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The European Union at stake? A comparative analysis on the dimensions of EU decisionmaking in crisis settings

Franziska Kipp

CUNY City College

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The European Union at stake? A comparative analysis on the dimensions of EU decision-making in crisis settings

Franziska Kipp

May 2016

Master’s Thesis
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COLIN POWELL SCHOOL FOR CIVIC AND GLOBALL LEADERSHIP

Advisor: Prof. Jacques Fomerand

Second Advisor: Prof. Jeffrey Kucik
Abstract

This thesis examines how the EU as an international organization deals with international crisis situations by looking at its functions and imperfections in its decision-making process. Drawing from theoretical organization theory insights, particularly realism and constructivism, as well as empirical findings derived from two case studies, the goal if this study is to identify the dimensions of crises and find an answer to the question which factors influence decisions on crisis management. The Eurozone crisis and the Refugee crisis serve as case studies to investigate the narrative of crises in order to explain process outcomes. In both case studies I established a time frame in which the most important decisions concerning this particular crisis took place. For the Eurozone crisis I look at the period from 2010 to 2011/12 and for the Refugee crisis at 2014-2015. Both situations are analyzed with a view to identify the factors i.e. a. government interests, b. normative positions, c. coalitions, and d. domestic considerations playing a role in determining policy outcomes in crisis settings. As laid out in the theoretical framework, the underlying assumption for the hypothesis is that in decision-making processes, rational choice theory determines a common strategy, which is based on the decisions of the most influential countries. I aim at explaining policy outcomes in specific contentious situations. Although, there have always been issues that challenge the EU decision-making in crisis situations. These challenges have recently reached a new intensity, which required a coherent and increasingly rapid response. This matter has not been sufficiently addressed in current research. This study should accordingly contribute to a better understanding of crisis management by an international organization.
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Chapter 1 - Introduction

In recent years there has been an expanding literature on the question how the European Union manages crises that occur within the Union and affect different member states. Observable decision-making processes within the European Union are very complex. All of the member state governments and the EU’s supra-national political institutions, the EU Commission, and the European Parliament play very important roles. Additionally, in certain policy fields such as monetary policy, specialized institutions such as the European Central Bank have principal parts.\(^1\) It can be observed that even thought the principle of subsidiarity aims to regulate competences among member states\(^2\); these become shared responsibilities in crisis settings which demand a coherent response. Recent experiences like the European Debt and the Refugee crisis have put widely held convictions about European values to the test as the member states struggle to address these shared responsibilities.

The Eurozone crisis serves as an example for what can be observed as a successful response to crisis and consensual crisis management. In 2009 the bank crisis, which started in the US hit Europe and developed into a financial crisis. Some EU countries such as Greece, Ireland, Portugal, Spain and Cyprus, became unable to borrow on financial markets at reasonable interest rates. As a consequence, the EU was requested to step in leading to, the creation of a crisis resolution mechanism designed to prevent the

\(^{1}\) Helen Wallace/Mark Pollack, Policy-Making in the European Union (Oxford University
collapse of the banking system. Mainly on the basis of joint proposals by a German and French coalition, the EU was able to launch a Europe-wide recovery program to safeguard jobs and social protection levels and to support economic investment. The response to the crisis created a new and permanent financial backstop - the European Stability Mechanism (ESM) -, which is now an integral part of the EU’s comprehensive strategy to ensure financial stability.\(^3\) This shows how countries were able to at least in part accept and agree on proposed solutions in order to save the union.

However, it is also evident that the EU sometimes encounters difficulties in reaching a common position. An instance of this situation may be found in the still unfolding refugee crisis. Throughout this crisis, which started in 2011, the constant flow of migrants from sub-Saharan Africa in addition to waves of Syrian refugees have caused tensions in the EU with member states like Greece and Italy feeling over-burdened. Several measures have been taken to cope with the influx of refugees and distribute resources across EU countries. Even though, decisions have been made concerning the humanitarian issue of this crisis, many of the most affected countries still feel like they’re left alone. In my thesis I make the assumption that the lack of a consensus among the most powerful countries and lack of a common strategy results in a diversification of approaches to the crisis. This makes the response in this case less efficient.

The academic literature, crisis management often separates prevention and preparedness from of recovery and change. While the subject of preparedness is mostly

concerned with questions as how an organization or society can prepare for the unknown, the area of recovery and change is concerned with the aftermath of crises. This thesis will be placed in the middle of those in the domain of coping with crisis. The questions asked are therefore, how crisis managers make decisions under circumstances of uncertainty, time pressure, and extreme threat? Which are the exogenous and endogenous factors that lead to those decisions, and who are the main decision makers in the case of the European Union? I argue that both the Eurozone crisis and the Refugee crisis are examples of developments, which challenge ordinary legislative procedures. Under ordinary circumstances the European Commission prepares legislative proposals, which are then forwarded concurrently to the European Parliament, the Council and national parliaments and, in some cases, to the Committee of the Regions and the Economic and Social Committee. The European Parliament then reviews the proposals, as does the Council, and they can propose amendments. If the Council and the Parliament cannot agree upon amendments, a second reading takes place.

