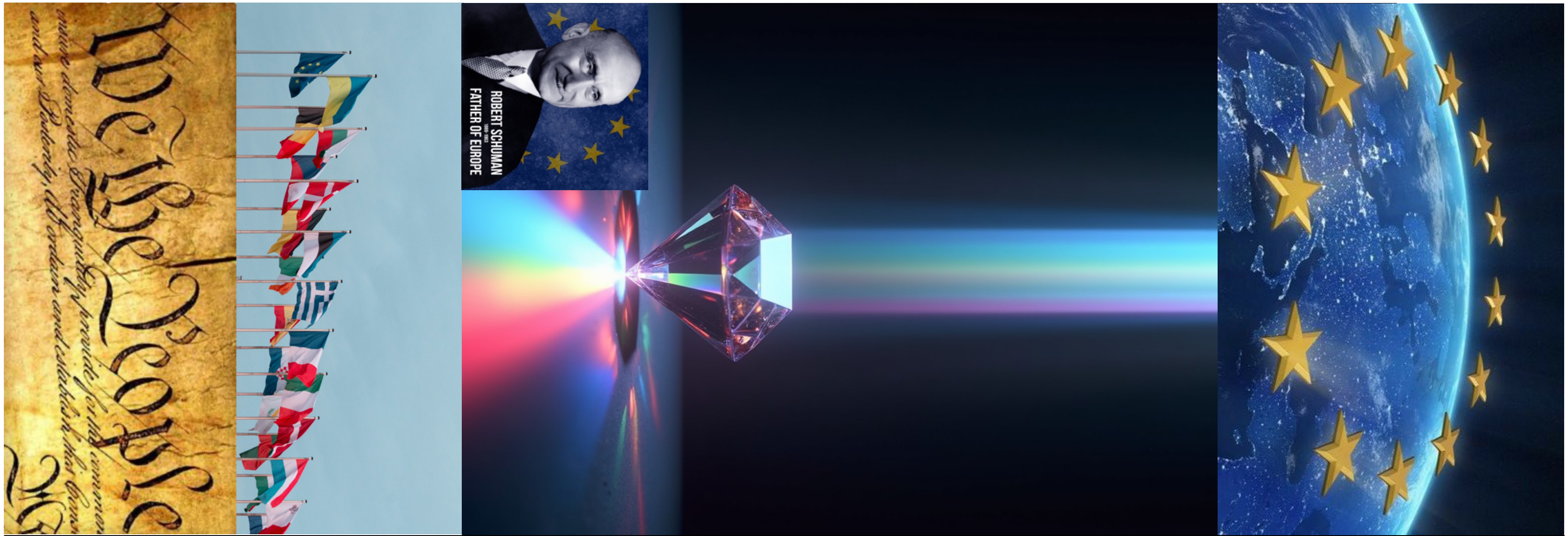

www.Schuman2030.eu

Working Paper 2
The Foundations of the European Union

Project Schuman2030
Working Paper 2
The Foundations
of the European Union

Status: Work In Progress

Abstract:
This Working Paper gives us a baseline for further analysis in subsequent Working Papers of the European Union from a democracy point of view. The EU is considered as anevolvig project that goes to continuous e-iterations and refinements to reach the goals of Robert Schuman. This Working Papers covers the subsequent treaties that schaped the EU over the last 75 years, examines how power is exercised in reality and in practice and ends with a discussion on federalism versus confederalism.

Note:
This is Work In progress. As feedback is collected, arguments raised and more data is discovered, we expect the project to evolve. And in the end, it will be up to national and EU parliaments to implement a concrete framework for 2030.

This material is prepared with the help of Monica, Gemini, and Euria AI assistants.

1 Table of contents

2 The evolving foundation of the European Union

2.1 75 years of growing up

The European Union (**EU**) was created after the second world war with a vision to prevent new wars and achieve permanent peace between European countries. This was essentially achieved by creating economic ties. Stepwise this evolved into greater integration in all domains until today, but based on treaties. As such the European Union is to be considered as a confederation in law, but acts like a federation in practice. This highlights an increasing divergence between the legal boundaries defined in the treaties and the political reality.

The European Union was shaped by several key treaties, each expanding integration and defining its current structure:

1. **Treaty of Paris (1951)**. Established the European Coal and Steel Community (**ECSC**), laying the foundation for a later European integration.

2. **Treaty of Rome (1957)**. Established the European Economic Community (**EEC**) and Euratom, promoting economic cooperation and atomic energy collaboration.

3. **Merger Treaty (1965)**. Merged ECSC, EEC, Euratom resulting in one European Commission and one European Council.

4. **Single European Act** (1986). Set the goal of creating a single market by 1992 and strengthened the Community's decision-making powers.

5. **Maastricht Treaty (1992)**. Officially created the European Union, introduced the euro, and established the three-pillar structure (economic, foreign policy, justice/home affairs).

6. **Treaty of Amsterdam (1997**). Enhanced cooperation on justice and home affairs, and expanded the EU's role in employment and social policy.

7. **Treaty of Nice (2001)**. Prepared the EU for enlargement by reforming voting rules and institutional structures.

8. **Treaty of Lisbon (2007, effective 2009).** Reformed the EU's institutions, strengthened the role of the European Parliament, created the position of High Representative for Foreign Affairs, and introduced the European Citizens' Initiative. At the same time, the EU acquired higher competence in many domains that hereto were exclusive competences of the member states.

These treaties collectively evolved the EU from an economic community into a political and economic union with shared policies and institutions, even if not all member states are fully aligned on all topics. As the reader can see in the following text, the EU grew iteratively, each step trying to remediate unsolved issues are trying to strengthen the Union. The current EU is then also complex, rather technocratic, and lacking in democratic support from its citizens. The current EU is not a finished project.

Our focus will be on the Treaty of Lisbon as this treaty is now the one in place. It was also created as a substitute for a European Constitution that was proposed but failed to reach ratification by all EU member states as in some member states the national constitution required a citizen's Referendum to adopt it. A treaty, having lower ratification requirements, allowed it. of Lisbon is the topic of WP3. Working Paper WP3 is dedicated to the Treaty of Lisbon and its preceding (not ratified) European Constitution.

2.2 The role of Schuman

Robert Schuman (1886–1963) was a French statesman and one of the principal architects of European integration after World War II.

His most significant contribution was the **Schuman Declaration of May 9, 1950**, in which he proposed placing French and German coal and steel production under a common High Authority, open to other European countries. This initiative aimed to make war between historic rivals France and Germany "not merely unthinkable, but materially impossible."

This proposal directly led to the creation of the European Coal and Steel Community (ECSC) via the Treaty of Paris (1951), the first step toward today's European Union.

Schuman is often called the "father of Europe" for his vision of supranational cooperation as a path to peace and prosperity. It should be noted that the aim was cooperation, not creating a supranational authority.

His key positions were:

- French Foreign Minister (1948–1953)
- First President of the European Parliamentary Assembly (1958–1960)
- Co-founder of the ECSC

May 9 is now celebrated annually as Europe Day in honor of his declaration.

More information on the portal at https://schuman2030.eu/schumans-vision/

Source: European Parliament, European Union official website (europa.eu)

3 Historical Evolution towards EU Democratic Reform

From technocratic integration to citizen-centered governance (1950s–2025)

The period 1979-1992 fundamentally reshaped integration of European countries, transforming the European Community from a customs union into a comprehensive political and economic union. While it achieved remarkable progress in market integration and institutional development, it also exposed tensions between deepening integration and democratic accountability, between economic efficiency and social protection, and between supranational ambitions and national sovereignty. These tensions continue to shape EU politics and policy debates today, making this era crucial for understanding contemporary European challenges. Taking a closer look, one can distinguish an increasing bureaucratic/technocratic approach with added complexity while power was transferred to the EU without sufficient democratic legitimacy. This provides the seeds for a distrust from the member states and its citizens who felt that decisional power was taken away.

"The EP becomes a co-legislator, but still weak compared to national parliaments."

3.1 Phase 1: The Founding Era (1950s–1970s)

3.1.1 Treaty of Paris (1951), ECSC, the first supranational body

The Treaty of Paris, signed on April 18, 1951, and entering into force on July 23, 1952, established the **European Coal and Steel Community (ECSC)**. This groundbreaking agreement united six nations, France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg, in a common market for coal and steel production.

3.1.1.1 Historical Context

The treaty was proposed by French Foreign Minister Robert Schuman (based on ideas by Jean Monnet) as a response to the devastation of World War II. The goal was to make future wars between European nations, particularly France and Germany, economically and materially impossible by integrating their coal and steel industries under supranational control.

3.1.1.2 Pros of the Treaty of Paris

1. Peace and Reconciliation
   - Created interdependence between former enemies (France and Germany), making war "not merely unthinkable, but materially impossible"
   - Successfully prevented armed conflict between member states for decades
   - Established trust through shared economic interests
2. Foundation for European Integration
   - Served as the blueprint for the **European Economic Community (EEC)** and eventually the European Union
   - Introduced innovative supranational institutions:
     - **High Authority**
     - **Common Assembly**, pre-cursor to the European Parliament),
     - **Council of Ministers**,
     - and **Court of Justice**
   - Demonstrated that pooling sovereignty could work in practice
3. Economic Benefits
   - Eliminated tariffs and trade barriers in coal and steel sectors
   - Increased industrial efficiency and competitiveness

- Facilitated post-war economic reconstruction
- Created a larger, more integrated market (≈ 155 million consumers initially)

4. Democratic Governance Model
   - Established institutional checks and balances
   - Created precedent for supranational democratic oversight
   - Introduced judicial review at European level

3.1.1.3 Cons of the Treaty of Paris

1. Limited Sectoral Scope
   - Only covered coal and steel, leaving other economic sectors fragmented
   - Required additional treaties to expand integration (Rome Treaties, 1957)
   - Created uneven economic integration across industries
2. Loss of National Sovereignty
   - Member states ceded significant control over strategic industries
   - High Authority had binding decision-making powers
   - Some viewed this as undermining national independence
3. Economic Disruption
   - Restructuring led to mine closures and job losses in certain regions
   - Painful transitions for workers in declining coal/steel areas
   - Social costs not always adequately addressed despite compensation funds
4. Institutional Limitations
   - 50-year time limit (expired in 2002, but integrated in subsequent treaties)
   - Became less relevant as coal/steel declined in economic importance
   - Rigid structure difficult to adapt to changing circumstances
5. Exclusivity Concerns
   - Limited to six founding members initially
   - UK declined to join, creating early divisions in European cooperation
   - Some viewed it as a "closed club"

3.1.1.4 Long-term Impact

The Treaty of Paris expired on July 23, 2002, after its 50-year term. Its functions were absorbed into the European Community framework. Despite its limitations, it is widely regarded as the foundational document of European integration and a successful experiment in supranational governance.

3.1.1.5 References

1. European Union Official History - Treaty of Paris: https://european-union.europa.eu/principles-countries-history/history-eu/1945-59/treaty-paris_en
2. **CVCE (Centre Virtuel de la Connaissance sur l'Europe) - Treaty Establishing the ECSC:** https://www.cvce.eu/en/collections/unit-content/-/unit/02bb76df-d066-4c08-a58a-d4686a3e68ff
3. **EUR-Lex - Treaty of Paris (Full Text):** https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:xy0022
4. **Britannica - European Coal and Steel Community:** https://www.britannica.com/topic/European-Coal-and-Steel-Community
5. **Robert Schuman Foundation - The Treaty of Paris:** https://www.robert-schuman.eu/en/doc/questions-d-europe/qe-216-en.pdf

6. **European Parliament - Historical Archives:** https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/treaty-of-paris

3.1.2 Treaty of Rome (1957), EEC towards economic integration

The Treaty of Rome, officially known as the Treaty establishing the European Economic Community (EEC), was signed on March 25, 1957, by six founding members: Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany. It came into force on January 1, 1958.

3.1.2.1 Key Objectives:

- Establish a common market among member states
- Create a customs union with the elimination of tariffs and trade barriers
- Enable free movement of goods, services, capital, and labour
- Harmonize economic policies and promote balanced economic growth
- Foster closer political and economic integration in post-war Europe

3.1.2.2 Significance:

The Treaty of Rome is considered one of the foundational documents of the European Union. It created a new legal order among independent nations which is imposed over the legal systems of the Member States, representing a revolutionary approach to international cooperation. It transformed European cooperation from the coal and steel sector (ECSC) into a comprehensive economic community, laying the groundwork for what would eventually become the EU. The treaty represented a bold vision of peace through economic interdependence and prosperity, fundamentally reshaping the European political and economic landscape for decades to come.

