the UK has the most potentially to benefit from the financial liberalisation and diversification promised in the CMU project, given the diversity of its financial sector and, in particular, the high concentration of wholesale market activity, private equity and hedge funds in the City of London. The broadly enthusiastic response of the UK government has been joined only by a number of Member States with well-developed and diversified financial sectors, including Ireland, the Netherlands, Sweden and Luxembourg, as suggested by their responses to the Commission's consultation and subsequent statements. The main continental Member States — notably France and Germany — have expressed some reservations towards CMU. They have supported the CMU project, while stressing the importance of banks to European economies and rejecting the US type of financial model — promoted by the Commission and the ECB — as inappropriate for the EU. Given their more limited development, the financial sectors of Southern, Central and Eastern European Member States were generally in a weaker position to gain advantage from CMU. The principal interest for these countries is to enhance the provision of finance, especially to SMEs which have greater relative economic importance than in Northern EU Member States.

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[13] This short contribution draws on: Quaglia, L., Howarth, D. and Liebe, M. (2016), 'The political economy of Capital Markets Union', *Journal of Common Market Studies Annual Review*, forthcoming.

As for interest groups, the main potential winners are the City of London — with its diverse financial sector — and specifically alternative investment companies, including private equity and venture capital firms. Some big internationally active universal banks — especially those engaged in investment banking activities —are also likely do well out of the liberalisation of EU financial markets. The main potential losers from CMU are smaller domestically-focused banks and protected financial 'national champion' market infrastructure firms in some Member States, which dislike the prospect of competition from alternative financing channels. These banks and their representative associations have been particularly critical of the CMU project, arguing that they are better suited than capital markets to provide funding to the real economy, especially to SMEs. The impact of CMU will also be different amongst stock exchanges across the EU but it is very likely that CMU — as envisaged — will increase pressure to consolidate in the sector.

Although CMU has been presented as complementary to Banking Union, there are very few similarities and three main differences between these two projects. First, with regard to CMU, the term 'union' is somewhat misleading because, *de facto*, the project is an improvement of the existing regulatory framework for financial services in the EU. Second, Banking Union applies only to EMU Member States and others that decide to opt in, not to the entire EU. No euro area outsider had yet opted into Banking Union. CMU applies to all EU Member States. Third, and most important, while Banking Union centralises banking supervision and resolution, in CMU centralisation is not the main objective. On the contrary, Commissioner Hill (2015a) pointed out that CMU would mainly be a *bottom up* process over a period of several years. However, some 'centralisation' or harmonisation through EU re-regulation will be needed in the CMU project, as in the case of previous initiatives designed to promote financial market integration in the EU.

Towards Fortress Europe? How States Exploit Border and Migration Issues in EU Negotiations

By ISABEL WINNWA, University of Bamberg

The Schengen agreement is seen as one of the main achievements of the political union. States have taken a major step in 1985 by agreeing on common external borders and relinquished internal border controls to give EU citizens freedom of movement to exploit all the benefits given by the common market. Thirty years later, Schengen remains a controversial topic for several reasons: the decision to grant free movement to all EU residents has been contested frequently and intensely by a number of national actors. The most prominent voice of contestation comes from political actors in member states, in government or opposition, who try to exploit border and migration issues for electoral purposes. In these instances, freedom of movement is often linked to the term "welfare tourism" denouncing economic concerns with regard to EU migration (Guild et al., 2013). The security dimension of Schengen and the external borders have periodically resurfaced in public and political debates, mostly in reaction to crises. The Arab spring, which triggered the migrant crisis in 2011, as well as recent terrorist attacks made the security aspect of Schengen a primary concern for member states. *But do these concerns affect negotiations on migration and border issues at the European level? If so, how?*

The trivial answer to the first question is: yes, it does affect negotiations. The more interesting one to answer here is how national political debates actually translate into EU negotiations and to what extent this affects EU decisions. The topic of Schengen is particularly interesting, because national actors actually brought the issue to the European level quite early in 2011 and initiated a thorough reform of the Schengen Borders Code (SBC), which among other aspects included a reform of the mechanism of internal border control. Now, in principle there are no controls at internal borders. However, exceptional circumstances, such as official events, like G7 summits for example or large sports tournaments, such as football championships, allow member states to reintroduce border control for a limited period of time.