In this work, I question whether crisis situations demand interfacing and cooperation among EU institutions and of member states as posited by constructivists or whether it is primarily member states which decide in their own best interest according to

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6 Helen Wallace, Policy Making in the EU, p. 11.
realists. Two case studies focusing on a four-step analysis will help me answer this question and identify the most influential decision-makers as well as the underlying factors contributing to their decisions. There is a large body of research on decision-making in the European Union but little is known on crisis situation processes. From the evidence presented in this thesis, it seems that realism is the best tool to understand crises situations as the consensus between the most powerful EU member states plays a key role in policy outcome. This significantly differs from the above described “routine” legislative procedure insofar as EU institutions are circumvented and proposals initiated by member states and rapidly ratified to achieve a timely solution. In reaching these conclusions, this thesis may hopefully contribute to crisis management research in the EU and yield better insight in the dynamics of decision-making processes.
Chapter 2 - Literature Review

The underlying problem, which gave rise to this research is Europe's struggle to cope with crisis situations. At first these different crises, namely the Eurozone crisis and the refugee crisis do not seem to have a lot in common. But in each of these cases the EU capability to make decisions and find a coherent outcome to manage was challenged. The question concerning these situations is how the EU when facing crises makes decisions and what factors influence these decisions. What are the mechanisms that apply when a rapid response is required and what influences the choices EU member states make.

A review of the current literature shows that many scholars have studied and addressed crisis situations in the EU. An important contribution to the growing literature was made by Grönvall who looked into the struggle between the different EU bodies (for example between the Council and the Commission and focused attention on their overlapping responsibilities. The study was based on the “Mad Cow Disease” also known as BSE, which posed a threat to the EU. Grönvall examined how the institutions worked together in this case and argued that overall, there was a growing need for interaction between member states and EU bodies arising from their shared responsibilities.\(^7\) I agree with Grönvall’s argument that there is an interaction between the EU bodies and it is my intent to look further into. Even though, Grönvall drew attention to important

responsibilities for the EU in crisis situations and recommended more interaction and cooperation, it would be interesting to look at the willingness of states to cooperate through these bodies in a particular crisis situation. Based on his study of BSE and the shared responsibilities he identifies, the case studies utilized in this thesis will probe into these patterns of cooperation and the formation of coalitions involving the most powerful member states.

An interesting study by Larsson, focused on crisis management in the European Union. The main research question he posed was how the EU handles ‘low politics’ crises, which he defines as crises, which are not urgent international issues at the highest political level. By identifying factors such as domestic politics and member state interest this research is relevant to my approach. Furthermore, the underlying assumption Larsson made in his study and which I choose as an underlying theme is that the kind of decision-making in crisis, in certain aspects, differs from political and bureaucratic decision-making. From that assumption follows the conviction that although every crisis has unique characteristics and circumstances, there are recurrent patterns that unite decision-making features in crises.\(^8\)

Another study by Simon Duke looked at EU crisis management from an international perspective. Duke focused on EU security and defense and tried to explain the development of EU crisis capacity by highlighting institutional structures of EU external relations in order to identify that the most important challenge for the EU to manage

\(^8\) Sara Larsson et al., Crisis Decision Making in the European Union (CRISMART, Stockholm, Sweden, 2005) p. 125.
is the cooperation among member states to allocate and distribute resources.\textsuperscript{9} Even though, Duke formed a very wholesome approach, which looked into every aspect of international crisis management and member state resources, he does not address the motivations which drive member states to cooperate or makes them hesitate. His final conclusion is that member states need to cooperate and it will be important to look at the incentives that make states do so.

Many students of EU decisions deal with lobby groups that have a stake in the decision making process. Natalie Lockwood, for example, identifies factors that influence decision making in international organizations, she also highlights the phenomenon of international vote buying among states whereby states offer material benefits to other states in exchange for their votes or support.\textsuperscript{10} Even though, she identifies vote buying as important factor in decision-making, this research mostly focuses on the general procedures and there is little research, which includes lobbying or vote buying as influencing factors in the EU’s response to transnational crisis and emergencies and the influence on EU crisis management.

Important steps concerning exactly these components of transnational crises and emergencies has been uncovered by Arjen Boin and Magnus Ekengen in their book “The European Union as Crisis Manager: Patterns and Prospects”. Both authors use the term


“transboundary”\textsuperscript{11} to describe specifically those crises, which affect more than one member state but are managed by the European Union without turning into an international crisis. They explore the transboundary dimensions of crises and disasters and discuss how traditional crisis management challenges are affected by an increase in ‘transboundedness’ and tried to explain what would be needed to deal with these challenges. The concept of transboundary crisis relates to my thesis in the way that I want to explore which member states are especially affected in the case studies I chose and how states act in crisis settings that involve different member states across EU boundaries. Another study by Boin's study about transboundary crisis based empirical case studies and tried to develop theories about crisis typology and specific theoretical and administrative challenges.\textsuperscript{12} Another recent study by Boin asks a similar question and enhances his further research by trying to identify the role the European Union plays in transboundary management in general and questions the capacity that the EU has and what is needed to manage crises and how resources are distributed among states.\textsuperscript{13} I am going to include the aspect of capacity in my research as far as I am looking at how resources are distributed when facing a crisis.


\textsuperscript{12} Boin et al., The European Union as Crisis Manager: Patterns and Prospects, p. 100.