3.1.2.3 Pros of the Treaty of Rome

1.Economic Growth and Prosperity

The Treaty created a common market that eliminated trade barriers, leading to increased trade volumes among member states. This economic integration resulted in:

- Economies of scale for businesses
- Increased competition leading to innovation
- Higher GDP growth rates across member states
- Improved living standards for citizens
- Greater economic efficiency through specialization

2. Peace and Political Stability

By intertwining the economies of former adversaries (particularly France and Germany), the Treaty made war between member states economically irrational and politically unthinkable:

- Ended centuries of Franco-German conflict
- Created institutional frameworks for peaceful dispute resolution
- Fostered a shared European identity
- Provided a model for conflict resolution through economic cooperation

3. Free Movement of People and Labor

The Treaty established the principle of free movement, which:

- Allowed workers to seek employment across member states
- Facilitated cultural exchange and understanding
- Addressed labor shortages in specific regions
- Created opportunities for education and professional development

- Enhanced labor market flexibility and efficiency

4. Foundation for Further Integration

The Treaty provided the institutional and legal framework that enabled:

- Expansion from 6 to 27 member states (as of 2026)
- Development of the single currency (Euro)
- Evolution into the European Union with broader political dimensions
- Creation of common policies in agriculture, competition, and trade
- Establishment of supranational institutions with real decision-making power

3.1.2.4 Cons of the Treaty of Rome

1. Loss of National Sovereignty

Member states surrendered significant control over economic policy:

- Limited ability to set independent trade policies
- Constraints on national fiscal and monetary autonomy
- Requirement to comply with supranational regulations
- Reduced capacity to protect domestic industries
- Tension between national interests and community obligations

2 Unequal Economic Benefits

The Treaty's benefits were not distributed equally:

- Wealthier, industrialized nations (especially Germany) gained disproportionate advantages
- Agricultural economies faced challenges adapting to industrial competition
- Regional disparities within and between member states persisted
- Smaller economies had less influence in decision-making processes
- Created dependencies that sometimes disadvantaged less developed regions

3. Democratic Deficit

The supranational institutions created by the Treaty raised concerns about accountability:

- Decision-making power concentrated in appointed bodies (Commission, Council)
- Limited direct democratic oversight in early years
- Citizens felt disconnected from Brussels-based institutions
- Complex decision-making processes difficult for citizens to understand
- Perceived lack of transparency in policy formulation

4. Agricultural Policy Distortions

The Common Agricultural Policy (CAP) that emerged from the Treaty created problems:

- Massive subsidies leading to market distortion: overproduction and waste
- Trade tensions with non-EU agricultural exporters
- Environmental damage from intensive farming practices
- Disproportionate budget allocation (CAP consumed majority of EU budget)
- Benefited large agribusinesses over small farmers

5. Bureaucratic Complexity

The institutional framework established by the Treaty led to:

- Extensive regulatory requirements ("red tape")
- High compliance costs for businesses, especially SMEs
- Slow decision-making processes requiring consensus
- Overlapping and duplication of administrative functions at national and EU levels
- Resistance from citizens and small business who felt over-regulated

3.1.2.5 References

1. Council of the European Union. "Treaty of Rome - Reading References." Consilium Europa. Available at: https://www.consilium.europa.eu/en/documents-publications/library/library-blog/posts/treaty-of-rome-reading-references/
2. Stein, Eric. "The European Economic Community -- A Profile." Northwestern Journal of International Law & Business, Vol. 1, Issue 1. Available at: https://scholarlycommons.law.northwestern.edu/cgi/viewcontent.cgi?article=1108&context=njilb
3. Kapteyn, P. J. G. "The Treaty for a European Economic Community." JSTOR. Available at: https://www.jstor.org/stable/40393074
4. Stein, Eric. "Historical Development Toward European Integration." Boston College Law Review. Available at: https://bclawreview.bc.edu/articles/2518/files/63e4e8dab3c8f.pdf

3.1.3 Merger Treaty (1965)

The Merger Treaty, also known as the **Treaty of Brussels**, was signed on April 8, 1965, and came into effect on July 1, 1967. This treaty represented the first major institutional reform of the European Communities. It merged ECSC, EEC, Euratom resulting into one Commission, one Council merged ECSC, EEC, Euratom resulting into one Commission, one Council

3.1.3.1 Key Objectives:

Merge the separate executive institutions of the three European Communities (ECSC, EEC, and Euratom)

- A **single Commission** to replace the three separate High Authority and Commissions
- A **single Council of Ministers** for all three Communities
- Streamline decision-making processes and reduce administrative duplication
- Enhance institutional efficiency and coherence across the Communities

The Merger Treaty represented a pragmatic step toward institutional rationalization rather than a revolutionary leap in European integration. While it successfully consolidated executive structures and improved administrative efficiency, it left fundamental questions about the nature and direction of European unity unresolved. The treaty's legacy lies primarily in demonstrating that institutional reform was achievable and in creating a more unified administrative framework that would eventually evolve into the modern European Union's institutional architecture.

3.1.3.2 Significance:

Prior to the Merger Treaty, the European Coal and Steel Community (ECSC), the European Economic Community (EEC), and the European Atomic Energy Community (Euratom) each had their own separate executive bodies and councils. The Merger Treaty unified these institutions, creating a single institutional framework while maintaining the three Communities as distinct legal entities. This consolidation was a crucial step toward deeper European integration, simplifying the governance structure and paving the way for the eventual creation of the European Union. The treaty demonstrated the member states' commitment to rationalizing the European institutional architecture and moving toward a more unified European structure.

3.1.3.3 Pros of the Merger Treaty

1. Administrative Efficiency and Cost Reduction

The merger of executive institutions eliminated significant duplication:

- Reduced administrative overhead by consolidating three separate bureaucracies into one
- Eliminated redundant staff positions and overlapping functions
- Streamlined budgetary processes across the Communities
- Created economies of scale in administrative operations
- Reduced operational costs for member states

2. Enhanced Policy Coherence

A single Commission and Council improved coordination:

- Enabled integrated policy-making across coal, steel, atomic energy, and economic sectors
- Reduced contradictions and conflicts between different Community policies
- Facilitated comprehensive strategic planning
- Improved consistency in external relations and international negotiations
- Allowed for better allocation of resources across policy areas

3. Simplified Decision-Making Process

Institutional consolidation made governance more straightforward:

- Member states dealt with one Council instead of three separate bodies
- Reduced complexity in inter-institutional negotiations
- Accelerated decision-making by eliminating multiple parallel processes
- Made the European Communities more comprehensible to citizens and stakeholders
- Improved transparency by centralizing institutional authority

4. Foundation for Future Integration

The Merger Treaty established precedents for deeper union:

- Demonstrated that institutional reform was possible through member state consensus
- Created a model for future treaty revisions and institutional adaptations
- Strengthened supranational elements of European governance
- Paved the way for the eventual creation of the European Union
- Showed commitment to "ever closer union" among European peoples

3.1.3.4 Cons of the Merger Treaty

1. Limited Scope of Integration

Despite its name, the merger was incomplete:

- Only merged executive institutions, not the Communities themselves
- Three separate legal frameworks (ECSC, EEC, Euratom) remained distinct
- Different treaty provisions and legal bases continued to apply
- Created confusion about which legal framework applied to specific issues
- Left significant institutional complexity unresolved

2. Increased Bureaucratic Centralization

Consolidation concentrated power in Brussels:

- Created a larger, more powerful supranational bureaucracy
- Reduced institutional checks and balances that existed with separate bodies
- Increased concerns about democratic accountability and oversight
- Made the Commission a more distant and less accessible institution
- Enhanced fears about loss of national sovereignty

3. Timing and Political Context Issues

The treaty was signed during a period of European crisis:

- Coincided with the 1965 "Empty Chair Crisis" when France boycotted Community institutions
- Negotiations were overshadowed by disputes over agricultural policy and supranationalism
- Implementation was delayed due to political tensions between member states
- Failed to address underlying conflicts about the direction of European integration
- Exposed divisions between federalist and intergovernmental visions

4. Institutional Imbalances

The merger created or exacerbated power asymmetries:

- Strengthened the Commission relative to other institutions
- Did not adequately address the role of the European Parliament
- Created a more complex relationship between Council and Commission
- Failed to resolve tensions between supranational and intergovernmental elements
- Left questions about institutional legitimacy and representation unresolved

5. Incomplete Administrative Integration

Despite consolidation, operational challenges remained:

- Different administrative cultures from ECSC, EEC, and Euratom had to be reconciled
- Staff integration created internal tensions and inefficiencies
- Disparate working methods and procedures required harmonization
- Transitional period created temporary confusion and reduced effectiveness
- Some duplication persisted in practice despite formal merger

3.1.3.5 References

1 European Parliament. "Merger Treaty." European Parliament - In the Past: The Parliament and the Treaties. Available at: https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/merger-treaty

2 Savaşan, Zerrin. "A Brief Overview on EU Institutional Change." Ankara Avrupa Çalışmaları Dergisi (Ankara European Studies Journal), Vol. 11, No. 1. Available at: https://aacd.ankara.edu.tr/wp-content/uploads/sites/462/2018/02/C11S1Savasan.pdf

3 European Commission Library. "Introduction - Merger Treaty." EC Library Guides. Available at: https://ec-europa-eu.libguides.com/merger-treaty

4 Jean Monnet Program. "Teaching Material - Primary Sources on the European Union." NYU School of Law. Available at: https://jeanmonnetprogram.org/wp-content/uploads/PRIMARYSOURCES-EU-2004-05.pdf

5 Patel, Kiran Klaus. "Merger Treaty: Creating a Single Commission and Council for the European Communities." Oxford Research Encyclopedia of Politics. Oxford University Press. Available at: https://oxfordre.com/politics/display/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-1150

3.2 Phase 2: The Democratic Awakening (1979–1992)

While the first treaties established a basis for the European Union integration, it was very technocratic without much considerations for its democratic legitimacy. “**The EU was built by states, not by citizens.”**

This is illustrated by the following elements:

- **No direct elections**, the EP was appointed by national parliaments (until 1979)
- **Council of Ministers**: was an intergovernmental body, using unanimity voting
- **Commission**: was independent and technocratic
- **No citizen participation**, no ECI, no referendums

This changed in the subsequent years, which were crucial for the further development of the European Union.

Key Developments were:

- **1979**: First direct elections to the **European Parliament** (EP)
- **1986**: **Single European Act**, introduced **co-decision procedure** (EP gains legislative power)
- **1992: Maastricht Treaty**, created the European Union, introduced citizenship, co-decision (later ordinary legislative procedure)
- Democratic Features:
  - **EP gains real legislative power**
  - **European Citizenship** : right to vote, move, petition
  - **Subsidiarity principle** introduced (Art. 5 TEU), decisions at lowest level

The period from 1979 to 1992 represents one of the most transformative eras in European integration history, marked by significant institutional reforms and deepening political and economic cooperation.

3.2.1 Overview

1979 - First Direct Elections to the European Parliament
On June 7-10, 1979, citizens of the European Community voted directly for Members of the European Parliament (MEPs) for the first time, fundamentally improving the democratic legitimacy of European institutions.
1986 - Single European Act (SEA)
Signed in February 1986 and entering into force on July 1, 1987, the SEA was the first major revision of the Treaty of Rome. It set the ambitious goal of completing the Single Market by December 31, 1992, removing physical, technical, and fiscal barriers to create a unified economic space. The SEA also introduced qualified majority voting in the Council for single market measures, expanded the European Parliament's legislative powers through the cooperation procedure, and established a legal basis for European Political Cooperation (foreign policy coordination).
1992 - Maastricht Treaty
Signed on February 7, 1992, the Treaty on European Union (Maastricht Treaty) transformed the **European Community** into the **European Union**. It established the three-pillar structure (European Communities, Common Foreign and Security Policy, and Justice and Home Affairs), created a roadmap for Economic and Monetary Union (EMU) and the single currency (euro), introduced EU citizenship, and expanded cooperation in areas like education, culture, and public health.
Significance:
This period witnessed the transition from a primarily economic community to a comprehensive political union with ambitions spanning monetary policy, foreign affairs, and citizenship rights. The era saw the Community expand its competencies, deepen integration, and lay the foundations for the modern European Union.

3.2.2 *Pros of this period*

1. Enhanced Democratic Legitimacy

The introduction of direct elections to the European Parliament in 1979 fundamentally transformed European governance:

- Gave European citizens direct representation in Community decision-making
- Increased the Parliament's political authority and legitimacy to challenge the Council and Commission
- Fostered a sense of European citizenship and transnational political engagement
- Created accountability mechanisms through regular electoral cycles
- Empowered the Parliament to gradually expand its legislative and budgetary powers throughout the 1980s

2. Economic Integration and Single Market Creation

The Single European Act's commitment to completing the internal market by 1992 generated substantial economic benefits:

- Eliminated approximately 300 barriers to trade, including customs checks, differing technical standards, and restrictive public procurement practices
- Increased GDP growth across member states through enhanced competition and economies of scale
- Facilitated the **free movement of goods, services, capital, and people** (the "four freedoms")
- Stimulated business investment and innovation through market expansion
- Reduced costs for consumers and businesses by removing trade barriers and harmonizing regulations
- Revitalized the European integration project after the "Eurosclerosis" of the 1970s and early 1980s

3. Institutional Reforms and Efficiency

The SEA and Maastricht Treaty introduced crucial institutional improvements:

- Qualified majority voting (QMV) in the Council accelerated decision-making on single market issues, reducing the paralysis caused by unanimous voting requirements
- The cooperation procedure (SEA) and later co-decision procedure (Maastricht) gave the Parliament genuine legislative power
- Streamlined policy-making processes made the Community more responsive to economic and political challenges
- Enhanced the Commission's role as policy initiator and guardian of the treaties
- Created more effective mechanisms for implementing Community law

4. Monetary Union and Economic Coordination

The Maastricht Treaty's establishment of Economic and Monetary Union provided:

- A clear roadmap and convergence criteria for adopting a single currency
- Enhanced macroeconomic stability through coordinated monetary policies
- Elimination of exchange rate uncertainty and transaction costs within the eurozone
- Strengthened the EU's role as a global economic actor
- Created the European Central Bank as an independent monetary authority
- Facilitated cross-border trade and investment through currency stability