In light of the migration crisis and the perceived threat to their national borders, some government officials have demanded an extension of this mechanism to include more general security threats. The most prominent voices in this regard were France and Italy, actually their respective Presidents Nicolas Sarkozy and Silvio Berlusconi, after they had experienced a heavy dispute over Tunisian migrants in 2011. Italian authorities had allowed them to enter, given them resident permits and encouraged their journey to France. French President Sarkozy had retaliated by ordering to close the border to Italy. As this could not be a solution under EU regulations on internal border control at that time, both Presidents formally called on the EU institutions to act and, being part of the European Council (EC) as heads of state, they brought the issue right up to the EC meeting in July 2011. The EC prompted the European Commission to present legislative proposals for reform, which addressed the demands for changes in terms of internal border control. French and Italian demands to renationalize border control competencies were not taken up. Nevertheless, the proposal was quite controversial in legislative negotiations, not only, but especially in the Council of Ministers (Council).

The urge to renationalize border control supposedly stems from a shift in priorities for national governments from safeguarding freedom of movement to security concerns in Schengen management (Dinan, 2013; Hilpert, 2015). Interestingly, the most fervent advocates of a more restrictive policy at internal borders are the countries where government parties struggle most with radical right parties gaining ground in national elections: France, Italy, Denmark, and the Netherlands. All of them have also reintroduced border controls at some point since the start of negotiations in 2011 (Carrera et al., 2013). Germany joined the rank of supporters of a more state-based approach to border control. In a formal letter to the Council in 2012, Germany and France insisted that the proposal should allow states to unilaterally decide on the reintroduction of border controls in case of security concerns.

Unsurprisingly, the Commission and the European Parliament (EP) did not share this position: the EP questioned the entire idea of strengthening national competences in matters of border control and accused the Council of exploiting migratory pressures as means to regain control over border policy. The Commission tried its best to promote its own agenda and push for a more European-based mechanism of border management, trying to be involved in the decisions that would be taken about reintroducing border control and in the evaluation of the Schengen implementation by member states. The Commission actually took a pragmatic approach in its proposals, it tried for a more Union-based approach, but still accepted to reconsider the rules on internal border control, which secured it the support by the EC. The EC itself had a somewhat ambiguous role, as it both represented the member states, its members being the heads of state, as well as the political guide and therefore bearer of responsibility towards the acquis. However, the Council rejected this proposal, especially with regard to the enhanced role of the Commission.

Throughout the negotiations in 2012 and 2013, the national Ministers used the Council as a platform to reinstate political leadership and demand more leeway for national governments, a behavior that is probably related to the fact that those Interior Ministers strongly favoring the restrictive reform were all facing severe legitimacy challenges by the rise of populism and radical right parties in their domestic constituencies (Pascouau, 2013). Ultimately, France and Germany, as the biggest and most influential states, called the shots in the Council and by mid-2012, they had rallied the Council on a common position, even those countries that had initially supported a more EU-based system, like the external border countries in the South. Finding an agreement with the EP proved a tough challenge, mostly on procedural grounds, but also with regard to border control. The EP had supported the initial proposal precisely because the closer involvement of the Commission had been perceived as a safeguard against unilateral national action. The final legislation formally does not renationalize border control or anything close to that and, paradoxically, outwardly strengthens the influence of the Commission and the EP. However, the legal text was drafted in a way that leaves much room for interpretation as to what constitutes a security threat that would allow for the reintroduction of border control and when prolongation is possible, leaving observers scratching their heads.

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The EU's Relationship with Secessionism

By GLEN M.E. DUERR, Cedarville University

Through its history from the signing of the Treaty of Paris in 1951, the nascent six member European Coal and Steel Community steadily absorbed new areas of policy, added member states, and morphed into what is now the European Union (EU). Although the organization has faced numerous crises, the EU has been remarkably stable in terms of territorial integrity, especially given the frequency of border changes in European history. Now encompassing 28 members, the EU has seemingly aided in the stability of the state, especially considering the aftermath of World War Two, a conflict that was rooted in halting expansion and irredentism.

For example, from 1951 to 2016—a period of 65 years—there were no border changes within the EU member states. Granted, Czechoslovakia dissolved into two countries—Czech Republic and Slovakia—in 1993, and other now EU member states such as Slovenia and Croatia were part of the former Yugoslavia in 1991, and the Baltic

States—Estonia, Latvia, and Lithuania—also seceded from the Soviet Union in the same year.[14] But all of these changes happened before the accession of these member states in 2004 (Croatia joined in 2013). None of the borders of EU member states have changed in the history of the organization, and no country has witnessed the secession of one or more of its entities.