Overall, the literature on decision-making processes and factors that influence decision-making is broad but seems to only cover certain aspects of decision making. This literature includes studies on the bodies of the EU, the capacity distribution, and the interaction between member states. However, it seems like there is a gap to explore not only about who makes the decisions in crisis situations and which bodies have the most to say in the process but also to reflect on case studies because there is only limited research on specific cases so far. I have accordingly decided to choose to study cases from different policy areas and the similarities between them, so that I can examine whether it is possible to speak of a specific EU way of crisis decision-making. Larsson and Boin have made important contributions to the literature on transboundary crisis management, and especially Arjen Boin has framed a new term in crisis management, which helps further research to be more specific. The outcomes of these studies are mainly to form theories on how the EU can use its capacities feasible and cooperate to manage crises when they occur. Putting cooperation in the center of most studies it seems that there is a need for an approach, which looks more scientifically at the case studies to see which theory actually applies and without assuming that cooperation is the only necessary tool.

In theory we find four explanatory factors derived from the two most important approaches to social inquiry: rationalism and constructivism. Existing literature suggests that coalition patterns are based on power, interests, ideology, or culture. Both theories aim to explain the policy outputs of the European Union. The power-based and interest-based factors originate from rational choice theory that stresses strategic choice as the driving force behind human decisions. The actor rationally chooses the alternative he
most prefers. It positions a value-maximizing choice within specified constraints.\textsuperscript{14} As well as in situations of interdependent choice: actors will of necessity behave strategically, that is, will take others' expected actions into account. Most fundamentally, preferences for integration result from critical positive or negative interdependence. Actors seek policy integration if they are convinced to gain net benefits that turn out higher than from unilateral, autonomous or only loosely coordinated national policies. According to this approach, we would expect steps of integration taken in the euro crisis to be driven by common perceptions of interdependence and the desire to avoid losses and reap benefits. Among the various forms of integration and substantive rules that produce such net benefits, actors strive to realize those that maximize their gains.\textsuperscript{15}

Moreover, rational-choice neo-institutionalism theory assumes that human beings behave rationally. Accordingly, institutions like the EU do not change member states’ preference function, but have an influence on the way, in which actors try to achieve their goals. Rational choice theory moreover focuses on formal rules and assumes that member states use institutions to maximize their utility.\textsuperscript{16}

In Constructivism, an ideology-based and culture-based theory, explanations

\textsuperscript{14} Paul Viotti/ Mark Kauppi, International Relations Theory, 5\textsuperscript{th} Edition, Pearson, 2012, p. 39.


derive their predictive power from shared identities. Agents' interests emerge from and are endogenous to interaction with institutional structures. Social norms constitute the identity of actors. Collective norms and understandings define the basic "rules of the game" in which they find themselves in their interaction.\textsuperscript{17} Constructivist theory thus appears to be a norm-guided approach. Its main assumption is that human beings do not exist independently from their environment but interact with the environment while shaping it at the same time. From an institutional perspective, this means that actor preferences are endogenous to institutions hence they have socially built (constructed) roles and institutional rules. According to this approach, European Union institutions influence as the actors' behavior as well as their preferences and identities.\textsuperscript{18}

My research leans towards a realist approach to the European Union and will therefore look at factors like member state interest and domestic politics. However, I will also take coalition-building and normative positions into account. Even though, building coalitions and normative positions are important factors to look at I argue in a realist fashion that even if coalitions occur or it appears that normative positions are approached, the underlying reason is that states either thrive to improve their gains or try to prevent a threat to their sovereignty.

There is already a good amount of research on decision-making and policy-making in the European Union. From the literature that I have reviewed so far it seems


\textsuperscript{18} Mark Pollack, Theorizing EU Policy-Making, 2005, p.23.
that most studies that focus on EU decision-making center the methodology on one significant case study. This however had its flaws since it lacks comparability. As a result, I decided to focus on two important case studies to achieve comparability in terms of common factors and patterns that I draw from my analysis. Moreover, from this literature review I conclude that there is a gap in identifying a theory-driven approach to crisis situations, specifically factors that play a role in decisions that are made amidst crisis. Most studies mainly considered decisions in a regular setting or focused on which EU bodies are mostly involved in decisions. Therefore, I aim at a multifaceted approach that combines both looking at EU bodies and member state behavior in a crisis situation setting. Therefore, I developed my argument from the background of the most applicable theories. This approach takes several factors into account that derive from constructivist and realist theory, and which could have an effect on the outcome of decisions made as a response to a occurring crises such as Government interest, Normative Positions, Coalition-building, bargaining and domestic influence. Overall, this thesis will be a complement to the small but growing literature on the developing crisis management capacity of the EU.

My argument is based on the assumption that decision-making in crisis settings differs significantly from routine political and bureaucratic decision-making and that there are certain discrete and unique patterns characterizing decision-making features in crises situations. In order to explore this argument it is important to understand the EU as an international actor, and explore the dynamics in the processes behind the formal decisions.
I argue, that the circumstances that a crisis imposes on the international actors prompt them to make a rapid response, which is influenced by different factors. These circumstances also generate barriers to the quality of the decision-making process.\textsuperscript{19} From the literature review on former studies but also on theoretical approaches to the European Union I have identified the following factors as influencing factors: State interest, Normative Positions, Coalitions-building, domestic politics.