5. Expansion of Policy Competencies

This period saw the EU extend its reach into new policy areas:

- Common Foreign and Security Policy (CFSP) enabled coordinated external action
- Cooperation in Justice and Home Affairs addressed cross-border crime and immigration
- New competencies in education, culture, public health, and consumer protection
- Environmental policy gained prominence with dedicated treaty provisions
- Social policy expanded through the Social Charter and social dimension initiatives
- Positioned the EU to address challenges requiring transnational solutions

3.2.3 Cons of this period

1. Democratic Deficit and Legitimacy Concerns

Despite direct elections, significant democratic accountability problems persisted:

- The Council and Commission retained most decision-making power, with limited parliamentary oversight
- Low voter turnout in European Parliament elections (declining from 63% in 1979 to 58.5% in 1994) suggested citizen disengagement
- Complex institutional structures made EU decision-making opaque and difficult for citizens to understand
- National parliaments lost power to EU institutions without corresponding increases in European Parliament authority
- The Maastricht Treaty's ratification difficulties (Danish referendum rejection, narrow French approval) revealed public skepticism about deeper integration

2. Sovereignty Concerns and National Identity

The expansion of EU competencies generated significant backlash:

- Member states surrendered substantial control over monetary policy, border controls, and foreign policy
- The Maastricht Treaty's ambitious integration agenda provoked fears about loss of national identity
- Eurosceptic movements gained strength, particularly in the UK, Denmark, and France
- Tensions emerged between federalist visions and intergovernmental preferences
- Citizens worried about Brussels bureaucracy overriding national traditions and preferences
- The principle of subsidiarity (introduced in Maastricht) was seen as insufficient protection for national autonomy

3. Economic Disparities and Adjustment Costs

The Single Market and monetary union created winners and losers:

- Less competitive regions and industries struggled with increased competition from the single market
- Convergence criteria for EMU imposed austerity measures and fiscal constraints on member states
- Southern European countries faced particular challenges meeting inflation and deficit targets
- Job losses in protected sectors unable to compete in the liberalized market

- Concerns that monetary union without fiscal union would create economic imbalances
- Regional disparities persisted despite structural funds aimed at cohesion

4. Institutional Complexity and Bureaucracy

The reforms increased rather than reduced institutional complexity:

- The three-pillar structure created confusion about competencies and decision-making procedures
- Different voting rules (unanimity vs. QMV) applied to different policy areas
- The co-decision procedure added layers to an already complex legislative process
- Proliferation of EU agencies and bodies increased bureaucratic overhead
- Harmonization of standards generated extensive regulatory requirements ("Brussels red tape")
- Small and medium enterprises faced disproportionate compliance costs

5. Inadequate Preparation for Eastern Enlargement

The treaties of this period failed to adequately prepare for post-Cold War realities:

- The fall of the Berlin Wall (1989) and collapse of the Soviet Union created new enlargement pressures
- Institutional structures designed for 12 members were ill-suited for potential expansion to 25+ members
- Maastricht's focus on deepening integration conflicted with the need to prepare for widening
- Agricultural and structural policies would become unsustainable with Central and Eastern European accession
- Insufficient attention to how enlargement would affect decision-making efficiency and institutional balance

6. Social and Environmental Concerns

Critics argued the period prioritized economic over social and environmental goals:

- The Single Market emphasized deregulation and competition, potentially undermining social protections
- Environmental standards risked being lowered to the "lowest common denominator"
- Workers' rights and labor protections faced pressure from increased mobility and competition
- The UK's opt-out from the Social Charter highlighted divisions over the "social dimension"
- Concerns about "social dumping" as companies relocated to countries with lower labor costs
- Environmental policy remained secondary to economic integration objectives

3.2.4 References

1 European Parliament. "Maastricht Treaty." European Parliament - In the Past: The Parliament and the Treaties. Available at: https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/maastricht-treaty

2 Centre Virtuel de la Connaissance sur l'Europe (CVCE). "Treaty on European Union (Maastricht, 7 February 1992)." Available at:

https://www.cvce.eu/content/publication/2002/4/9/2c2f2b85-14bb-4488-9ded-13f3cd04de05/publishable_en.pdf
3 European Parliament Research Service. "Political Culture and Dynamics of the European Parliament." EPRS Study, 2019. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2019/644204/EPRS_STU(2019)644204_EN.pdf
4 European Parliament Research Service. "The European Parliament and Institutional Reform, 1979-1989." EPRS Study, 2018. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2018/630271/EPRS_STU(2018)630271_EN.pdf
5 European Commission Library. "Research - Single European Act." EC Library Guides. Available at: https://ec-europa-eu.libguides.com/sea/single-european-act/research
6 European Central Bank. "European integration – achievements and challenges." Speech by Otmar Issing, 2005. Available at: https://www.ecb.europa.eu/press/key/date/2005/html/sp050616_1.en.html
7 Vanderbilt Journal of Transnational Law. "Implications of the Single European Act on EC Law-Making." Available at: https://scholarship.law.vanderbilt.edu/cgi/viewcontent.cgi?article=1937&context=vjtl
8 Patel, Kiran Klaus and Dinan, Desmond. "Maastricht Treaty: Creating the European Union." Oxford Research Encyclopedia of Politics. Available at: https://oxfordre.com/politics/display/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-1067
9 The New Federalist. "The questionable 'democratic deficit' of the European Union." Available at: https://www.thenewfederalist.eu/the-questionable-democratic-deficit-of-the-european-union
10 Risse, Thomas. "The Maastricht Treaty and public debates about European integration." Journal of European Integration History, 2018. Available at: https://www.tandfonline.com/doi/full/10.1080/14782804.2018.1427558
11 European Commission. "The Eurozone's Crisis of Democratic Legitimacy." Economic Papers, Discussion Paper 015. Available at: https://economy-finance.ec.europa.eu/document/download/95e529ef-923d-4d14-b225-09e6dbe9be57_en?filename=dp015_en.pdf

3.3 Phase 3: The Constitutional Ambition (1992–2009)

From Maastricht to Lisbon

Key Treaties:

- **Treaty of Amsterdam (1997)**, expanded EP powers, introduced **Charter of Fundamental Rights**
- **Treaty of Nice (2001)**, prepared for enlargement, reformed voting
- **Constitutional Treaty (2004)**, rejected in referendums (France, Netherlands)
- **Treaty of Lisbon (2007, effective 2009)**, replaced Constitution

Democratic Features:

- **Ordinary Legislative Procedure**: EP = equal co-legislator with Council
- **Citizens' Initiative (ECI)**: right to propose legislation (if 1M signatures)
- **High Representative for Foreign Affairs**: more coherent foreign policy
- **Charter of Fundamental Rights**: legally binding

"The Lisbon Treaty was de facto EU's 'democratic constitution', but without a referendum."

The period 1992-2009 represents both the apex of European integration ambitions and the emergence of fundamental challenges that would shape subsequent decades. The introduction of the euro, historic enlargement, and institutional reforms achieved remarkable milestones in European unity. However, the constitutional crisis, growing democratic deficit, economic imbalances within the eurozone, and rising Euroscepticism foreshadowed the crises that would dominate the following decade. This era demonstrated both the EU's capacity for ambitious transformation and the limits of integration without adequate public support and institutional preparation.

3.3.1 Overview

The period from 1992 to 2009 represents a dramatic transformation of the European Union, characterized by unprecedented enlargement, the introduction of a single currency, institutional reforms, and constitutional challenges.

1992-1999 - Maastricht Implementation and Preparation for EMU:
Following the Maastricht Treaty's ratification, the EU focused on meeting convergence criteria for Economic and Monetary Union. Member states worked to reduce inflation, stabilize exchange rates, and control budget deficits and public debt to qualify for euro adoption.
1997 - Treaty of Amsterdam:
Signed on October 2, 1997, and entering into force on May 1, 1999, the Treaty of Amsterdam aimed to reform EU institutions in preparation for enlargement. It incorporated the Schengen Agreement into EU law, strengthened provisions on employment and social policy, expanded qualified majority voting, and enhanced the European Parliament's co-decision powers. However, it failed to adequately address institutional reform needed for enlargement.
1999 - Introduction of the Euro:
On January 1, 1999, the euro was launched as a singcurrency for eleven member states (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain), with Greece joining in 2001. The European Central Bank (ECB) assumed responsibility for monetary policy in the eurozone. Physical euro banknotes and coins entered circulation on January 1, 2002, replacing national currencies.
2001 - Treaty of Nice:
Signed on February 26, 2001, and entering into force on February 1, 2003, the Treaty of Nice reformed the institutional structure to accommodate enlargement. It adjusted the composition of the Commission, recalibrated voting weights in the Council, extended qualified majority voting to additional policy areas, and reformed the EU court system. Despite these changes, critics argued the reforms were insufficient and overly complex.
2004 - Historic Eastern Enlargement:
On May 1, 2004, the EU experienced its largest single enlargement, admitting ten new members: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. This "Big Bang" enlargement increased the EU's population by 75 million and extended the Union eastward, reunifying Europe after the Cold War division.
2007 - Further Enlargement:

Bulgaria and Romania joined the EU on January 1, 2007, bringing total membership to 27 states. The same year, the Treaty of Lisbon was signed on December 13, 2007, as a replacement for the failed Constitutional Treaty.

2004-2009 - Constitutional Crisis:
The proposed Constitutional Treaty was rejected in French and Dutch referendums in May and June 2005.

2009 - The Treaty of Lisbon:
The Constitutional Treaty's rejection led to a two-year "reflection period". The remedy was was the Treaty of Lisbon (2007), which retained most of the Constitutional Treaty's reforms but removed symbolic elements (flag, anthem, "Constitution" title). The text itself was barely readable as it was designed as a large series of amendments to existing treaties, obfuscating its true purpose. It was initially rejected by Irish voters in June 2008 but approved in a second referendum in October 2009. The treaty finally entered into force on December 1, 2009.

Significance:
This period witnessed the EU's transformation from a 12-member Western European club into a 27-member pan-European union with a single currency, expanded competencies, and enhanced global influence. However, it also exposed deep tensions about the pace and direction of integration, democratic legitimacy, and institutional capacity.

3.3.2 Pros of this period

1. Historic Reunification of Europe

The 2004 and 2007 enlargements achieved the historic goal of reunifying Europe after Cold War divisions:

- Consolidated democracy and rule of law in former communist countries through EU accession conditionality
- Extended peace, stability, and prosperity to Central and Eastern Europe
- Fulfilled the EU's moral and political commitment to include countries that had been artificially separated by the Iron Curtain
- Created a market of over 500 million people, enhancing the EU's economic and geopolitical weight
- Strengthened security and stability across the continent by anchoring new democracies in European institutions
- Demonstrated the EU's transformative power as a force for democratic transition and economic development

2. Economic Benefits of the Euro and Single Market

The introduction of the euro and deepening of the single market generated substantial economic advantages:

- Eliminated exchange rate uncertainty and transaction costs between eurozone countries, facilitating trade and investment
- Created price transparency across borders, enhancing competition and consumer choice

- Reduced interest rates in peripheral countries through convergence with core European rates
- Established the euro as the world's second reserve currency, enhancing Europe's global financial influence
- Increased trade integration: studies show the euro increased trade between member states by 5-15%
- Facilitated cross-border business operations and supply chain integration
- Attracted foreign direct investment to the eurozone as a stable, large economic bloc

3. Enhanced Economic Growth in New Member States

EU membership dramatically accelerated economic development in Central and Eastern Europe:

- New member states experienced average GDP growth rates of 4-6% annually in the years following accession
- Foreign direct investment surged as Western companies established operations in lower-cost Eastern locations
- Access to EU structural and cohesion funds financed infrastructure modernization and institutional development
- Trade with existing EU members increased dramatically, with many new members becoming integrated into European supply chains
- Living standards converged toward Western European levels, reducing the development gap
- Unemployment declined in most new member states as economies modernized and expanded

The treaties of this period strengthened democratic accountability and institutional effectiveness:

- The co-decision procedure (renamed "ordinary legislative procedure" in Lisbon) made the European Parliament a genuine co-legislator with the Council
- The Treaty of Lisbon created the position of President of the European Council and High Representative for Foreign Affairs, improving policy continuity and coherence
- National parliaments gained enhanced rights to review EU legislation and invoke subsidiarity concerns
- The Charter of Fundamental Rights was made legally binding (with opt-outs for UK and Poland)
- Qualified majority voting was extended to additional policy areas, reducing decision-making paralysis
- The European Citizens' Initiative gave one million citizens the right to request Commission legislative proposals

5. Expansion of Freedom of Movement

The **Schengen Area's expansion** and EU enlargement extended freedom of movement:

- Abolished internal border controls between most EU countries, facilitating travel, tourism, and business
- Enabled millions of Europeans to work, study, and retire in other member states
- Created opportunities for labor mobility, helping address skills shortages and demographic challenges
- Fostered cultural exchange and European identity through increased personal contact
- Benefited students through programs like Erasmus, which expanded significantly during this period
- Strengthened economic efficiency by allowing workers to move to areas with better opportunities

6. Enhanced Global Influence

The enlarged EU with a single currency became a more significant global actor:

- The eurozone emerged as the world's second-largest economy, after the United States
- The EU's regulatory standards (GDPR precursors, environmental regulations, consumer protections) increasingly set global norms
- Common Foreign and Security Policy coordination improved, though challenges remained
- The EU's development aid and humanitarian assistance made it the world's largest donor
- Trade agreements negotiated by the EU carried greater weight with a market of 500 million consumers
- The EU's "soft power" and normative influence expanded through enlargement and partnership policies