The EU's impact on regionalism and secessionism

The EU has had an interesting two-way impact on regionalism and secessionism amongst many of its member states. On the one hand, the EU, through the Maastricht Treaty seemingly upholds the idea of state sovereignty in that any new member state, including cases of secession amongst existing member states, will be considered a third party to the EU, and thus require accession to the organization. Of course, since no case has tested Articles 48 and 49 of Maastricht, it is simply not known as to how these articles would be interpreted.[15] Additionally, the EU functions largely based on the member state model, which buttresses the territorial integrity of its members. For example, the Council of Ministers comprises of member states with the philosophical purpose of representing the interests of national governments.

On the other hand, however, the existence of the EU, especially the components of the organization that facilitate free trade and access to a wider market, have proliferated the notion that smaller states can function effectively.[16] Regionalist political parties have grown in every decade of the EU's history.[17] For advocates of secession, smaller states such as Sweden, Finland, and Denmark provide a model of what can be accomplished in, what they argue, is a smaller, more efficient state. Advocates of secession in Flanders, Scotland, and Catalonia amongst others all point towards a model of viability wherein taxes and resources are used for a local population rather than for redistributive taxation across a much larger state such as the UK, France, Belgium, Spain, or Italy among others.

Moreover, the Committee of the Regions under the EU promotes the idea of supporting regional identities and interests within the organization. Monies are allocated to languages, for example, that are in danger of extinction in a few generations if not revived. The region of Cornwall in the southwest of England in the UK is a prominent example here. Although the population of Cornwall is approximately 500,000, the EU has invested heavily in the region to revitalize usage of the language, and cement the culture in the fabric of the society.

Other organs of the EU, such as the European Parliament, can be viewed as agnostic between proponents of member states as they exist, and proponents of regionalism and/or secessionism. In the European Parliament, MEPs come from traditional parties as well as parties representing anti-establishment politics, or regional interests. So, in sum, the EU works under the structure of membership through member states, but has also served to highlight—and, in some cases, protect—regional identities. This has caused a two-way vision of the state; upholding the status quo, whilst simultaneously presenting a vision that the status quo could be overturned.

Tiers of secession

In some ways, given the growth of regionalism and secessionism in the EU, three tiers of secessionist regions have emerged. Three criteria can be used to demarcate each tier: 3) the existence of a pro-independence political party

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[14] Bunce, Valerie. "Peaceful versus violent state dismemberment: a comparison of the Soviet Union, Yugoslavia, and Czechoslovakia." *Politics & Society* 27:2 (1999): 217-237.

[15] Duerr, Glen. *Secessionism and the European Union: The Future of Flanders, Scotland, and Catalonia*. Lanham: Lexington Books, chapter 8.

[16] Lecours, Andre. "Sub-State Nationalism in the Western World: Explaining Continued Appeal." *Ethnopolitics*, 11:3 (2012): 268-286.

[17] Jolly, Seth. *The European Union and the Rise of Regionalist Parties*. Ann Arbor: University of Michigan Press, 2015, chapter 1.

with some continuous electoral support, 2) success for the pro-independence political party wherein they have the opportunity to govern, 1) significant secessionist agitation in addition to governing their respective region.

Nationalist political parties in regions such as Flanders, Scotland, and Catalonia where secessionist agitation is highest, can be classified as a first tier of secessionism—they are the most likely candidates to become independent, and their respective political parties garner the most votes in elections. In particular, political parties such as Nieuw-Vlaamse Alliantie (N-VA) in Flanders, the Scottish National Party (SNP) in Scotland, and Convergència Democratica de Catalunya (CDC) in Catalonia, can all be considered part of a first tier of secession—in essence, the candidates most likely to force secession in their respective EU member states. All of these parties have won elections at one or more levels—local, regional, national, and/or European.

Although secession is unlikely in the short-term, agitation is increasing, especially in first tier regions. In Belgium, N-VA has directly triggered a government formation in the aftermath of both the 2010 and 2014 general elections. In Scotland, the SNP has won the last three regional elections—2007, 2011, and 2016, and held an independence referendum in September 2014 because of a majority in the Scottish Parliament. Moreover, the SNP won 56 of 59 seats in the British general election that delivered Prime Minister, David Cameron's Conservative Party, an absolute majority. In Catalonia, CDC, along with a variety of other parties in a coalition, governed the region almost exclusively since democratic governance was restored in the late 1970s. Despite being prohibited by the Spanish Government from holding a referendum, supporters of an independent Catalonia have held two, major plebiscites in the region, with the goal of showing the level of support for independence.