Even though crises are pose complex dilemmas, crisis managers often have to make coherent decisions without all the information and under conditions of severe time constraints. In the whole process, the initial phase is the most critical and it is on that phase that this thesis will focus. Thus, in regard to the Eurozone Crisis I will look at 2010-2011/2012 when it was most prominent in the European Union, and 2014-2015 at a time when the European Union struggled most to cope with the refugee crisis. I make the argument that in dealing with crisis situations, the behavior of decision-makers can be understood from the standpoint of rational choice theory and the main stakeholders who are the most powerful governments are the ones who decide on allocation of resources and the determination of policies. In particular, what I am trying to point out is that there are a variety of factors, which influence this decision-making because of the given complexity of contemporary crises. This complexity can for example lead to the perceived need for experts and advisers, which take particular positions during the decision-making process. Even though experts provide decision-makers with information, it is doubtful that their expertise gives them much influence in shaping

policy outcome. Moreover, I argue that crisis managers often struggle with the organization of crisis decision-making. Since it is not an ordinary procedure, there is an increase in pressure on routine decision-making structures. This can lead to a centralization of decisions in the hands of a small group of people, which I argue are the ones who are most influential member states. All too often crisis management is also assumed to be the exclusive domain of government officials. Even further, I argue that most of these crisis decisions in the European Union were made initially by France and Germany, who reach a consensus and then have the other members agree on already decided terms.

Hypothesis

My Hypothesis are based on the assumption that crisis decision-making differs from regular decision-making. As pointed out in my literature review, there are several factors like state interest, Normative Positions, Coalitions, and domestic considerations that can influence these choices of decision-makers. In my research I test, which of these factors turn out to play an important role in decision making and especially what influence the consensus between the most influential countries has on the outcome of decisions. I argue, that the decisions concerning crisis management depend on consensus between the most powerful countries because they have to be made rapidly. Ergo it should be shown that if there is no consensus between the stakeholders, the Union struggles to reach a coherent decision on how to manage crisis. Therefore, the (i) dependent variable is the outcome of decisions and the independent variable (ii) is the consensus among stakeholders.
H1: Consensus among major stakeholders influences the outcome of decisions concerning the crisis

Moreover, my second hypothesis is that the consensus differs in different crisis settings depending on specific influencing factors like State interest, Normative Positions, Coalitions, domestic considerations that determine policy choices. This choice, I argue, can be comprehended within the framework of rational theory. States tend to choose the outcomes that maximize their gains and cooperate only in order to achieve maximization or avoid losses. Therefore, (i) independent variables are the factors I have identified before, State interest, Normative Positions, Coalitions-building, domestic politics, which will be tested against their influence on the (ii) dependent variable consensus.

H2: Consensus differs in different crisis settings depending on specific influencing factors that stimulate a certain choice.
Chapter 3 - Methodology

In order to investigate the decision-making process and explain how common positions are reached in crisis situations I will rely on a process tracing methodology. However, throughout the research process it became evident that a network analysis of cooperation between member states does also provide useful insights in order to examine which influence this cooperation have on the outcome of decisions overall. Therefore, documents that provide evidence of multilateral meetings and other structures, like informal meetings as well as common statements on the selected case studies will be taken into account.

I will conduct a four-step analysis based on Stern and Stelius study. The first step is to place the selected crisis in its proper historical and institutional context, which enables contextually sensitive interpretations of crisis behavior. The second step is to establish a timeline of the most important decisions and to outline the course of events to reconstruct what happened. The third step is to select particular decision-making occasions. Each decision can be broken down in into components and regarded as a sequential process. In this step we are going to look at stimuli and choices of action that contributed to the decision as a whole. The final step is to unveil patterns or specific aspects in crisis situations that explain how they were managed and provide a basis for further comparison. In order to prove whether or not the hypothesis are going to be correct steps three and four are particularly important. The collection of data for each major decision leads to the identification of stakeholders and decision makers along the

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crisis and their motives. This step will show that the most influential countries determine how to manage crisis as well as point out that there is a struggle in crisis management when these influential countries are unable to reach consensus among them. The fourth step will ultimately elucidate the factors which influence EU crisis management decisions, and show that H2 is correct by emphasizing that stimuli and patterns differ from event to event depending on what countries have most at stake. The comparability of these outcomes will make the study replicable for other cases and contribute to the growing literature on EU crisis management.

Case Selection

I choose a comparative case study design to answer my research question and selected two recent and timely crises, the Eurozone crisis and the Refugee crisis. The criteria for the selection of these two crises might not seem obvious at first. However, I was inspired by Paul Krugman who pointed out, that “The Financial crisis that became the European debt crisis in 2008, and the refugee crisis might not seem to have anything in common. But in each case Europe’s ability to protect itself turns out to have been undermined by its imperfect union.”21 This seems to display my underlying question of a union characterized by a rather realist approach.