3.3.3 Cons of this period

1. Institutional Overstretch and Decision-Making Paralysis

Enlargement from 15 to 27 members severely strained EU institutions:

- Decision-making became slower and more complex with nearly double the number of member states
- The Council required more time to build consensus among diverse national interests
- Translation and interpretation costs skyrocketed with 23 official languages by 2007
- The Commission struggled to maintain effectiveness while accommodating commissioners from all member states
- The Treaty of Nice's institutional reforms were widely criticized as inadequate and overly complicated
- Qualified majority voting thresholds became harder to achieve, despite reforms
- Policy coherence suffered as the EU struggled to accommodate divergent preferences across a wider membership

2. Democratic Deficit and Constitutional Crisis

The period exposed severe legitimacy problems in European integration:

- The rejection of the Constitutional Treaty in French and Dutch referendums (2005) revealed deep public skepticism about EU integration
- Ireland's initial rejection of the Lisbon Treaty (2008) demonstrated continued citizen alienation from EU decision-making
- Low turnout in European Parliament elections (declining from 56.8% in 1994 to 43% in 2009) indicated widespread disengagement
- Critics argued that the Lisbon Treaty was essentially the rejected Constitution repackaged without proper democratic consultation
- The complexity of EU treaties made them incomprehensible to ordinary citizens
- National governments often blamed "Brussels" for unpopular decisions while claiming credit for popular ones
- The gap between elite integration ambitions and public opinion widened significantly

3. Economic Imbalances and Euro Design Flaws

The euro's architecture contained fundamental weaknesses that would become apparent in the subsequent crisis:

- Monetary union without fiscal union created asymmetric shocks: countries couldn't devalue currencies to restore competitiveness
- The Stability and Growth Pact's deficit and debt rules were poorly enforced, with France and Germany violating them in 2003-2004
- Peripheral countries (Greece, Portugal, Spain, Ireland) experienced unsustainable credit booms fueled by low eurozone interest rates
- Competitiveness divergences emerged as unit labor costs rose faster in southern Europe than in Germany
- No mechanism existed for fiscal transfers or risk-sharing between eurozone members
- The "no bailout" clause (Article 125 TFEU) created moral hazard while lacking credibility
- Banking supervision remained national while monetary policy was centralized, creating instability

4. Social Tensions and Migration Concerns

Freedom of movement and enlargement generated significant social and political backlash:

- Western European countries experienced anxiety about labor migration from lower-wage Eastern European countries
- Concerns about "Polish plumbers" and wage competition fueled protectionist sentiment and contributed to referendum defeats
- Some evidence of wage depression in specific sectors and regions due to migration from new member states
- Social dumping concerns as companies relocated to countries with lower labor costs

- Integration challenges in communities experiencing rapid demographic change
- Rise of populist and Eurosceptic parties exploiting migration anxieties
- The UK imposed transitional restrictions on workers from new member states, reflecting political concerns

5. Inadequate Preparation and Absorption Capacity

The rapid enlargement process created numerous challenges:

- Some new member states struggled with administrative capacity to implement and enforce EU law (acquis communautaire)
- Corruption and rule of law concerns persisted in several new members, particularly Bulgaria and Romania
- Agricultural policy became increasingly expensive and controversial with the addition of large farming populations
- Structural funds were stretched to address development needs across a much larger and more diverse territory
- Regional disparities within the EU widened dramatically with the inclusion of much poorer countries
- Existing members worried about the financial burden of supporting new members
- Questions arose about whether the EU had expanded too quickly without adequate institutional preparation

6. Growing Euroscepticism and National Sovereignty Concerns

The period saw increasing resistance to further integration:

- The UK's Euroscepticism intensified, with growing calls for renegotiation or withdrawal
- Concerns about loss of national sovereignty over key policy areas (monetary policy, borders, regulations)
- Resentment about EU regulations perceived as interfering with national traditions and practices
- The "democratic deficit" narrative gained traction as citizens felt disconnected from EU decision-making
- Media in several countries portrayed the EU negatively, focusing on bureaucracy and waste
- The failure to secure popular approval for constitutional reforms damaged the EU's legitimacy
- Rising support for nationalist and anti-EU political parties across multiple member states

7. Weak Common Foreign and Security Policy

Despite institutional reforms, the EU struggled to act coherently in foreign affairs:

- Deep divisions over the 2003 Iraq War exposed the limits of common foreign policy
- The EU's response to the Kosovo crisis and Balkans conflicts revealed coordination difficulties

- Member states continued to prioritize national foreign policy interests over EU positions
- The rotating Council Presidency created discontinuity in external representation
- Military capabilities remained primarily national, limiting the EU's ability to project power
- Enlargement added more diverse foreign policy perspectives, making consensus harder to achieve
- The EU remained heavily dependent on NATO and the United States for security

3.3.4 References

1. European Central Bank. "The euro: the birth of a new currency." Speech by Willem F. Duisenberg, May 21, 1999. Available at: https://www.ecb.europa.eu/press/key/date/1999/html/sp990521.en.html
2. Investopedia. "Euro Currency: Benefits and Challenges for EU Nations." Available at: https://www.investopedia.com/ask/answers/09/euro-introduction-debut.asp
3. European Parliament. "Treaty of Amsterdam." European Parliament – In the Past: The Parliament and the Treaties. Available at: https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/treaty-of-amsterdam
4. Centre Virtuel de la Connaissance sur l'Europe (CVCE). "Treaty of Amsterdam." Available at: https://www.cvce.eu/en/education/unit-content/-/unit/d5906df5-4f83-4603-85f7-0cabc24b9fe1/5b3d64e7-88e1-4f3e-a18f-f5f3f0c8c9c3
5. European Central Bank. "The euro: the birth of a new currency." Available at: https://www.ecb.europa.eu/press/key/date/1999/html/sp990521.en.html
6. Federal Reserve. "The Launch of the Euro." Federal Reserve Bulletin, November 1999. Available at: https://www.federalreserve.gov/pubs/bulletin/1999/1099lead.pdf
7. Minneapolis Federal Reserve. "The Euro in the International Financial System." Available at: https://www.minneapolisfed.org/article/1999/the-euro-in-the-international-financial-system
8. Wikipedia. "Treaty of Nice." Available at: https://en.wikipedia.org/wiki/Treaty_of_Nice
9. European Union. "Founding agreements – Treaty of Nice." Available at: https://european-union.europa.eu/principles-countries-history/principles-and-values/founding-agreements_en
10. Centre Virtuel de la Connaissance sur l'Europe (CVCE). "The Nice Treaty of 26 February 2001." Available at: https://www.cvce.eu/en/education/unit-content/-/unit/d5906df5-4f83-4603-85f7-0cabc24b9fe1/0e3b27d7-d897-4e29-960f-8b1c2f23ceec
11. European Central Bank. "EU Enlargement: challenges and opportunities." Speech by Lucas Papademos, October 27, 2004. Available at: https://www.ecb.europa.eu/press/key/date/2004/html/sp041027.en.html
12. Taylor & Francis Online. "20th anniversary of the EU Eastern enlargement." Journal of European Integration, 2025. Available at: https://www.tandfonline.com/doi/full/10.1080/14782804.2025.2491407
13. World Economic Forum. "The forgotten economics of EU enlargement." January 2024. Available at: https://www.weforum.org/stories/2024/01/the-forgotten-economics-of-eu-enlargement/

14. Wikipedia. “Treaty of Lisbon.” Available at: https://en.wikipedia.org/wiki/Treaty_of_Lisbon
15. Swiss Federal Department of Foreign Affairs. “The Treaty of Lisbon.” Available at: https://www.europa.eda.admin.ch/en/the-treaty-of-lisbon
16. European Union. “Explaining the Treaty of Lisbon.” Press Release MEMO/09/531. Available at: https://europa.eu/rapid/press-release_MEMO-09-531_en.htm
17. ScienceDirect. “The impact of EU Eastern enlargement on urban growth.” Regional Science and Urban Economics, 2024. Available at:https://www.sciencedirect.com/science/article/pii/S1056819023017062
18. Real Instituto Elcano. “Why Did the Irish Reject Lisbon? An Analysis of Referendum Results.” Available at: https://www.realinstitutoelcano.org/en/analyses/why-did-the-irish-reject-lisbon-an-analysis-of-referendum-results-ari/

3.4 Phase 4: The Crisis Era (2010–2020)

Legitimacy Under Fire

The period 2010-2020 represents the most challenging decade in EU history since its founding. The eurozone crisis, migration crisis, Brexit, democratic backsliding, and COVID-19 pandemic tested European solidarity and integration to their limits. While the EU demonstrated resilience and innovative capacity, particularly with the NextGenerationEU respons, the decade exposed fundamental weaknesses in institutional design, revealed deep divisions among member states, and accelerated populist and Eurosceptic movements. The social costs of austerity, persistent economic divergence, and erosion of democratic values in some member states raised existential questions about the EU’s future direction. However, the fiscal solidarity demonstrated during COVID-19 suggested that crisis could still generate deeper integration, offering a potential pathway forward despite the decade’s profound challenges.

Key Events:

- **Eurozone crisis (2010–2015)**, austerity, democratic deficit exposed
- **Migration crisis (2015)**, lack of solidarity, national vetoes
- **Brexit (2016)**, referendum result : EU legitimacy questioned
- **Rise of populism**, sovereigntist parties gain ground

Democratic Reforms:

- **2014**: **Spitzenkandidat process**, EP elects Commission President (first: Juncker)
- **2017**: **ECI reform**, simplified rules, but still hard to use
- **2019**: **Conference on the Future of Europe** announced

“The EU faced its biggest legitimacy crisis, and responded with citizen engagement.”

3.4.1 Overview

The period from **2010 to 2020** represents one of the most turbulent and challenging decades in European Union history, marked by multiple existential crises that tested the very foundations of European integration.

Key Developments:

2010-2015 – Eurozone Sovereign Debt Crisis:

The Greek government's revelation in late 2009 that its budget deficit was far higher than previously reported triggered a sovereign debt crisis that spread across the eurozone. Greece required three bailout programs (2010, 2012, and 2015) totaling over €289 billion from the International Monetary Fund, European Central Bank, and European Stability Mechanism. The crisis also affected Ireland, Portugal, Spain, and Cyprus, all of which required financial assistance. The EU response included the creation of emergency lending mechanisms (European Financial Stability Facility, later the European Stability Mechanism), implementation of harsh austerity measures in affected countries, and the ECB's interventions including Mario Draghi's famous "whatever it takes" pledge in 2012.

2015-2016 – European Migration and Refugee Crisis:

The Syrian civil war and conflicts in Afghanistan, Iraq, and other regions led to an unprecedented influx of over 1.3 million asylum seekers and migrants into Europe in 2015 alone. The crisis exposed deep divisions among member states over burden-sharing and asylum policy. Germany initially adopted an open-door policy, while Eastern European countries (particularly Hungary, Poland, Czech Republic, and Slovakia) refused mandatory relocation quotas. The EU-Turkey deal of March 2016 aimed to stem irregular migration by returning migrants from Greece to Turkey in exchange for €6 billion in aid, visa liberalization promises, and resettlement of Syrian refugees directly from Turkey. The crisis led to the temporary reintroduction of border controls in several Schengen countries and fueled the rise of anti-immigration populist parties across Europe.

2016 – Brexit Referendum:

On June 23, 2016, the United Kingdom voted 51.9% to 48.1% to leave the European Union, sending shockwaves through Europe. The referendum result reflected concerns about immigration, sovereignty, and perceived EU overreach. Prime Minister David Cameron resigned immediately, and Theresa May triggered Article 50 on March 29, 2017, beginning formal withdrawal negotiations. The Brexit process dominated EU politics for the next three years, creating uncertainty about the future of European integration and raising questions about whether other countries might follow suit.

2017-2020 – Brexit Negotiations and Implementation:

The withdrawal negotiations proved contentious, with disputes over the Irish border, citizens' rights, and the financial settlement. After multiple parliamentary rejections and extensions, the UK and EU finally agreed on a Withdrawal Agreement in October 2019. The UK formally left the EU on January 31, 2020, entering a transition period that lasted until December 31, 2020. The Trade and Cooperation Agreement was concluded on December 24, 2020, just days before the transition period ended.

2019-2020 – Rise of Populism and Democratic Backsliding:

Throughout the decade, populist and Eurosceptic parties gained ground across Europe. In Hungary and Poland, governments challenged EU values on rule of law, judicial independence, and media freedom. The EU initiated Article 7 proceedings against both countries but struggled to impose effective sanctions. The European Parliament elections in 2019 saw increased support for both Green parties and nationalist/populist parties, fragmenting the traditional center-right and center-left dominance.

2020 – COVID-19 Pandemic:

The coronavirus pandemic struck Europe in early 2020, causing unprecedented health, economic, and social disruption. Initial responses were uncoordinated and national, with countries closing borders and competing for medical supplies. However, the EU eventually mounted a coordinated response, including joint vaccine procurement, the temporary suspension of fiscal rules, and most significantly, the NextGenerationEU recovery package worth €750 billion (€390 billion in grants and €360 billion in loans). This represented a historic step toward fiscal solidarity, with the EU borrowing on capital markets to finance recovery spending. The Recovery and Resilience Facility became the centerpiece of the package, requiring member states to submit national recovery plans focusing on green and digital transitions.