In other regions—demarcated here in the second tier of secessionism—such as Veneto in Italy, Corsica in France, Greenland in Denmark, and the Basque Country in Spain and France, the pro-independence political party has typically governed the region in a coalition, but has not agitated for secession to the point of creating a crisis for the state government. Agitation for independence has increased because a given leader of the region is able to, for the most part, set the legislative agenda, which usually includes preferences for the regional language and culture. But, at least at the present, none of these regions is a major candidate for secession, unless the region moves into the first tier of secessionism with greater secessionist agitation such as a referendum, or a major blockage to government formation.

Finally, a third tier of secessionism seems to be emerging in regions with political parties that support independence, but have obtained, thus far, minimal voter support, and have yet to govern their region. A prominent example is Plaid Cymru (PC) in Wales, which, under leader Leanne Wood, has recently adopted a strategy towards independence rather than gaining greater autonomy for the region. PC has yet to govern the Assembly of Wales but is a mainstay in the Welsh political arena. Electoral success in the future could move the party into the second tier of secessionism, at which point further agitation for independence will be increased.

Malignant Europeanization: Schengen, Irregular Migration Governance, and Insecurity on Europe's Peripheries

By CRAIG DAMIAN SMITH, University of Toronto

Schengen is a constitutive element of the European project, and was always predicated on "compensatory measures" for removing internal borders. From the mid 1970s, groups of civil servants and security officials met to address transboundary flows in the advent of an internally borderless Europe.[18] While initially limited to strengthened external borders, these measures expanded to intra-European burden-sharing and extra-European migration governance.[19] Maastricht rolled migration and asylum into the JHA pillar, institutionalizing a securitized approach to mobility. Intergovernmental fora increasingly focused on concerns that uncontrolled migration could destabilize the nascent open border regime. The 1992 *Declaration of principles Governing External Actions of Migration Policy* articulated the community's first coherent approach to externalized migration governance. Put briefly, Schengen "is not, never has been, and never will be a simple process of boundary removal."[20]

The 2015 migration crisis brought the issue to a dramatic head. In January Donald Tusk warned that issues of burden-shifting and border controls could unravel the Schengen regime. Angela Merkel worried that the common currency and single market could follow given their dependence on mobile people and goods.

Quite typically, the EU reacted with a series of overarching policy frameworks, grand bargains, and solidarity proposals. Domestic politics render binding burden-sharing quotas largely intractable. The Polish government, for example, announced it will not abide by dictates on refugee redistribution. What remains is externalized migration governance and the EU-Turkey deal exemplifies long-established EU aspirations for irregular migration management through financial and mobility incentives to contain migrants in regions of transit and origin.

At the EU level, the Commission enjoys the majority of competences for third-country migration relations. The post-Lisbon Global Approach to Migration and Mobility (GAMM) – which superseded the earlier Global Approach to Migration – was to provide a framework for external migration governance in the same way that the ENP framed overall foreign policy objectives. It is based on four pillars: 1) Organising and facilitating legal migration and mobility; 2) Preventing and reducing irregular migration and trafficking in human beings; 3) Maximizing the development impact of migration & mobility; and 4) Promoting international protection and enhancing the external dimension of asylum policy.

While the GAMM reflects the realization that exclusively control-oriented policies fail to stop irregular migration,[21] actual programming reflects the focus on JHA priorities to protect Schengen and the AFSJ. The second pillar accounted for 84% of all programming for 2003-2014, during which time only €1 billion was allocated overall to external actions on migration. In contrast, the EU's internal funds for migration-related programmes amounted to €4 billion for 2007-2014.[22] The singular €6 billion deal with Turkey puts this sum in perspective regarding the Commission's ability to influence domestic politics in transit and sending states.

18 Neal, Andrew. 2009. "Securitization and Risk at the EU Border: The Origins of FRONTEX." *Journal of Common Market Studies* 47 (2): 333–56.

19 Lavenex, Sandra, and Emek Ucarer. 2004. "The External Dimension of Europeanization: The Case of Immigration Policies." *Cooperation and Conflict* 39 (4): 417–43.

20 Geddes, Andrew, and Jeanette Money. 2011. "Mobility within the European Union." In *Migration, the Nation-State and International Cooperation*, edited by Randall Hansen, Jobst Koehler, and Jeanette Money. London: Routledge. p37.