The Eurozone crisis was managed in a way that bailouts were most felt for individual national governments and it is worth looking into the decisions made during the process. In particular it is worth looking at which countries were most affected as

opposed to the countries, which ultimately made the most important decisions. The Refugee crisis, turned out to be a challenge to crisis management not only because of a variety of countries who participated in the decision making process but also because the European Union as a whole is committed to the Schengen Agreement and trying to maintain its open internal borders while leaving the management of external borders to national governments.\textsuperscript{22} This has caused a setback especially for countries most immediately affected by refugee influx, like Greece.

Comparability is given due to the same institutional structures as well as international circumstances: both crises affect all bodies of the EU and require a response that involves several member states. In both cases the European Union is trying to manage crises, which affect the whole union. Ideally, Europe would respond to these setbacks by strengthening its union and institutions. However, the political will to do so seems lacking and instead it seems that the European Union is taking steps back, which might ultimately damage the whole Union itself.

The research goal is to identify certain patterns or specific factors in a particular crisis situation that explain the parameters influencing the decisions made. The factors identified then provide a basis for comparison between different issue areas. The methodology in this research will be a mixed methodology of case studies which are focused on explaining outcome process tracing and aim to identify comparative elements which will be based on qualitative literature research and the use of original documents. In order to analyze decisions in regards to the case examples, several variables were chosen to examine crisis response in institutions. Namely, state interest, normative

\textsuperscript{22} Paul, Krugman, Europe the Unready, 2015.
positions, coalitions and domestic politics. The variables were identified according to findings from former research (see literature review). Therefore, they can serve as reliable indicators in this study. Sources for the analytical part of the research in addition to the scholarly literature, will be newspaper reports and official documents and the EU database, Think tank studies and the secondary literature will also be used.

Limitations

Limitations to my research could be expected in the way that the sample could be too big and the analysis takes too many factors into account. I choose two case studies to enhance comparability of my independent variables, but these two case studies both cover several years in their time frame and it could become evident that the time frame is too large to achieve a depth analysis for both crises. Moreover, the four factors I identified to look at as my independent variables are based on theory and literature review but despite this empirical framework, four variables might be too many especially when applied to two different case studies. In the literature I reviewed this phenomenon was actually mentioned as the primary limiting factor, which lead the authors to revert to either using one single case study or limiting amount of steps in decision-making they wanted to look at. Moreover, the access to appropriate sources concerning the current Refugee crisis could be a limiting factor since it is still unfolding and only a small amount of research in this area has been published. I will try to cope with this by using original documents and find member state and heads of state statements. Finally, my research could also be limited through flaws in the assumption that the cases chosen as examples are comparable and might actually turn out to be limiting in the way that they are not as comparable as assumed.
Chapter 4 - The Eurozone Crisis

Step 1: Historical/ institutional background

January 2009 marked 10 years after the Europe’s Economic and Monetary Union (EMU) had become a reality in January 1999, when a group of eleven EU member states adopted the euro to replace their national currencies with the new common currency for financial transactions. Despite initial skepticism for the project of a common monetary union, the general perception among policymakers at the end of the euro’s first decade was that it had been a success and brought macroeconomic stability.

In late 2009 however, the newly elected Greek government disclosed that the country’s budget deficit was significantly higher than previously estimated and far higher than the Eurozone rules established in the Stability and Growth Pact allowed.

When the major rating agencies subsequently downgraded Greece’s credit ratings the European Debt Crisis, which had resulted of the financial crisis in 2007 finally hit Europe. Banks in the United States had gone bankrupt, and when Lehman Brothers collapsed in 2008 the crisis spread to the rest of the world because banks had stopped lending to one another. To prevent the total collapse of the banking system in Europe, the European governments spent 4.5 trillion Euros between 2008 and 2011.23 The EU launched a recovery program to support economic investment and safe jobs and social protection levels. However, most of the money, which was spent on this program had to

be borrowed. In 2009, the Eurozone countries which were most exposed to the financial hardship began to have difficulties financing their debt. As a result, markets lost their confidence in governments to pay back their debt and interest rates for the bonds of these governments became unsustainable. This is when the European Debt Crisis may be said to have started. Banks had reduced their lending to those countries and businesses with increased debt and unsustainable bonds. Consequently, 2009 was the year of the worst recession experiences by the Eurozone. Not only was there an increase of poverty, high unemployment and economic hardship in the countries with large amount of debt, but this also affected other Eurozone countries because of economic interdependence. The EU in cooperation with the European Central Bank and the IMF, decided to provide bailouts ($163 billion) for the most affected countries, Ireland, Spain, Greece, and Portugal. However, these bailouts were linked to demands by wealthier states such as Germany, for austerity measures, which contributed to pessimism and unrest in the European Union.²⁴

It appears that policy coordination in the European Monetary Union relies on decentralized forms of decision-making in which peer pressure and consensus building between member states with little or no delegation to supranational institutions are the norm. However, in the Eurozone Crisis we can observe different shifts in delegation of power and decision-making at the national and EU level. In the main decisions pointed out in the following we can perceive mixed state motives in the euro crisis: a common interest in the survival of the euro (area) based on perceptions of interdependence and

potential net losses and conflicting preferences on the distribution of the burdens of adjustment depending on their fiscal position.\textsuperscript{25}

**Step 2: Establishing a time frame of most important decisions**

Taking a closer look at the time line it appears that the main developments in the Eurozone crisis took place from 2008 to 2013. The main development, which led to the spread of the financial crisis to Europe, was the collapse of Lehman Brothers and other US banks in 2008. The first country to be hit by the crisis in Europe was Greece. This is an important development because it started the discussion about bailout measures and initiated a process of several important decisions to cope with the crisis.

