



# The EU's Big Issues

By Jason R. Koepke

If newspaper reports are all you go by, you might think the European Union (EU) is about to dissolve. After all, the rejection of the proposed EU Constitution means the EU is in a crisis, right?

Wrong.

Certainly, the Constitution's defeat isn't cause for celebration. It's disconcerting largely because it means the EU elite failed to communicate with and properly represent their citizens.

But to suggest this marks the beginning of the union's end is the equivalent of screaming fire in a crowded restaurant when someone lights a cigar. After all, the EU can rely on the same set of (imperfect) rules it's been using. In fact, the current back-and-forth debate is a highly visible version of the same debate that's been going on—sometimes just as prominently—since the EU's birth.

That debate is an important one: Should the EU be a social and political union or more strictly economic and regulatory? As with any democracy, these types of debates are healthy.

Without ignoring the problems behind it, the collapse of the proposed constitution may turn out to be a positive. That's because recent events have struck a chord with EU citizens, turning a once rather lackadaisical demos into one demanding change. Consequently, EU leaders and institutions are awakening to the fact that the political process should be less elite-driven.

How the EU, and the people who live within its borders, resolve this disconnect (e.g., democratizing the EU or transforming it into more of a strictly regulatory state) has tremendous implications for its future.

## PROMINENT PROBLEMS

The Constitution isn't the only issue the EU faces, even if it is related to and helps publicize the others. Two other issues are just as impor-

tant and stand in the way of successfully moving forward from this post-referendum reflection phase.

The most pressing of these is the new budget. The recent meeting of EU member states to discuss the 2007-13 budget ended poorly—no agreement was made and splits between members boiled to the surface.

The most contentious issues, and what doomed the sit down, are the system of huge agricultural subsidies EU farmers receive and the United Kingdom's rebate on what it contributes to the EU.

Many EU member states want the UK to freeze or abandon the rebates, but the UK won't do so unless the extensive structure of agriculture subsidies is revisited, revised and reformed; previous agreements put the agricultural subsidies in a lockbox of sorts until 2013, however.

A second large hurdle facing the EU is enlargement. In the rush to explain popular disenchantment with the EU, many elites (and talking heads) are suggesting that fatigue from and concern about enlargement is the cause.

Whether this is an actual factor or not—and I don't think it is—the result is that serious questions are being raised about the enlargement timeline, including whether it will happen at all. It's unlikely, however, that anti-enlargement forces will win out.

## AN UNEASY ECONOMY

So what do these issues and the noise surrounding them mean for the area's economy?

It's no secret that the EU's economy has been sluggish of late. But it's important not to misinterpret the overall trend for a universal one. The UK, Ireland, Spain and the new member states have been sources of significant growth. Between 2001 and 2004, these

strongest EU countries have averaged 3.5 percent GDP growth. That's significantly better than France's 1.5 percent and Germany's 0.6 percent.

If there's to be a continued sub-trend of strong growth in the EU, it's important that the EU's budget and enlargement issues are addressed in a timely fashion.

Among the reasons for this is that the EU budget is a source of funds used to improve the infrastructure—a crucial piece of the economic puzzle—

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in new and future member states. Without that money, it becomes difficult to finance various transportation projects, for example.

In addition, enlargement's political (e.g., increased cooperation between member states) and economic (e.g., reduced trade barriers and transaction costs, pool of young educated labor) benefits are crucial to Europe's quality of life.

Successfully engaging in and then resolving the debates at hand—the EU's constitutional framework, budget and enlargement—could make the difference between an economy that wilts into recession and one that weathers any impending economic storms.

To do so, however, requires elites and citizens to realize that these many small debates are part of a larger one about their vision of the future. Once the gap between the two groups closes and they begin working together, it won't only be possible, but likely, that a common path will be found.

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