21 Castles, Stephen. 2004. "Why Migration Policies Fail." *Ethnic and Racial Studies* 27 (2): 205–27.

22 García Andrade, Paula, Iván Martín, Viorica Vita, and Sergo Mananashvili. 2015. "EU Cooperation with Third Countries in the Field of Migration." Report for the LIBE Committee. Brussels: Directorate-General for Internal Policies - Citizens Rights & Constitutional Affairs. http://www.europarl.europa.eu/RegData/etudes/STUD/2015/536469/IPOL_STU(2015)536469_EN.pdf.

Concerns about the migration crisis were, understandably, Eurocentric. Brussels and Berlin were worried about the impacts on the European project given that the crisis was a boon for nativist, Eurosceptic parties. The crisis resulted in observable backsliding from the EU's core norms, laws, and governance principles from Sweden to Hungary. The Europeanization of later Member States, the EU's most significant foreign policy success, seems increasingly at risk.

The Europeanization research agenda derives the majority of its hypotheses and dependent variables from the 2004 and 2007 enlargements. It emphasizes "benign Europeanization" – rights, democratic governance, rule of law, and market economies.[23] One of the most enduring findings is that membership is a necessary (though perhaps not sufficient) incentive for binding conditionality.[24]

Research on "Europeanization beyond Europe"[25] tends to assume the same causal mechanisms of policy and norm diffusion, and looks for changes in the same, benign dependent variables in non-candidate third countries. Evidence is scant. The EU exercises insufficient leverage in the absence of membership incentives, and has no mechanisms for ensuring compliance around putative rights and governance conditionalities for migration agreements with third countries.[26] As a senior civil servant at DG Home told me, "It never much mattered what partner states did, because the momentum was there from our side. In the most realistic terms, we're just about moving ahead with programming. We set an agenda, the bureaucracy moves forward. There's no mechanism for putting on the breaks. Partner states know this."[27] Recent research shows very limited correlation between engagement with Europe and democratization in third countries,[28] and even suggests that autocratic regimes use engagement with Europe as a survival tactic.[29]

Crucially, however, this does not imply the absence of domestic change. Scholarship should expand the scope of dependent variables and look at different causal mechanisms for relationships between European integration and changes in third countries. To this end, my research introduces the concept of *Malignant Europeanization*, which I define as *insecurity in non-EU Member States resulting from Europe's regional integration*. My model begins with observations of changes in irregular migration systems around Europe's peripheries, and tests the hypothesis that these changes are causally related to the European project. My research is based on several rounds of interviews with EU policymakers and three years of fieldwork in the Middle East, North Africa, and the Western Balkans.

I measure Malignant Europeanization through nine variables at various levels of analysis:

- *Longer, more dangerous migration routes;*
- *Predation of migrants;*
- *Market incentives for transnational criminal networks;*
- *Security sector corruption;*

23 Grabbe, Heather. 2006. *The EU's Transformative Power : Europeanization through Conditionality in Central and Eastern Europe*. Basingstoke [England]: Palgrave Macmillan; Graziano, Paolo, and Maarten Peter Vink, eds. 2007. *Europeanization: New Research Agendas*. Houndmills, Basingstoke, Hampshire; New York: Palgrave Macmillan.

24 Schimmelfennig, Frank, and Ulrich Sedelmeier, eds. 2005. *The Europeanization of Central and Eastern Europe*. Cornell Studies in Political Economy. Ithaca, NY: Cornell University Press.

25 Grabbe, Heather, and Ulrich Sedelmeier. 2010. "The Future Shape of the European Union." In *Research Agendas in EU Studies: Stalking the Elephant*, edited by Michelle Egan, Neill Nugent, and William E. Paterson. New York, NY: Palgrave Macmillan; Schimmelfennig, Frank. 2012. "Europeanization Beyond Europe." *Living Review in European Governance* 9 (2): 187–215.

26 Radaelli, Claudio M., and Theofanis Exadaktylos. 2010. "New Directions in Europeanization Research." In *Research Agendas in EU Studies: Stalking the Elephant*, edited by Michelle Egan, Neill Nugent, and William E. Paterson. New York, NY: Palgrave Macmillan.

27 Interview, Nov 2015, Brussels.

28 Freyburg, Tina, Sandra Lavenex, Frank Schimmelfennig, Tatiana Skripka, and Anne Wetzel. 2009. "EU Promotion of Democratic Governance in the Neighbourhood" 16 (6): 916–34; Longo, Francesa. 2012. "Justice and Home Affairs as a New Tool of European Foreign Policy: The Case of Mediterranean Countries." In *The Foreign Policy of the European Union : Assessing Europe's Role in the World*, edited by Federiga M. Bindi and Irina Angelescu. Washington, D.C.: Brookings Institution Press.