Throughout the Eurozone crisis we can identify 3 decisions from 2009 to 2013 that build on the immediate response, and contributed to the resolution of this crisis. First, the establishment of a TROIKA in 2009, which is an informal group of officials from the EU Commission, the ECB and the IMF who help to decide on financial support and measures for member states affected by the crisis. Second, as more state economies became affected by the crisis, in 2011 the European Stability mechanism was established. This was an important Ad Hoc decision to primarily avoid the failure of the economies of Spain, Portugal and Ireland. A third important development was the Euro Summit in the same year where the representatives of all member states came together to work on a solution. This resulted in the important signing of the fiscal compact that enabled support for more countries for example Cyprus in 2013, and also introduced balanced budget rule

\textsuperscript{25} Andrew Moravesik/Frank Schimmelpfennig. Liberal Intergovernmentalism, 2009, p.5.
into national law. The fiscal compact is an important stability mechanism, which was further enhanced by the “two pack” in 2013.

The timeline focuses on the period 2008-2013, in the course of which the EU initial responses were unfolding, and subsequently shaped future and still ongoing development.

<table>
<thead>
<tr>
<th>Year</th>
<th>Developments and Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Lehman Brothers and other US banks collapse – Financial Crisis spreads to Europe</td>
</tr>
<tr>
<td>2009</td>
<td>Greece is hit first by the crisis and bailout measures are decided</td>
</tr>
<tr>
<td>2010</td>
<td>Establishment of the Troika</td>
</tr>
<tr>
<td>2011</td>
<td>European Stability Mechanism is established Ad Hoc to help Portugal, Spain, and Ireland</td>
</tr>
<tr>
<td>2011</td>
<td>Euro Summit</td>
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<tr>
<td>2012</td>
<td>Fiscal Compact signed</td>
</tr>
<tr>
<td>2013</td>
<td>Financial support for Cyprus</td>
</tr>
<tr>
<td>2013</td>
<td>Two Pack enters into force</td>
</tr>
</tbody>
</table>

Figure 1 Self-design
Step 3: Selection of Decision-making occasions/ components

2010 Establishment of the TROIKA

The Troika is a term used to describe three international organizations that work together to lend money to Greece. It was established in 2010 as response to the Greek financial crisis and is an informal group of officials from the EU Commission, the ECB and the IMF. It has become a central actor in the EU crisis management framework. Those Member states, which seek financial support from the EU, are expected to negotiate the details with the Troika. The Troika then visits the country on a quarterly basis and assesses compliance.\textsuperscript{26} However, a positive assessment is the basis for further loans given to that country. It has been criticized that this form of loan giving and assessment exercises a certain degree of influence over the receiving country and impact on the formulation of national economic policy. Moreover, even though the European Commission, which represents the Eurozone countries, who use the euro as their currency, is the executive arm of the EU it must still answer to the member states of the EU. It can be argued that the influence member states have over the commission decisions ultimately has an impact on Troika decisions. Germany for example is the EU’s largest economy and is perceived to have the final say on the Greek bailout.\textsuperscript{27}

In addition, the IMF has a lending capacity of $750 billion which puts it in the position to set strict goals for the Greek bailout. However, because it is only one of the

\textsuperscript{26} Mark Pollack, Theorizing EU Policy-Making, 2005, p.188.

\textsuperscript{27} Frank Schimmelfennig, Liberal Intergovernmentalism, 2009, p 6.
lenders it only has but so much power. The Troika even though consisting of different members has its flaws as for example German Finance Minister Wolfgang Schäuble is part of it, who had reportedly argued that the exit of Greece from the euro zone was necessary to save and strengthen the euro. The influence of certain countries can also be seen in the fact that the bailout measures for Greece were connected to austerity measures that Germany had favored whereas Belgium, Greece, Italy, Portugal, and Spain had rather pushed for the ‘Europeanization’ of sovereign debt and for soft adjustment policies but opposed harsh sanctions for high deficit countries. These countries were in a worse economic and fiscal position than countries like Germany or France. However, both parties try to push for their own self-interest through the troika by either requesting austerity measures or trying to support soft policies that enable access to additional liquidity with minor strings attached.

2011 The European Stability Mechanism

The ESM (European Stability Mechanism) created in 2010 under Article 122 TFEU and 136 TFEU. It gives the Commission a major say over the disbursement of loans to euro zone members. According to, its statutes, the treaty leaves key decisions in the hands of national representatives such as Merkel and Sarkozy. The ESM was established after Merkel and Sarkozy agreed to bring forward an establishment of the permanent bailout fund - or European Stability Mechanism- for ailing member states and


they submitted their proposals to European Council President Herman Van Rompuy ahead of what was billed as a make-or-break summit on the euro crisis.\textsuperscript{31}