Significance:

This decade tested European solidarity and integration like never before. While the EU survived multiple existential threats, the period exposed fundamental weaknesses in institutional design, revealed deep divisions among member states, and accelerated centrifugal forces. However, the COVID-19 response demonstrated that crisis could still generate solidarity and innovative policy responses, offering hope for future integration.

3.4.2 Pros of this period

1. Institutional Resilience and Crisis Management Capacity

Despite predictions of collapse, the EU demonstrated remarkable resilience in managing multiple simultaneous crises:

- Created new crisis management institutions including the European Stability Mechanism (ESM) with a lending capacity of €500 billion
- The European Central Bank expanded its toolkit dramatically, including Long-Term Refinancing Operations (LTROs), Outright Monetary Transactions (OMT), and Quantitative Easing programs totaling over €2.6 trillion
- Mario Draghi's July 2012 "whatever it takes" commitment to preserve the euro proved decisive in calming markets and reducing sovereign bond spreads
- Developed coordinated responses to unprecedented challenges, learning from early mistakes
- The Banking Union (Single Supervisory Mechanism and Single Resolution Mechanism) strengthened financial stability by centralizing banking supervision under the ECB
- Demonstrated that European integration could deepen even during crisis periods

2. Historic Fiscal Solidarity Through NextGenerationEU

The COVID-19 pandemic response marked a watershed moment in European fiscal integration:

- The €750 billion NextGenerationEU package represented the first time the EU borrowed collectively on capital markets to finance transfers to member states
- The Recovery and Resilience Facility (€672.5 billion) provided substantial grants (not just loans) to hardest-hit countries, particularly in Southern Europe
- This constituted a significant step toward fiscal solidarity, breaking the taboo against debt mutualization
- Conditionality linked funding to structural reforms and investments in green and digital transitions, promoting modernization
- The rule of law conditionality mechanism (adopted in 2020) linked EU funding to respect for democratic values
- Created a precedent for collective EU borrowing that could be used in future crises
- Demonstrated that Northern European countries (particularly Germany) could accept fiscal transfers under extraordinary circumstances

3. Economic Recovery in Crisis-Hit Countries

Despite harsh austerity measures, several crisis-affected countries achieved significant economic improvements:

- Ireland became the "poster child" of successful adjustment, returning to strong growth (averaging 5-8% annually after 2014)
- Portugal's economy recovered with GDP growth returning to positive territory and unemployment falling from 17.5% in 2013 to 6.5% by 2019
- Spain's unemployment, though still high, declined from 26.1% in 2013 to 14.1% by 2019
- Greece, despite severe contraction, completed its bailout program in 2018 and returned to modest growth
- Structural reforms in labor markets, pension systems, and public administration improved long-term competitiveness
- Current account deficits were eliminated or reversed, reducing external vulnerabilities
- Banking sectors were recapitalized and strengthened through stress tests and resolution mechanisms

4. Strengthened Banking Union and Financial Regulation

The crisis prompted comprehensive reforms to prevent future financial instability:

- The Single Supervisory Mechanism (SSM) placed supervision of 130 significant banks under the ECB, improving oversight quality and consistency
- The Single Resolution Mechanism (SRM) created a unified framework for resolving failing banks, reducing taxpayer exposure
- The Bank Recovery and Resolution Directive (BRRD) established "bail-in" procedures requiring creditors and shareholders to absorb losses before public funds

- Stress tests became regular and more rigorous, improving transparency and confidence
- Capital requirements were substantially increased through implementation of Basel III standards
- Macroprudential tools were developed to address systemic risks and credit bubbles
- The European Deposit Insurance Scheme (EDIS) was proposed, though not yet fully implemented

5. Enhanced Climate and Environmental Leadership

The EU consolidated its position as a global leader in climate action:
- The 2020 Climate and Energy Package set binding targets: 20% reduction in greenhouse gas emissions, 20% renewable energy share, and 20% improvement in energy efficiency (all achieved)
- The Paris Agreement (2015) saw the EU play a crucial leadership role in securing global climate commitments
- The European Green Deal, launched in December 2019, committed the EU to climate neutrality by 2050
- The EU Emissions Trading System (ETS) was strengthened and expanded
- Renewable energy capacity increased dramatically, due to heavy investments in wind and solar
- The Circular Economy Action Plan promoted resource efficiency and waste reduction
- Climate considerations were mainstreamed into the NextGenerationEU recovery package, with 30% of funds dedicated to climate objectives

6. Digital Single Market and Innovation Initiatives:

The EU made significant progress in digital integration and regulation:
- The General Data Protection Regulation (GDPR), effective May 2018, set global standards for data protection and privacy
- The Digital Single Market Strategy aimed to remove barriers to online commerce and services
- The EU established itself as a regulatory superpower, with its standards adopted globally ("Brussels Effect")
- Increased investment in research and innovation through Horizon 2020 (€77 billion budget for 2014-2020)
- Improved digital infrastructure and connectivity across member states
- The Digital Services Act and Digital Markets Act (proposed in 2020) aimed to regulate tech giants
- 5G deployment accelerated, with coordinated spectrum allocation

3.4.3 Cons of this period

1. Devastating Social Costs of Austerity

The eurozone crisis response imposed severe hardship on millions of Europeans:

- Greece's GDP contracted by 26% between 2008 and 2016, comparable to Great Depression-level declines
- Unemployment reached catastrophic levels: 27.5% in Greece (2013), 26.1% in Spain (2013), with youth unemployment exceeding 50% in both countries
- Poverty and social exclusion increased dramatically, with Greece's poverty rate rising from 28% (2009) to 36% (2014)
- Public health systems were severely damaged, with reports of medicine shortages and increased infant mortality in Greece
- Pension cuts devastated elderly populations, with Greek pensions reduced by up to 40%
- Brain drain accelerated as educated young people emigrated, with over 400,000 Greeks leaving between 2010-2015
- Suicide rates increased in crisis countries, with Greece seeing a 35% rise between 2010-2012
- The "Troika" (EC, ECB, IMF) was widely perceived as imposing policies without democratic accountability

2. Democratic Backsliding and Rule of Law Crisis

The decade witnessed serious erosion of democratic norms in several member states:

- Hungary under Viktor Orbán systematically undermined judicial independence, media freedom, and civil society, with constitutional changes concentrating power
- Poland's ruling Law and Justice party (PiS) challenged judicial independence through forced retirements and political appointments to the Constitutional Tribunal
- The EU initiated Article 7 proceedings against both countries but proved unable to impose effective sanctions due to their mutual protection
- The rule of law conditionality mechanism faced legal challenges and implementation delays
- Press freedom declined in multiple countries, with Hungary and Poland ranking among the worst in the EU
- Academic freedom was threatened, exemplified by the forced closure of Central European University in Budapest
- The rise of conservative political firces within the EU challenged traditional EU values and created a two-tier union
- The EU's inability to enforce its own values damaged credibility and encouraged further backsliding

3. Brexit and the First Member State Withdrawal

The UK's departure represented a historic setback for European integration:

- The EU lost its second-largest economy, 13% of its population, and a major military and diplomatic power
- Brexit created economic disruption, with trade between the UK and EU declining by approximately 25% in 2021
- The withdrawal process consumed enormous political energy and resources for four years

- Brexit emboldened Eurosceptic movements across Europe, though "contagion" effects proved limited
- The UK's departure weakened the EU's global influence and shifted internal power dynamics
- Complex issues like Northern Ireland's status remained contentious and unresolved
- Brexit demonstrated that EU membership was reversible, challenging the assumption of ever-closer union
- The UK's departure removed a major voice for free trade, financial services, and Atlanticism within the EU

4. Migration Crisis and Erosion of Schengen

The 2015-2016 refugee crisis severely damaged European solidarity and free movement:

- Deep divisions emerged between Western/Northern countries and Eastern European states over burden-sharing
- The Visegrád Group (Poland, Hungary, Czech Republic, Slovakia) refused mandatory relocation quotas, defying EU decisions
- Multiple countries reintroduced temporary border controls, undermining the Schengen Area's integrity
- The EU-Turkey deal was criticized for outsourcing migration control and potentially violating refugee rights
- Thousands of migrants died in the Mediterranean, with over 5,000 deaths in 2016 alone
- The crisis fueled anti-immigration populist parties, contributing to electoral successes across Europe
- The Common European Asylum System remained incomplete and dysfunctional
- Greece and Italy bore disproportionate burdens, creating resentment and political instability
- The crisis revealed the absence of genuine solidarity mechanisms in migration policy

5. Persistent Economic Divergence and Incomplete EMU

Despite crisis responses, fundamental eurozone problems remained unresolved:

- Economic divergence between Northern and Southern Europe persisted, with Germany's GDP per capita growing while Italy's stagnated
- Italy's GDP in 2019 remained below its 2007 level, representing a "lost decade"
- The eurozone lacked crucial elements of a complete monetary union: no fiscal capacity, no banking union completion (EDIS missing), no capital markets union
- The Stability and Growth Pact's fiscal rules were widely seen as procyclical and economically damaging but remained in place
- Youth unemployment remained stubbornly high in Southern Europe despite recovery
- Public debt levels increased dramatically: Greece (180% of GDP), Italy (135%), Portugal (117%) by 2019

- The eurozone's institutional architecture remained vulnerable to future shocks
- Competitiveness gaps persisted, with unit labor costs continuing to diverge

6. Rise of Populism and Euroscepticism

Anti-EU sentiment strengthened significantly throughout the decade:

- Populist parties made major electoral gains: Alternative for Germany (AfD), Rassemblement National in France, Lega in Italy, Vox in Spain
- The 2019 European Parliament elections saw increased fragmentation, with traditional center-right and center-left parties losing their combined majority
- Trust in EU institutions declined in many member states, particularly in crisis-affected countries
- National governments increasingly blamed "Brussels" for unpopular policies while claiming credit for positive developments
- The narrative of technocratic elites imposing policies on citizens gained traction
- Immigration, sovereignty, and economic grievances fueled anti-EU sentiment
- Coalition formation became more difficult as political landscapes fragmented
- The "permissive consensus" that had supported integration was definitively shattered

7. Inadequate Initial COVID-19 Response

The pandemic initially exposed serious coordination failures:

- Member states acted unilaterally in early 2020, closing borders without consultation and competing for medical equipment
- Export bans on medical supplies (including within the EU) demonstrated absence of solidarity
- The lack of coordinated health policy response highlighted gaps in EU competencies
- Initial vaccine procurement was slower than in the UK and US, creating public frustration
- The economic shutdown caused the deepest recession since World War II, with EU GDP contracting 6.1% in 2020
- Tourism-dependent economies (Spain, Greece, Italy) were devastated
- The pandemic exacerbated existing inequalities between and within member states
- Remote working and digital divides highlighted infrastructure gaps in Eastern and Southern Europe

3.4.4 References

1. Wikipedia. "Greek government-debt crisis." Available at: https://en.wikipedia.org/wiki/Greek_government-debt_crisis
2. Council on Foreign Relations. "Greece's Debt Crisis Timeline." Available at: https://www.cfr.org/timelines/greeces-debt-crisis-timeline

3. Peterson Institute for International Economics. “The Greek Debt Crisis: No Easy Way Out.” Available at: https://www.piie.com/microsites/greek-debt-crisis-no-easy-way-out
4. Investopedia. “Eurozone Debt Crisis: Causes, Consequences, and Potential Solutions.” Available at: https://www.investopedia.com/terms/e/european-sovereign-debt-crisis.asp
5. Migration Policy Institute. “The EU-Turkey Deal, Five Years On: A Frayed Compromise.” Available at: https://www.migrationpolicy.org/article/eu-turkey-deal-five-years-on
6. European Commission. “Refugee Crisis: European Commission takes decisive action.” Press Release MEMO-15-5597. Available at: https://europa.eu/rapid/press-release_MEMO-15-5597_en.htm
7. Wikipedia. “2015 European migrant crisis.” Available at: https://en.wikipedia.org/wiki/2015_European_migrant_crisis
8. IZA Institute of Labor Economics. “European asylum policy before and after the migration crisis.” Available at: https://wol.iza.org/uploads/articles/550/pdfs/european-asylum-policy-before-and-after-the-migration-crisis.pdf
9. BBC News. “Five key impacts of Brexit five years on.” Available at: https://www.bbc.com/news/articles/cdrynjz1glpo
10. Wikipedia. “Economic effects of Brexit.” Available at: https://en.wikipedia.org/wiki/Economic_effects_of_Brexit
11. European Parliament Research Service. “The Brexit paradox: How leaving the EU led to more migration.” EPRS Briefing, 2025. Available at: https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/772910/EPRS_BRI(2025)772910_EN.pdf
12. Freedom House. “Nations in Transit 2020: Dropping the Democratic Façade.” Available at: https://freedomhouse.org/report/nations-transit/2020/dropping-democratic-façade
13. European Parliament. “Rule of law in Poland and Hungary.” Available at: https://www.europarl.europa.eu/news/en/headlines/priorities/rule-of-law/20180123STO94114/rule-of-law-in-poland-and-hungary
14. European Commission. “Recovery plan for Europe – NextGenerationEU.” Available at: https://commission.europa.eu/strategy-and-policy/recovery-plan-europe_en
15. European Council. “A recovery plan for Europe.” Available at: https://www.consilium.europa.eu/en/policies/eu-recovery-plan/
16. Intereconomics. “Next Generation EU: A Large Common Response to the COVID-19 Crisis.” Volume 55, Number 4, 2020. Available at: https://www.intereconomics.eu/contents/year/2020/number/4/article/next-generation-eu-a-large-common-response-to-the-covid-19-crisis.html
17. NextGenerationEU. “For a stronger, more resilient Europe.” Available at: https://next-generation-eu.europa.eu/index_en

3.5 Phase 5: The Citizen-Centered Era (2020–2025)

From Crisis to Participation

The period 2020-2025 demonstrated both the EU’s capacity for unprecedented solidarity and its vulnerability to multiple simultaneous crises. The NextGenerationEU recovery package and unified response to Russia’s invasion of Ukraine represented historic achievements in European integration. The EU accelerated its green and digital transitions while maintaining global regulatory leadership. However, the energy crisis exposed dangerous dependencies, competitiveness concerns intensified, and democratic backsliding persisted in several member states. The migration pact provided a framework for cooperation but implementation challenges remained. The renewed enlargement momentum, particularly regarding Ukraine, created both opportunities and risks for the Union's future. As this period concluded, the EU faced fundamental questions about its economic model, climate strategy, institutional capacity, and geopolitical role in an increasingly multipolar world.