29 van Hüllen, Vera. 2015. *EU Democracy Promotion and the Arab Spring: International Cooperation and Authoritarianism*. Governance and Limited Statehood Series. Basingstoke: Palgrave Macmillan.

- *Emboldening militarized non-state actors;*
- *Disruptive political contestation;*
- *Entrenched autocracy and authoritarianism;*
- *Regional burden shifting and interstate tensions;* and
- *International Norm Degeneration*.

On balance, there is considerable evidence for malignant Europeanization as a result of external migration governance. I find less egregious outcomes in accession and candidate states, and more significant impacts in weaker, autocratic states. These are not merely externalities of European migration governance, nor can they be entirely explained by domestic conditions in transit states. Most transit states prefer to wave migrants through than to actively control movement. In more autocratic states, for example, security services and political elite are an integral component of transnational smuggling. In short, the observed consequences would likely not have occurred in the absence of European interventions.

Changes in the EU foreign policy priorities and impacts present a significant challenge to notions of Europe as a normative power fostering institutional and governance isomorphism on its periphery. The new ENP largely abandons emphasis on civil society promotion and governance reform when transit states comply with restrictive migration policies. The Khartoum Process, for example, involves a series of autocratic states with a demonstrable lack of adherence to international protection standards. Kenya appealed to European behaviour to rationalize its decision to evict Somali refugees from Dadaab – robust and disheartening evidence for European norm diffusion. And while there are precedents in bilateral deals with North and West African states and earlier aspirations for “Regional Protection Programs”, the EU-Turkey deal could become a template for alleviating migration pressures. The most charitable interpretation of the Turkey deal is that European leaders are sacrificing a degree of liberal internationalism to take the wind out of Eurosceptic sails. But irregular migration is an inherently interregional phenomenon, and short-term gains could foster much more significant and damaging knock-on effects for the European project.

External Grants & Fellowships

Dr. Guido Goldman Fellowship for the Study of German and European Economic and International Affairs supports promising American scholars and analysts whose research bears special significance for German economic and international policy within the wider European context. Fellows receive a $7,500 stipend, which covers transatlantic airfare and domestic travel, as well as room and board, for a minimum of 28 days. **Application deadline: 15 July 2016**. More info: http://acgusa.org/index.php?section=Goldman-Fellowship.

Fritz Thyssen Foundation Scholarships are intended for junior researchers, generally one to two years after they have received their doctorate. No scholarships are awarded for doctoral dissertations or postdoctoral theses. **Application deadline: rolling**. More info: http://www.fritz-thyssen-stiftung.de/funding/types-of-support/?L=1

The **DAAD/AICGS Research Fellowship Program**, funded by a generous grant from the Deutscher Akademischer Austauschdienst (DAAD), is designed to bring scholars and specialists working on Germany, Europe, and/or transatlantic relations to AICGS for research stays of two months each. Fellowships include a monthly stipend of up to $4,725, depending on the seniority of the applicant; transportation to and from Washington; and office space at the Institute. **Application deadline: 31 August 2016**. More info: http://www.aicgs.org/employment/daad-aicgs-research-fellowship/.

The **Gerda Henkel foundation** (The "Security, Society and the State" research program) targets new security-related issues that are prime examples of the post-Cold-War era but have been largely neglected in mainstream research. The program is intended to encourage junior scholars to pursue unconventional research agendas that are nonetheless crucial, while providing senior scholars with the opportunity to focus intensively on work in progress for a limited period. Applications for research scholarships can be made directly by Postdocs or scholars with Post Doctoral Lecture Qualification. A research scholarship is usually applied for by one scholar who will work on a specific project on his own. **Application deadline: 2 December 2016**. More info: https://www.gerda-henkel-stiftung.de/application-for-research-scholarships?page_id=75303.

John Simon Guggenheim Memorial Foundation. Often characterized as "midcareer" awards, Guggenheim Fellowships are intended for men and women who have already demonstrated exceptional capacity for productive scholarship or exceptional creative ability in the arts. Organizations or centers will not be funded, only individuals may apply. Please focus you application on one project only. Applicants may submit the names and addresses of no more than four references via email. **Application deadline: 18 September 2016**. More info: http://www.gf.org/about-the-foundation/the-fellowship/.