The ESM is an intergovernmental organization, whose Board of Governors generally decides by unanimity. Under some circumstances, members use an Emergency Voting Procedure, such as when the Commission and the ECB conclude that a failure to grant financial assistance threatens the stability of the euro area. However, a majority of 85 per cent of the voting shares is required for decisions to be made. This means, in effect, that the big member states retain a veto. Second, the surveillance of fiscal and economic policies includes heavy involvement of the Commission in the budget planning process of all member states. However, in practice it is mainly involved in the budget planning process of the financial weak and dependent states. Moreover, these policies include stronger balanced budget rules, and earlier and more credible sanctions. Most notably, enforcement is based on ‘reverse qualified majority voting’. Reverse qualified voting means that a qualified majority of member states is required to reject a Commission proposal. Finally, whereas the ECB is vested with the power to supervise certain private banks directly, the resolution mechanism is designed mainly to address member state policy issues.\textsuperscript{32}

When creating the ESM, Germany suggested a European Banking Union, which had been absent from the EU’s policy agenda prior to 2012. However, after it became clear that Spain would also request assistance, the decision to move toward a greater

\textsuperscript{31} Spiegel Online, “Germany and France Agree: Merkozy to Seek New EU Treaty to Tackle Crisis”, December 2011.

\textsuperscript{32} Frank Schimmelfennig, Liberal Intergovernmentalism, 2009, p. 11.
supervision of European banks was discussed. The Spanish banking crisis led its government to officially request external financial assistance. This request was posed immediately before the European Council meeting on 28-29 June 2012. According to some, this highlighted the need for a European banking union. Spain, Italy and France strongly advocated the use of ESM funds to directly recapitalize Spanish banks, without channeling the money their own treasuries. This effectively avoided adding to the debt burden and debt ratios of Spain (or other Member States). As a result, Germany faced a large coalition of like-minded Member States and European institutions advocating the direct recapitalization of banks via the ESM.

At the same time, the ECB started to promote the idea of a centralizing supervision of banks, the Commission followed. The president of the European Council, Herman Van Rompuy, who integrated this project into his report “Towards a genuine Economic and Monetary Union”, which was prepared together with the presidents of the Commission and the European Central Bank. The findings were presented in its first version on 26 June 2012, immediately ahead of the decisive euro area summit and European Council of 28-29 June 2012. In the report, they advocate for actions required to ensure the stability and integrity of the EMU.

As a result of support among these key figures, a high level expert group was established to consider financial supervision and the idea of a Banking Union. The Commission President asked Jacques de Larosière, the former IMF Managing Director and Governor of the Banque de France, to present a comprehensive report on the

33 Frank Schimmelfennig, Liberal Intergovernmentalism, 2009, p. 10.

34 Frank Schimmelfennig, Liberal Intergovernmentalism, 2009, p. 11.
appropriate measures on how to manage financial supervision. The De Larosière Report presented a set of recommendations for regulatory repair. These recommendations were adapted by the Commission to propose a comprehensive programme of financial regulatory reform. Stronger requirements for banks were proposed under the fourth Capital Requirements Directive as well as the Capital Requirements Regulation (CRD4/CRR). The EU has also taken action in the field of governance by introducing binding rules on remuneration practices to avoid excessive risk-taking by the banks.\textsuperscript{35} Drawing lessons from the international financial market crisis, the expert group however explicitly rejected the ideas of a centralized model of European financial supervision and micro-prudential oversight. As can be seen, the EU proceeded to affect only limited change in its financial supervisory architecture after the financial market crisis.

2011 Euro Summit and Fiscal compact

In December 2011 EU member states started negotiations on a new treaty on stability, coordination and governance in the economic and monetary union also known as the fiscal compact. It came about as an addition to the existing agreements and was agreed upon by all member states of the EU with the exception of Croatia, Czech Republic and the UK. Under the fiscal compact, reverse-majority voting became the norm and member states are committed to implement balanced budget rule into national

\textsuperscript{35} The European Commission, “A blueprint for a deep and genuine economic and monetary union Launching a European Debate”, Communication from the Commission, Commission Blueprint, Corrigendum, 28.11.2012.
The aim of this intergovernmental agreement is to reinforce budget discipline of euro area governments following the sovereign debt crisis that started in 2010. Member states have to implement structural reforms using EU and national funds to boost productivity and investments. It extends the stability measures taken earlier and member states commit to a national public debt below 60% of GDP and national deficits, which cannot exceed 3% of the GDP.

This approach reflects a constructivist notion among member states. In order to implement the fiscal compact the member states agreed to coordinate their policies. However, the financial support as well as reform of economic governance was linked to German Chancellor Angela Merkel who saw closer economic policy coordination in general and more stringent fiscal rules in particular as a means to protect the interests of German taxpayers. In addition, experts stated that Germany is indeed the driving force behind this treaty and believe that the German commitment to complement the European Monetary Union with a fiscal union may eventually include joint liability, which would exceed the narrowly defined limits under the ESM. Moreover, there is evidence that

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37 Europa, EU Law and Publications, Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (also known as the fiscal compact), Summaries of EU legislation, March 2014.


during the G7 Summit leading up to the decision, Merkel and Sarkozy met separately\textsuperscript{40} to discuss the details of the fiscal compact in advance.