Key Developments:

- **2021–2022**: Conference on the Future of Europe
    - 1M+ citizens participated
    - 49 proposals : transnational lists, more EP power, binding ECI, EU-wide referendums
- **2024**: **European elections**, highest turnout since 1994 (51%)
    - Renew Europe, Greens, S&D push for reform
    - Patriots for Europe emerges as major force
- **2025** : **New Commission (von der Leyen II)**
    - pledged to implement Conference proposals
    - Democratic Features:
- **Transnational lists**: debated, not adopted (yet)
- **Digital democracy tools** : e-petitions, online consultations
- **Citizen assemblies** : piloted in some countries (e.g., France, Ireland)
- **EU Democracy Action Plan (2020)** : combat disinformation, protect media, strengthen rule of law

"The EU is now trying to become a 'citizen's union', not just a market or bureaucracy."

3.5.1 Overview

The period from 2020 to 2025 represents a transformative era for the European Union, characterized by unprecedented challenges that tested European solidarity while simultaneously accelerating integration in key policy areas. This half-decade witnessed the EU navigating multiple crises while pursuing ambitious climate, digital, and geopolitical agendas.

3.5.2 Key Developments:

2020-2022 – COVID-19 Pandemic and Recovery:

The coronavirus pandemic dominated the early part of this period, causing the deepest economic contraction since World War II with EU GDP falling 6.1% in 2020. The EU's response evolved from initial disarray to historic solidarity through the NextGenerationEU recovery package (€750 billion), marking the first time the EU issued common debt to finance fiscal transfers. The Recovery and Resilience Facility became operational in 2021, with member states submitting national recovery plans focused on green and digital transitions. The EU's joint vaccine procurement strategy, despite initial delays, ultimately secured sufficient doses for all member states, with vaccination rates exceeding 70% by late 2021.

2022-2025 – Russia's Invasion of Ukraine and Geopolitical Awakening:

Russia's full-scale invasion of Ukraine on February 24, 2022, represented a watershed moment for European security and integration. The EU responded with unprecedented unity, imposing 14 comprehensive sanctions packages targeting Russia's financial system, energy sector, technology imports, and individual oligarchs. The EU provided over €118 billion in financial, military, and humanitarian assistance to Ukraine by 2024. The war catalyzed a dramatic shift in energy policy, with the REPowerEU plan (€300 billion) aimed at ending dependence on Russian fossil fuels. The EU accelerated renewable energy deployment, diversified gas supplies through new LNG terminals, and achieved a 15% reduction in gas consumption. Ukraine and Moldova were granted EU candidate status in June 2022, with accession negotiations beginning in June 2024. The war also prompted increased defense cooperation, with discussions of a European Defense Union gaining momentum.

2019-2024 – European Green Deal Implementation:

The European Green Deal, launched in December 2019, became the EU's defining policy framework. The European Climate Law (2021) made climate neutrality by 2050 legally binding, with an intermediate target of 55% emissions reduction by 2030 (compared to 1990 levels). The "Fit for 55" legislative package included reforms to the Emissions Trading System (ETS), carbon border adjustment mechanism (CBAM), renewable energy targets (42.5% by 2030), and stricter CO_2 standards for vehicles. The EU banned the sale of new combustion engine cars from 2035. However, implementation faced increasing resistance including farmer protests environmental regulations, industrial concerns about competitiveness, and political backlash in some member states.

2022-2024 – Energy Crisis and Economic Challenges:

The Ukraine war triggered an unprecedented energy crisis, with natural gas prices surging over 1000% in August 2022. The EU implemented emergency measures including price caps, joint gas purchasing, and solidarity mechanisms for supply sharing. Inflation reached 10.6% in October 2022, the highest since the euro's introduction, prompting aggressive ECB interest rate increases from -0.5% to 4.5% by September 2023. The energy shock and monetary tightening pushed several economies into recession in 2023, though recovery began in 2024. The crisis accelerated the green transition but also exposed vulnerabilities in European industrial competitiveness, particularly in energy-intensive sectors.

2023-2025 – Migration Pact and Border Management:

After eight years of negotiations, the EU reached agreement on the Migration and Asylum Pact in December 2023, representing a major reform of asylum rules. The pact introduced mandatory solidarity mechanisms (either accepting relocated asylum seekers or providing financial contributions), faster asylum procedures with border screenings, and stricter return policies for rejected applicants. The agreement balanced concerns of frontline states (Greece, Italy, Spain) with those of Eastern European countries opposed to mandatory quotas. Implementation began in 2024, though effectiveness remained contested. Migration numbers remained elevated, with over 380,000 irregular arrivals in 2023, fueling continued political tensions.

2024-2025 – Enlargement Momentum and Institutional Reform:

The geopolitical context accelerated enlargement discussions. Beyond Ukraine and Moldova, Bosnia and Herzegovina gained candidate status in December 2022, and Georgia in December 2023. Accession negotiations with Ukraine and Moldova began in

June 2024, marking a historic step. However, concerns about institutional capacity, rule of law, and the EU's absorption capacity remained significant. The 2024 European Parliament elections saw increased support for far-right and Eurosceptic parties, complicating governance. Ursula von der Leyen secured a second term as Commission President, prioritizing competitiveness, defense, and enlargement.

2023-2025 – Digital Regulation and Technological Sovereignty:

The EU consolidated its position as a global regulatory leader in digital policy. The Digital Services Act (DSA) and Digital Markets Act (DMA) entered into force in 2023-2024, imposing strict obligations on large tech platforms regarding content moderation, data sharing, and anti-competitive practices. The AI Act, adopted in March 2024, established the world's first comprehensive AI regulation framework, categorizing AI systems by risk level and imposing strict requirements on high-risk applications. The EU also advanced initiatives on digital identity (eIDAS 2.0), data governance, and cybersecurity. However, concerns persist about European technological lagging behind the US and China in AI development and semiconductor manufacturing.

2024-2025 – Economic Competitiveness Concerns:

The Draghi Report (September 2024) highlighted serious competitiveness challenges facing the EU, including productivity gaps with the US, insufficient innovation investment, fragmented markets, and regulatory burdens. The report called for €800 billion in additional annual investment, deeper capital markets integration, and industrial policy coordination. The EU's share of global GDP continued declining, and concerns grew about deindustrialization, particularly in energy-intensive sectors. The debate between maintaining high regulatory standards and enhancing competitiveness intensified, with some member states calling for regulatory simplification.

3.5.3 Pros of this period

1. Historic Fiscal Solidarity and Recovery Success

The NextGenerationEU recovery package represented a breakthrough in European fiscal integration:

- The €750 billion fund (€390 billion grants, €360 billion loans) marked the first time the EU issued common debt finance backed by all member states
- By 2024, the Recovery and Resilience Facility had disbursed over €200 billion to member states for green and digital investments
- The economic recovery exceeded expectations, with EU GDP surpassing pre-pandemic levels by late 2021 and growing 3.4% in 2022
- Unemployment fell to historic lows (6.0% by 2023), demonstrating the effectiveness of fiscal support
- The recovery was more balanced than after the 2008 crisis, with Southern European countries benefiting disproportionately from grants
- Spain received €163 billion, Italy €191.5 billion, helping modernize infrastructure and digital capabilities

- The precedent of common borrowing created a potential template for future EU fiscal capacity
- The rule of law conditionality mechanism, though contested, was successfully applied to Hungary and Poland, withholding billions in funds

2. Unprecedented Unity on Ukraine and Geopolitical Maturation

The EU's response to Russia's invasion demonstrated remarkable strategic coherence:

- 14 comprehensive sanctions packages were adopted with near-unanimous support, targeting 80% of Russian banking assets, technology exports, and energy imports
- The EU provided over €118 billion in assistance to Ukraine by 2024, including €43 billion in military aid (through the European Peace Facility)
- Energy diversification succeeded beyond expectations: Russian gas imports fell from 40% of EU supply (2021) to under 8% (2024)
- The EU built 30+ new LNG terminals in record time, securing alternative supplies from Norway, US, Qatar, and Algeria
- Renewable energy deployment accelerated dramatically, with wind and solar capacity additions reaching record levels (56 GW in 2023)
- The swift granting of candidate status to Ukraine and Moldova (June 2022) and opening of accession negotiations (June 2024) demonstrated strategic vision
- The EU's united stance enhanced its credibility as a geopolitical actor and strengthened transatlantic relations
- Defense cooperation intensified, with increased joint procurement, the Strategic Compass framework, and discussions of a European Defense Union

3. Accelerated Green Transition and Climate Leadership

The EU maintained global leadership in climate action despite economic challenges:

- Greenhouse gas emissions fell 32.5% below 1990 levels by 2023, putting the EU on track for its 2030 target (55% reduction)
- Renewable energy reached 42% of electricity generation in 2023, up from 34% in 2019
- The European Climate Law made climate neutrality by 2050 legally binding, creating accountability mechanisms
- The Carbon Border Adjustment Mechanism (CBAM) began transitional implementation in October 2023, addressing carbon leakage concerns
- EV sales surged, reaching 21% of new car sales in 2023, with comprehensive charging infrastructure deployment
- The EU's regulatory framework (taxonomy, disclosure requirements, sustainable finance) mobilized private capital for green investments
- Energy efficiency improvements accelerated, with the EU achieving a 15% reduction in gas consumption during the energy crisis
- The Just Transition Fund (€17.5 billion) supported coal-dependent regions in transitioning to clean energy

- The EU's climate diplomacy influenced global action, with the Green Deal inspiring similar initiatives worldwide

4. Digital Regulatory Leadership

The EU established itself as the world's leading digital regulator:

- The Digital Services Act (DSA) and Digital Markets Act (DMA) created comprehensive frameworks for platform regulation, with global tech companies adjusting practices EU-wide
- The AI Act (adopted March 2024) established the world's first comprehensive AI regulation, categorizing systems by risk and imposing transparency requirements
- The "Brussels Effect" ensured EU standards influenced global digital governance, with companies often applying EU rules globally rather than maintaining separate systems
- GDPR enforcement intensified, with €4.5 billion in fines issued between 2020-2024, demonstrating regulatory credibility
- The Digital Identity framework (eIDAS 2.0) advanced, enabling secure cross-border digital services
- The Data Governance Act and Data Act created frameworks for data sharing while protecting privacy
- Cybersecurity capabilities strengthened through the Network and Information Security Directive (NIS2) and the Cyber Resilience Act
- The EU's regulatory approach balanced innovation with fundamental rights protection, offering an alternative to US laissez-faire and Chinese state control models

5. Migration Pact Agreement After Years of Deadlock

The December 2023 Migration and Asylum Pact represented a significant breakthrough:

- After eight years of failed negotiations, the EU achieved consensus on comprehensive asylum reform
- The solidarity mechanism balanced mandatory relocation with financial contributions, accommodating diverse member state preferences
- Faster asylum procedures (including border screenings within 7 days) aimed to reduce processing times and irregular secondary movements
- Enhanced return mechanisms for rejected applicants addressed concerns about enforcement effectiveness
- The pact provided legal certainty and predictability, replacing ad-hoc crisis responses
- Frontline states (Greece, Italy, Spain) gained assurance of burden-sharing support
- The agreement demonstrated that compromise was possible even on the EU's most divisive issue
- Implementation began in 2024, with new agencies and procedures being established

6. Successful Vaccine Rollout and Health Cooperation

Despite initial challenges, the EU's health response ultimately succeeded:

- Joint vaccine procurement secured over 4.6 billion doses, ensuring equitable access across member states
- By late 2021, over 70% of EU adults were fully vaccinated, comparable to other developed regions
- The EU donated over 500 million vaccine doses to developing countries through COVAX
- The European Health Union initiative strengthened coordination, with enhanced powers for the European Centre for Disease Prevention and Control (ECDC) and European Medicines Agency (EMA)
- The Health Emergency Preparedness and Response Authority (HERA) was established to address future health crises
- Joint procurement mechanisms proved effective, creating a template for future cooperation
- The pandemic demonstrated that health policy, previously a national competence, could benefit from EU-level coordination
- Medical supply chains were strengthened, reducing dependence on third countries for critical medicines
-

3.5.4 Cons of this period

1. Severe Energy Crisis and Economic Disruption

The Ukraine war exposed dangerous energy dependencies and triggered economic turmoil:

- Natural gas prices surged over 1000% in August 2022, causing unprecedented energy costs for households and businesses
- Inflation reached 10.6% in October 2022, the highest since the euro's introduction, eroding purchasing power
- Energy-intensive industries faced existential threats, with production cuts in chemicals, steel, and fertilizers
- The ECB's aggressive interest rate increases (from -0.5% to 4.5%) pushed several economies into recession in 2023
- Household energy bills tripled or quadrupled in some countries, requiring €700+ billion in government support measures
- The crisis revealed the strategic error of excessive dependence on Russian energy, with Germany particularly exposed (55% of gas imports from Russia in 2021)
- Industrial competitiveness declined, with European manufacturers facing energy costs 4-5 times higher than US competitors
- The crisis accelerated deindustrialization concerns, with companies relocating production to lower-cost regions
- Government debt levels increased significantly due to energy subsidies, constraining fiscal space

2. Persistent Competitiveness Crisis and Innovation Gap

The **Draghi Report** and other analyses highlighted serious structural weaknesses:

- EU productivity growth lagged the US significantly, with GDP per capita growing 30% slower since 2000
- The EU's share of global GDP declined from 26% (2000) to 17% (2023), with further decline projected
- Innovation investment remains insufficient, with R&D spending at 2.2% of GDP versus 3.5% in the US
- Europe lacks major tech companies, with no EU firm among the world's top 20 tech companies by market capitalization
- The capital markets remained fragmented, limiting venture capital availability (€100 billion annually vs. €300 billion in the US)
- Regulatory complexity and fragmentation hinders business growth, with compliance costs particularly burdensome for SMEs
- The EU faces a €800 billion annual investment gap to achieve climate, digital, and defense objectives
- Brain drain accelerates, with highly skilled workers emigrating to the US for higher salaries and better opportunities
- The semiconductor industry remains dependent on Asian suppliers, with the EU Chips Act's €43 billion insufficient to achieve strategic autonomy
- While the Draghi Report demanded clear action, the responsive to it was weak, not addressing the issues.