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ERC Starting Grants aim to support up-and-coming research leaders who are about to establish a proper research team and to start conducting independent research in Europe. The scheme targets promising researchers who have the proven potential of becoming independent research leaders. Funding per grant: up to € 1.5 million (in some circumstances up to € 2 million). More info: http://erc.europa.eu/starting-grants.

DAAD (German Academic Exchange Service)

This program serves to strengthen the internationalization of the educational experience for scholars, host institutions, and students by welcoming educators from North America to university campuses in Germany for guest lectureships. The advent of international degree programs, as well as the distinguished traditional curricula at German universities, *Fachhochschulen*, and arts colleges, provide myriad opportunities for professors from Canada and the United States to contribute their topical expertise and teaching methods. The lack of restrictions on disciplines and subject matter makes this one of DAAD's most dynamic programs; and it follows that courses may be taught in English, French, or German. **Application deadline: 15 July 2016**. More info: https://www.daad.org/visitingprofessor.

Jobs

University of East Anglia

The School of Politics, Philosophy, Language and Communication Studies wishes to appoint a Lecturer in EU Politics and Policy, with a specialism in the politics of the EU, security, and migration, and/or political communication. The successful candidate will be expected to play a full role in the School, including producing high quality research outputs and impact, grant capture, advising students, and undertaking enterprise and engagement work. Teaching duties will involve contributing to the existing politics courses, developing new modules, supervising undergraduate and master's dissertations and PhD students. **Application deadline: 17 June 2016**. To apply, go to: http://www.jobs.ac.uk/job/ANS021/lecturer-in-eu-politics-and-policy.

Utrecht University

The University is looking to fill 9 post-doctoral research positions. In particular, candidates are required to apply to one of the following 9 vacancies: Resilient rule of Law, Responsive governance and forms of government, Responsive governance and procedural justice, Corporate rule of law responsibility, Future of Work, Innovation and globalization, sustainability of individual workers in terms of worker skills (e.g. the rising importance of social skills in the labor market), worker flexibility (e.g. transition between education, work and care), elderly workers (e.g. health and retirement), and discrimination by and against workers (e.g. and the possible need for affirmative action); organizations and labor market regulation, Regulation of innovation, Sustainable energy, and Social innovation in health care.
More information: https://www.academictransfer.com/employer/UU/vacancy/34389/lang/nl/. **Application deadline: 24 June 2016**.

European Commission

The Regulatory Scrutiny Board is looking for a Principal Advisor. This is a senior advisory role to review impact assessments and evaluations linked to European policies, legislation and spending programmes. The Board has been recently established as part of the strengthened better regulation agenda. The successful candidate will: 1) assess the quality of draft reports on evaluations and fitness checks of existing policies and draft impact assessment reports prepared by the Commission services in support of new political initiatives, 2) contribute to the preparation of opinions on Commission services' draft impact assessment, evaluation and fitness check reports and recommendations on how they should be improved, and 3) under the guidance of the Chair person, offer advice to individual Commission services regarding the application and interpretation of the relevant guidelines in particularly challenging assessments and on methodological issues, where relevant. **Application deadline: 24 June 2016**. To apply, go to: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2016:197A:FULL&from=EN.

European University Institute

1) The European University Institute (Department of Political and Social Sciences) invites applications for a Chair in Sociology. Candidates with an interest in comparative social structure, welfare state and/ or population with a strong record in quantitative methods are particularly encouraged to apply. The chair may be filled at different levels of seniority.

2) The European University Institute (Department of Political and Social Sciences) invites applications for a Chair in Social and Political Theory. Candidates who also have empirical research interests in any area of the social sciences are particularly encouraged to apply. The chair may be filled at different levels of seniority. **Application deadline: 20 July 2016**. To apply, go to: www.eui.eu/vacancies.

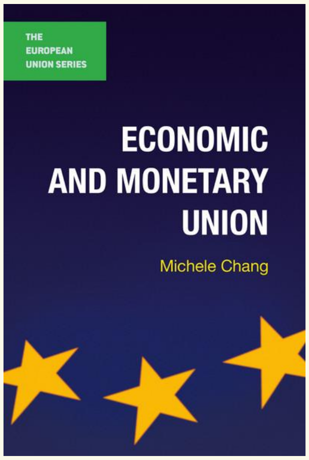
Waseda University
The University invites applications for two tenure-track or tenured positions in International Relations at the School of Political Science and Economics. The appointments will be made at the rank of either Assistant Professor, Associate Professor or Professor, effective April 2017 or some later mutually-agreeable date. Applicants must have a Ph.D. by the start of the appointment. For one of the two positions, we are particularly interested in scholars working in the area of Non-traditional Security / Global Politics, though we encourage applications from candidates, working in any area of International Relations, who combine a clear theoretical focus with systematic empirical analysis. **Application deadline: 31 July 2016**. To apply, go to: http://www.waseda.jp/fpse/pse/?p=6307.