3. Democratic Backsliding and Rule of Law Challenges

Despite some progress, fundamental values remained under threat in several member states:

- Hungary continued systematic erosion of its democratic institutions, with Orbán's government controlling media, judiciary, and civil society
- Poland's judicial independence remained compromised despite some improvements after the 2023 election
- The rule of law conditionality mechanism faced implementation challenges, with Hungary receiving only partial fund suspensions
- The Article 7 procedures against Hungary and Poland remained blocked, demonstrating institutional weakness
- Press freedom declined in multiple countries, with Hungary ranking 67th globally (2024), the worst in the EU
- Academic freedom faced threats, with government interference in university autonomy in Hungary and Slovakia
- The rise of far-right parties in the 2024 European Parliament elections (gaining 186 seats, up from 118 in 2019) complicated governance
- Populist governments in Italy, Netherlands, and potentially France challenged EU policies on migration, climate, and fiscal rules
- The EU's inability to enforce its own values damaged credibility and created a two-tier union

4. Migration Tensions and Border Crises

Despite the Migration Pact, asylum and border management remained deeply problematic:

- Irregular arrivals remained elevated, with over 380,000 in 2023, maintaining political pressure
- Mediterranean deaths continued, with over 3,000 migrants drowning in 2023, highlighting humanitarian failures
- The externalization of border control through deals with Tunisia, Libya, and Turkey raised human rights concerns
- Poland's pushback policies at the Belarus border violated international law, with allegations of violence and illegal returns
- The Migration Pact's implementation faced delays and resistance, with concerns about effectiveness
- Integration challenges persisted, with migrant unemployment rates double those of native populations
- Anti-immigration sentiment fueled far-right electoral success across Europe
- The Dublin system's failures continued, with frontline states bearing disproportionate burdens
- The EU-Turkey deal's sustainability remained questionable, with Turkey hosting 3.6 million Syrian refugees and threatening to "open the gates"
- The lack of legal migration pathways perpetuated irregular flows and smuggling networks

5. Enlargement Challenges and Institutional Paralysis

The renewed enlargement momentum faced serious obstacles:

- Ukraine's accession negotiations began amid ongoing war, creating unprecedented complexity
- Concerns about institutional capacity intensified, with the EU already struggling with 27 members
- The unanimity requirement for major decisions created gridlock, with Hungary repeatedly blocking Ukraine aid and sanctions
- Enlargement to include Ukraine, Moldova, and Western Balkans would add 100+ million people, fundamentally altering EU dynamics
- Rule of law concerns in candidate countries (particularly Georgia after its 2024 democratic backsliding) raised questions about readiness
- The EU's absorption capacity remained questionable, with insufficient budget increases proposed
- Agricultural policy reform stalled, with farmers protesting potential competition from Ukrainian imports
- The 2024 European Parliament elections' fragmentation made coalition-building more difficult
- Institutional reform discussions (qualified majority voting, Commission size) made little progress despite urgency
- "Enlargement fatigue" among existing members, particularly in Western Europe, limited political will

6. Green Transition Backlash and Implementation Challenges

The ambitious climate agenda faced growing political and economic resistance:

- Farmer protests erupted across Europe in 2023-2024, opposing environmental regulations, subsidy cuts, and cheap imports
- The EU partially retreated on some Green Deal measures, delaying pesticide reduction targets and weakening nature restoration laws
- Industrial lobbying secured exemptions and delays, particularly for the combustion engine ban (e-fuels exception)
- The carbon border adjustment mechanism faced implementation challenges and WTO compatibility concerns
- Energy-intensive industries threatened relocation to regions with lower climate standards, raising carbon leakage fears
- The just transition proved insufficient, with coal regions facing economic devastation and inadequate support
- Public support for climate action declined amid cost-of-living pressures and energy crisis
- The 2024 European Parliament elections saw increased support for parties opposing aggressive climate policies
- Eastern European countries resisted faster coal phase-outs, citing energy security and economic concerns
- The €800 billion investment gap for green transition remained largely unfunded, with private capital mobilization slower than needed

7. Fiscal Rules Controversy and Economic Divergence

The reform of fiscal governance created new tensions:

- The revised Stability and Growth Pact (2024) remained controversial, with critics arguing it was still too restrictive
- Debt levels remained elevated post-pandemic: Greece (161% of GDP), Italy (137%), France (110%), Spain (108%)
- The new rules' complexity (country-specific adjustment paths) raised transparency and enforcement concerns
- Austerity fears resurfaced, with concerns that fiscal consolidation would undermine growth and social cohesion
- Economic divergence persisted, with Germany's GDP per capita 50% higher than Italy's while Germany itself experience an increasing economic crisis partly as a consequence of its own energy policies.
- The eurozone remained incomplete, lacking fiscal capacity, banking union completion, and capital markets union
- Italy's economy stagnated, with GDP growth averaging only 0.7% annually between 2020-2024
- Youth unemployment remained high in Southern Europe: Spain (28%), Greece (26%), Italy (22%)
- The ECB's interest rate increases disproportionately affected highly indebted countries, widening spreads

- The lack of automatic stabilizers and risk-sharing mechanisms left the eurozone vulnerable to asymmetric shocks

3.6 Treaties currently in force

The EU Treaties are binding agreements between EU Member States. They set out EU objectives, rules for EU institutions, how decisions are made and the relationship between the EU and its Member States. Every action taken by the EU is founded on treaties.
Treaties are amended to make the EU more efficient and transparent, prepare for new Member States and introduce new areas of cooperation.
The EU portal EUR-Lex contains the Founding, Amending and Accession Treaties, along with some protocols.

The Lisbon Treaty served as a foundational document that restructured the EU's legal framework, enhancing the roles of various treaties and documents. The original TEU (Treaty on European Union) and TFEU (Treaty on the Functioning of the European Union) were significantly amended, while the Charter of Fundamental Rights gained legal standing. The EURATOM Treaty remains relevant but was not directly altered by the Lisbon Treaty. Overall, the Lisbon Treaty aimed to create a more integrated and democratic EU, impacting all subsequent treaties and legal documents

- Treaty on European Union (consolidated 2016)
- Treaty on the Functioning of the European Union (consolidated 2016)
- Treaty establishing the European Atomic Energy Community (consolidated 2016)
- Charter of Fundamental Rights of the European Union (2016)

3.6.1 *Treaty on European Union (TEU) (consolidated vs. 2016)*

- **Ratification Date:** The TEU was originally signed on November 7, 1991, and came into force on November 1, 1993. The latest consolidated version, amended by the Lisbon Treaty, was signed on December 13, 2007, and entered into force on December 1, 2009.
- **Ratification Process:**
  - **Intergovernmental Conference (IGC):** The initial TEU was negotiated during an IGC.
  - **National Ratification:** Each EU member state ratified the treaty according to its own constitutional procedures, which typically involved parliamentary approval or a referendum.
- **Relation to Lisbon Treaty:** The TEU was amended by the Lisbon Treaty, which introduced significant changes to its structure and content. The Lisbon Treaty reinforced the role of the European Parliament, established a more permanent President of the European Council, and enhanced the EU's external action capabilities. The amendments made by the Lisbon Treaty were similarly ratified through national procedures, with some countries opting for referendums.

- **Key Changes:** The Lisbon Treaty incorporated the Charter of Fundamental Rights into the EU's primary law, clarified the legal basis for the EU's actions, and strengthened the principles of subsidiarity and proportionality.

3.6.2 Treaty on the Functioning of the European Union (TFEU) (v.2016)

- **Ratification Date:** The TFEU was originally established as the Treaty establishing the European Community (EC Treaty) on March 25, 1957, and came into force on January 1, 1958. The TFEU was renamed and amended by the Lisbon Treaty, which was signed on December 13, 2007, and entered into force on December 1, 2009.
- **Ratification Process:**
  - **Intergovernmental Conference (IGC):** The amendments were negotiated during the IGC that led to the Lisbon Treaty.
  - **National Ratification:** As with the TEU, the amendments to the TFEU were ratified by each member state following their respective constitutional processes, including parliamentary votes and referendums in some cases.
- **Relation to Lisbon Treaty**: The TFEU was amended by the Lisbon Treaty, which reorganized and consolidated various provisions. It replaced the earlier EC Treaty and expanded the areas of EU competence.
- **Key Changes**: The Lisbon Treaty introduced new policy areas, such as the Common Foreign and Security Policy (CFSP), and adjusted voting procedures in the Council of the EU to enhance decision-making efficiency.

3.6.3 Treaty establishing the European Atomic Energy Community (EURATOM) (v. 2016)

- **Relation to Lisbon Treaty**: While the EURATOM Treaty itself was not amended by the Lisbon Treaty, the Lisbon Treaty recognized the importance of EURATOM in the context of the EU’s broader objectives, particularly regarding energy policy and nuclear safety.
- **Key Changes**: The Lisbon Treaty emphasized the need for a coherent energy policy within the EU framework, which includes considerations from the EURATOM Treaty.

3.6.4 Charter of Fundamental Rights of the European Union (v.2016)

- **Ratification Date**: The Charter was proclaimed on December 7, 2000, but it was not legally binding at that time. It became legally binding with the entry into force of the Lisbon Treaty on December 1, 2009.
- **Ratification Process**:
  - **Adoption**: The Charter was adopted by the European Council at the Nice Summit in December 2000.
  - **Incorporation into EU Law**: The Lisbon Treaty, which incorporated the Charter into the EU's primary law, was ratified by each member state through their national procedures, similar to the TEU and TFEU.
- **Relation to Lisbon Treaty**: The Charter was given the same legal value as the treaties by the Lisbon Treaty. This means that the Charter is now legally

binding and must be adhered to by EU institutions and member states when implementing EU law.

- **Key Changes**: The incorporation of the Charter into the primary law of the EU underlines the commitment to fundamental rights and freedoms, influencing legislation and judicial decisions within the EU framework.

3.6.5 References for the treaty texts

The following references link to the official texts of each treaty and document as published in the Official Journal of the European Union. The reader can find the consolidated versions and any relevant amendments through these links.
Reference: Official Journal of the European Union, C 202, 7 June 2016.