Aarhus University
The Department of Political Science, Aarhus BSS invites applications for one or more associate professorships in political science commencing January 2017 or as soon as possible. The associate professor is expected to participate in research and teaching within one or more of these subjects: Comparative Politics, Political Behaviour, International Relations, Public Administration, Public Policy, Political Sociology, Political Theory or Studies in Research/Research Policy. Further information on qualification requirements and job content may be found in the Memorandum on Job Structure for Academic Staff at Danish Universities. Further information on the application and supplementary materials may be found in Applicant Guidelines. (http://medarbejdere.au.dk/en/faculties/business-and-social-sciences/employment-and-career/assessment-of-job-applicants/guidelines-for-applications-for-vip-and-dvip-positions/)
(http://jobsys.au.dk/link2/stillingsstrukturnotatet_en). **Application deadline: 15 August 2016**.
To apply, go to:
https://ssl1.peoplexs.com/Peoplexs22/CandidatesPortalNoLogin/ApplicationForm.cfm?VacatureID=824252&PortalID=5283.

New Books

Economic and Monetary Union

BY MICHELE CHANG



This accessible text on economic and monetary integration provides readers with a comprehensive look at the evolution of the eurozone, from its beginnings in fixed exchange rate systems through the sovereign debt crisis. It examines why the EMU was created, what went wrong to bring about the global financial crisis, and why countries were affected so differently. Using theories drawn from economics and political science, this book provides readers with an up-to-date analysis of the recent reforms undertaken, grounded in a long-term perspective of the trajectory of European integration.

PALGRAVE MACMILLAN; AUGUST 2016, ISBN: 9781137342935

Single Markets

BY MICHELLE P. EGAN

This ambitious volume provides a trenchant and timely analysis of the creation of a single market in both the EU and the US. Comparing the experience of the US during the nineteenth century and the single market of the EU in the twentieth century, *Single Markets* demonstrates how the political economy of single market formation has followed remarkably similar trajectories. Both cases show evidence of interplay between different levels of government in determining distributive outcomes; evolution of a legal framework for the market; and development of new regulatory strategies to deal with changing economic realities. The book illustrates the process of market consolidation through a detailed comparison of the so-called four freedoms: the removal of border controls; and the largely unrestricted transfer of goods, services, and capital across different jurisdictions. In both cases, establishing one market, one currency, and a more unified banking and financial system transformed largely autonomous or sovereign constituent units into a more unified economic entity. *Single Markets* also sheds light on critically important questions for both comparativists and international relations scholars regarding the nature of territorial governance and the construction of state interests. The book's interdisciplinary approach to focusing on crucial political and economic developments on both sides of the Atlantic will be of interest to scholars in political science, public policy, law, and history.

OXFORD UNIVERSITY PRESS, 2015. ISBN: 9780199280506.

Secessionism and the European Union: The Future of Flanders, Scotland, and Catalonia

BY GLEN M.E. DUERR

This study examines three different cases—Flanders in Belgium, Scotland in the UK, and Catalonia in Spain—to investigate how secessionist political parties are approaching the issue of independence. All of the cases are different with respect to history, governmental structure, and economic situation. Yet all of the cases are similar in some ways—they are close to the same size (in terms of population), operate within mature democratic political systems, have distinct secessionist political parties, and all reside within member states of the EU. Categorically, in all cases, there are also shared influences of the ability of the region to secede: institutions, interests, and ideas.

Lexington Books; Pages: 226; ISBN: 978-0-7391-9084-5 • Hardback • October 2015

Deadline

for submissions to the winter 2016 issue:

- **05 December 2016**

Please direct all correspondence to the editor:

- Alexandra Hennessy, email: alexandra.hennessy@shu.edu

In particular we are looking for:

- Members' recent or forthcoming publications (since this issue)
- Members' news (since this issue)
- Contributions to the Forum section
- Calls for papers
- Book Reviews
- Notice of forthcoming events