1. Treaty on European Union (TEU)
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12016M%2FTXT
2. Treaty on the Functioning of the European Union (TFEU)
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12016E%2FTXT
3. Treaty establishing the European Atomic Energy Community (EURATOM)
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12016E%2FTXT
4. Charter of Fundamental Rights of the European Union
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12016P%2FTXT

3.7 References

1. European Commission. "Recovery plan for Europe - NextGenerationEU." Available at: https://commission.europa.eu/strategy-and-policy/recovery-plan-europe_en
2. European Council. "EU recovery plan." Available at: https://www.consilium.europa.eu/en/policies/eu-recovery-plan/
3. Bruegel. "The fiscal response to the economic fallout from the coronavirus." Available at: https://www.bruegel.org/dataset/fiscal-response-economic-fallout-coronavirus
4. European Council. "EU response to Russia's invasion of Ukraine." Available at: https://www.consilium.europa.eu/en/policies/eu-response-ukraine-invasion/
5. European Commission. "EU Solidarity with Ukraine." Available at: https://eu-solidarity-ukraine.ec.europa.eu/index_en
6. Centre for European Policy Studies (CEPS). "The EU's response to Russia's war against Ukraine: A timeline." Available at: https://www.ceps.eu/the-eus-response-to-russias-war-against-ukraine-a-timeline/
7. European Commission. "REPowerEU: affordable, secure and sustainable energy for Europe." Available at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe_en
8. European Parliament. "Ukraine: EU candidate status and the path to accession." Available at: https://www.europarl.europa.eu/news/en/headlines/priorities/eu-enlargement/20220609STO32516/ukraine-eu-candidate-status-and-the-path-to-accession
9. European Commission. "European Green Deal." Available at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

10. European Commission. "Delivering the European Green Deal." Available at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/delivering-european-green-deal_en
11. Climate Action Network Europe. "The European Green Deal: Assessing its current state and future implementation." Available at: https://caneurope.org/content/uploads/2024/02/CAN-Europe_European-Green-Deal-Assessment_February-2024.pdf
12. Bruegel. "Europe's energy crisis: What factors drove the record fall in natural-gas demand?" Available at: https://www.bruegel.org/analysis/europes-energy-crisis-what-factors-drove-record-fall-natural-gas-demand
13. European Central Bank. "The impact of the recent rise in inflation on low-income households." Available at: https://www.ecb.europa.eu/press/economic-bulletin/focus/2023/html/ecb.ebbox202302_01~00e42c5b4e.en.html
14. International Energy Agency. "How Europe can cut natural gas imports from Russia significantly within a year." Available at: https://www.iea.org/reports/a-10-point-plan-to-reduce-the-european-unions-reliance-on-russian-natural-gas
15. European Commission. "A New Pact on Migration and Asylum." Available at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/promoting-our-european-way-life/new-pact-migration-and-asylum_en
16. European Council. "Migration policy: Council adopts new rules to manage migration and asylum." Available at: https://www.consilium.europa.eu/en/press/press-releases/2024/05/14/migration-policy-council-adopts-new-rules-to-manage-migration-and-asylum/
17. Migration Policy Institute. "The EU's New Pact on Migration and Asylum: Navigating the Difficult Gaps Between Ambition and Achievability." Available at: https://www.migrationpolicy.org/article/eu-pact-migration-asylum-ambition-achievability
18. European Commission. "EU enlargement policy." Available at: https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy_en
19. European Parliament. "EU enlargement: state of play and future challenges." Available at: https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2024)760371
20. Politico. "Von der Leyen wins second term as Commission president." Available at: https://www.politico.eu/article/ursula-von-der-leyen-wins-second-term-as-commission-president/
21. European Commission. "The Digital Services Act package." Available at: https://digital-strategy.ec.europa.eu/en/policies/digital-services-act-package
22. European Commission. "The Digital Markets Act." Available at: https://digital-strategy.ec.europa.eu/en/policies/digital-markets-act
23. European Parliament. "EU AI Act: first regulation on artificial intelligence." Available at: https://www.europarl.europa.eu/topics/en/article/20230601STO93804/eu-ai-act-first-regulation-on-artificial-intelligence
24. European Commission. "The future of European competitiveness - Report by Mario Draghi." Available at: https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en
25. Bruegel. "The Draghi report: A comprehensive strategy for European competitiveness." Available at: https://www.bruegel.org/comment/draghi-report-comprehensive-strategy-european-competitiveness
26. European Parliament. "Recovery and Resilience Facility." Available at: https://www.europarl.europa.eu/factsheets/en/sheet/214/recovery-and-resilience-facility

27. European External Action Service. "A Strategic Compass for Security and Defence." Available at: https://www.eeas.europa.eu/eeas/strategic-compass-security-and-defence-1_en
28. European Environment Agency. "Trends and projections in Europe 2023." Available at: https://www.eea.europa.eu/publications/trends-and-projections-in-europe-2023
29. Centre for European Policy Studies. "The Brussels Effect and Digital Markets: How EU Regulation Shapes Global Tech Governance." Available at: https://www.ceps.eu/ceps-publications/the-brussels-effect-and-digital-markets/
30. European Centre for Disease Prevention and Control. "COVID-19 Vaccine Tracker." Available at: https://vaccinetracker.ecdc.europa.eu/public/extensions/COVID-19/vaccine-tracker.html
31. Bruegel. "Why Europe's energy crisis is not over." Available at: https://www.bruegel.org/comment/why-europes-energy-crisis-not-over
32. European Round Table for Industry. "Competitiveness and Growth: The EU's Industrial Challenge." Available at: https://ert.eu/documents/competitiveness-and-growth-the-eus-industrial-challenge/
33. Freedom House. "Nations in Transit 2024: Fragile Frontier." Available at: https://freedomhouse.org/report/nations-transit/2024/fragile-frontier
34. European Parliament. "Rule of law in the European Union." Available at: https://www.europarl.europa.eu/news/en/headlines/priorities/rule-of-law
35. Bertelsmann Stiftung. "Transformation Index BTI 2024: Europe." Available at: https://bti-project.org/en/reports/regional-reports/europe.html
36. Amnesty International. "Europe: Pushbacks and violence at borders must end." Available at: https://www.amnesty.org/en/latest/news/2023/06/europe-pushbacks-and-violence-at-borders-must-end/
37. Centre for European Reform. "The EU's enlargement challenge: How to prepare for new members." Available at: https://www.cer.eu/insights/eus-enlargement-challenge-how-prepare-new-members
38. Politico. "How farmer protests are reshaping the EU's Green Deal." Available at: https://www.politico.eu/article/how-farmer-protests-are-reshaping-the-eus-green-deal/
39. Transport & Environment. "Green Deal under attack: How industry lobbying is weakening EU climate policy." Available at: https://www.transportenvironment.org/discover/green-deal-under-attack/
40. European Fiscal Board. "Assessment of the fiscal stance for the euro area in 2024." Available at: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/european-fiscal-board-efb_en
41. Bruegel. "The reform of the EU's fiscal rules: What has changed and what challenges remain?" Available at: https://www.bruegel.org/analysis/reform-eus-fiscal-rules-what-has-changed-and-what-challenges-remain

3.8 Timeline Summary of Key Democratic Milestones

Year	Event	Democratic Impact
1951	Treaty of Paris (ECSC)	First supranational body, no democracy
1957	Treaty of Rome (EEC)	Economic integration, no direct elections
1979	First EP elections	First step toward legitimacy
1986	Single European Act	EP gains co-decision power

1992	Maastricht Treaty	EU citizenship, subsidiarity, co-decision
1997	Amsterdam Treaty	Charter of Rights, more EP power
2001	Nice Treaty	Prepared for enlargement
2004	Constitutional Treaty	Rejected, legitimacy crisis
2007	Lisbon Treaty	EP = equal co-legislator, ECI, Charter binding
2014	Spitzenkandidat	EP elects Commission President
2019	Conference on the Future	Citizen-led reform process
2024	European Elections	Highest turnout since 1994
2025	Commission (von der Leyen II)	Pledged to implement Conference proposals

4 Comparative Federalism: EU vs. US vs. Switzerland

4.1 Federal State vs. Confederation, Key Differences

One of the discussion points is whether the E.U. is supposed to be a federation or a confederation. In this section we discuss the generally accepted definitions of both and show how in practice a clear distinction rarely happens in practice.
To understand the EU's democratic challenges, it helps to compare it with other federal systems. We take a few examples like the USA, the EU and Switzerland as examples. Note however that this is a domain of sovereign states somehow cooperating. The citizens are not directly involved.

4.1.1 Definitions

Term	Definition
Federal State	A union of partially self-governing states or regions under a central federal government that holds supreme authority in certain areas (e.g., defense, foreign policy, currency). **Member units cede sovereignty to the federal level.**
Confederation	A union of sovereign states that delegate limited powers to a central body for specific purposes (e.g., defense, trade). **Member states retain full sovereignty**, and can leave at any time.

Simple analogy:

- **Federal** = A **marriage**, you share assets, decisions, and identity.
- **Confederation** = A **business partnership**, you collaborate, but keep your own books and can exit anytime.

4.1.2 Key Differences

Feature	Federal State	Confederation
Sovereignty	Shared, federal government has supreme authority in key areas	Retained, member states are fully sovereign
Constitution	Supreme law, binding on all levels	Treaty-based, can be amended refuted by member states
Amendment Process	Requires federal approval + often member state ratification	Requires unanimous consent of member states
Exit Right	Usually none, secession is illegal (e.g., U.S., Germany)	Yes, member states can leave (e.g., Switzerland, EU in theory)
Central Government	Strong, permanent, with executive, legislative, judicial branches	Weak, often temporary, with limited powers
Citizenship	Single federal citizenship (e.g., U.S. citizen, German citizen)	Dual, national + confederal (e.g., Swiss citizen + cantonal citizen)

Taxation	Federal government taxes directly	Member states tax, may contribute to confederal budget
Military	Federal army (e.g., U.S. Army)	Member state armies, confederal coordination (e.g., Swiss militia)
Foreign Policy	Conducted by federal government	Conducted by member states, confederal coordination

4.1.3 Real-World Examples

Federal States

- United States, 50 states under federal constitution
- Germany, 16 Länder under federal constitution
- Canada, 10 provinces + 3 territories
- Australia, 6 states + 2 territories
- India, 28 states + 8 union territories

Key trait: Federal government has supreme authority, states cannot secede.

Confederations

- Switzerland, 26 cantons under federal constitution (but cantons retain sovereignty)
- European Union, 27 member states under treaties (but states retain sovereignty)
- Historical:
- Articles of Confederation (U.S., 1781–1789), replaced by federal constitution
- Soviet Union (USSR, 1922–1991), de jure confederation, de facto federation
- Confederate States of America (1861–1865), secessionist confederation

Key trait: Member states can leave, and often do (e.g., USSR collapse, Brexit).

4.1.4 Hybrid Models, The EU and Switzerland

European Union

- Technically a confederation, member states retain sovereignty
- But functions like a federation in many areas (e.g., single market, competition policy, euro)
- No single citizenship, but EU citizenship granted to nationals of member states
- Exit possible, as per Article 50 TEU (Brexit)
- The EU is often called a “sui generis” union, neither fully federal nor confederal.

Switzerland

- Formally a federal state, since 1848 constitution
- But operates like a confederation, cantons have wide autonomy
- Direct democracy, frequent referendums, popular initiatives
- No federal army, militia system, cantonal control
- Switzerland is a “confederal federal state”, with strong cantonal sovereignty.

4.1.5 *Why the Difference Matters*

Context	Why It Matters
EU Reform	If EU becomes federal, member states lose sovereignty. If confederal, they keep it.
Brexit	UK left because EU was seen as "too federal", but legally it's confederal.
Swiss Neutrality	Switzerland's confederal model allows cantons to opt out of foreign policy.
U.S. Civil War	Southern states tried to secede, but federal government said no.

Bottom line:
Federal state:
Union with a strong central government, member units give up some sovereignty.
Confederation:
Union of sovereign states, member units keep sovereignty and can leave.
The EU is a confederation in law, but acts like a federation in practice.
Switzerland is a federal state in law, but operates like a confederation in practice.
The key is not the label, but who holds power, and how it's exercised.

As many real world examples are hybrid in practice, the labelling distinction between "federal" and "confederal" is partly theoretical.

4.2 A comparison between the U.S., Switzerland and the E.U.

4.2.1 *United States*

Structure:
- Federal government + 50 states + local governments
- Direct election of President, Congress, Senate
- Constitution, supreme law, amendable by 2/3 Congress + 3/4 states
- Judicial review, Supreme Court can strike down laws

Democratic Features:
- Strong separation of powers
- Direct democracy at state level (referendums, initiatives)
- High citizen participation, but low trust in institutions
- "The US is a federal democracy, with strong checks and balances, but growing polarization."
- As of 2025, the democratic principles are under treat by an abuse of "emergency" powers from the presidential office.

4.2.2 *Switzerland*

Structure:
- Federal government + 26 cantons + municipalities
- Direct democracy, referendums, initiatives, recalls
- Federal Council = 7 members, elected by Parliament (not directly)
- No head of state, President rotates annually

Democratic Features:
- Subsidiarity, decisions at lowest level

- High citizen participation, avg. 3–4 referendums per year/citizen
- Consensus democracy, no single party dominates
- "Switzerland is a model of direct and cooperative federalism, but slow to change."

4.2.3 European Union

Structure:

- Supranational institutions (EP, Commission, Court) + intergovernmental (Council)
- No constitution, only treaties
- No direct election of Commission President (yet), Spitzenkandidat system
- No federal government, only Commission (executive), EP (legislative), Council (co-legislator)

Democratic Features:

- Shared sovereignty, member states retain key powers
- Limited direct democracy, ECI, but hard to use
- Low trust in institutions, but high support for EU in crises
- "The EU is a unique hybrid, neither fully federal nor intergovernmental, and still evolving."

4.2.4 Comparative Table: Key Features

Feature	United States	Switzerland	European Union
Head of State	Directly elected	Rotating President	No single head
Legislature	Congress (elected)	Federal Assembly	EP + Council
Executive	President	Federal Council	Commission
Constitution	Yes	Yes	No, only treaties
Direct Democracy	State level	National level	Limited (ECI)
Amendment Process	2/3 + 3/4 states	Referendum	Unanimous + ratification
Citizen Participation	High (voting)	Very high (referendums)	Low (but growing)

4.2.5 Conclusion

The EU is not a state, it's a union of states. Its democratic deficit comes from shared sovereignty, intergovernmental decision-making, and lack of direct citizen control. But it's also evolving, with citizen participation, digital tools, and reform proposals pushing it toward a more democratic, citizen-centered union.
The EU's democratic journey has been slow, contested, and incomplete, although evolving.

From technocratic integration in the 1950s to citizen-led reform in the 2020s, the EU is trying to become a union of citizens, not just states.
The challenges:

Balancing national sovereignty with supranational democracy, without losing legitimacy or unity. Achieving real democracy as stated in the treaties.