\textbf{Step 4 – Unveil Pattern or specific aspects}

For all these reforms that have been enacted in the wake of the global financial crisis, the economic policy remains decentralized and in the grip of member states. Even though they have signed up to more intensive forms of cooperation and surveillance, states ultimately retain control over the formulation and implementation of fiscal policies and structural reforms. It is questionable if all member states have the same control. In fact, it seems that especially the member states, which have turned to the EU for financial support have less control over the implementation of fiscal policies. The crisis serves to reveal the underlying power realities of modern Europe. It brought creditor state power to the fore. This is exemplified in the critical role of Germany. At the same time, Germany tends to reach out for a coalition with France. Showing the heavy investment in the Franco-German relationship both for historical symbolism and because they accounted for nearly 50\% of Euro Area GDP by 2011 the term ‘Merkozy’ had been coined to describe this central axis of power.\textsuperscript{41} This can be further underlined by the fact that as Sarkozy pointed out "Things cannot continue as they have done up until today. Our preference is for a treaty among the 27 (EU members), so that nobody feels excluded, but we are open to a treaty among the 17 (Euro members), open to any state that wants to

\textsuperscript{40}Mark Pollack, Theorizing EU Policy-Making, 2005, p. 191.

\textsuperscript{41}Kenneth Dyson, Patterns, Challenges, And Strategic Choices In The Euro Crisis. E-International Relations. Accessed: 10 Mar. 2016.
join us." This clearly shows a rational attitude towards self-interest. He describes that he would prefer to work on a solution with all 27 states but is willing to go on without some of the members.

The Euro Summit brings about another point worth mentioning. The summit was supposed to enhance trans-governmentalism and bring together Euro leaders to find coherent solutions. However, it can be observed that member states tend to rely on ad hoc and informal measures involving the G8, IMF and World Bank instead of taking their ideas to the commission. Specific differences between member states are also not addressed because not all member states are represented in the G8, IMF or World Bank. Although, the European Union is represented as a group, the most powerful member states additionally have their own representative, which gives them more influence. As an example, in the 2009 G20 Summit on the global financial crisis, the EU was represented as a group. However, the UK, France, Germany and Italy also had their own representatives at the summit. During this summit, these leaders pushed for a common EU line concerning tax havens thereby back-channeling the actual EU delegation that was present.  

The crisis reveals in sharpened form the tension between solidarity and sovereignty among the member states of the European Union. Instead of delegating crisis management to the supranational level member state governments, notably France and Germany, have insisted on their sovereignty and claimed decisions on the national level.

42 Spiegel Online, “Germany and France Agree: Merkozy to Seek New EU Treaty to Tackle Crisis”, December 2011.

Firstly, by doing so they have sidelined the Commission and the European Parliament in favor of the European Council. But also they have used the supposedly intergovernmental approach to push their own sovereign interests. The lessons of the crisis were twofold: firstly, that the intergovernmental method is unsuited to the requirements of urgent, decisive action in crisis; and, secondly, that the speed of markets requires a rapid response of the Council and if that is not possible member states revert to making rational choices based on their interests.

In sum, the evidence from the negotiations is broadly in line with my argumentation and expectations. First, crisis management and reform deals are reached in intergovernmental negotiations. This is especially true for the bailout packages, the rescue funds EFSF and ESM and the Fiscal Compact. All were based on intergovernmental agreements.\textsuperscript{44} However, at each step of the crisis decision-making process, the major stakeholders were able to shape the terms of integration in return for giving up their opposition to bailing out insolvent euro zone members. This means that most member states seem to act according to their perception that the damage of a default of a euro country to be incalculable and more costly than the rescue. Wolfgang Schäuble commented, “The rescue is without alternative” and refused to push for the exit of Greece from the Eurozone.\textsuperscript{45}

In conclusion, it can be seen that the Eurozone Crisis, which might have been viewed from the lens of constructivism, in fact, evolved into a “realist” situation. Monetary policy and financial supervision rely on the decisions of key member states

\textsuperscript{44} Frank Schimmelpfennig, Liberal Intergovernmentalism, 2009, p. 10.

which reacted to the Eurozone crisis with a wave of new procedures, rules and processes which are not relied on the community as a whole and their ideas and norms. 46

Chapter 5 – The Refugee crisis

Step 1 Historical/ institutional background

The Refugee crisis began in 2011 as a result of the still ongoing war in Syria. According to EUROSTAT, 2014 was the year with the highest number of asylum applications since 1992 with 626,000 new applications overall, 203,000 of these in Germany alone. Refugees and migrants are not only coming from Syria but also Afghanistan, Kosovo and Eritrea. The desperate situation of the refugees has become a hotbed for traffickers who use Libya as main departure point on the journey to Europe. For many refugees this journey does not end successfully and in 2015 a tragic incident where 800 people drowned in the sea raised awareness throughout Europe. According to the EU’s external border force, Frontex, 1,800,000 refugees have crossed into Europe in the year 2015 alone. This crisis became an actual challenge for the EU when Italy ended its Mare Nostrum Mission in 2014 since many people arrive in the European Union after perilous sea journeys and required basic humanitarian assistance.

This search and rescue mission in the Mediterranean Sea was an important operation on the EU external border, which had not only rescued refugees but also

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49 European Commission, Refugee Crisis, April 2016.
regulated the refugee influx through Italy. Frontex commenced with Operation Triton however, with a smaller budget, minimal naval resources and a much more limited search area. 50 Aid agencies had warned that paring down the search and rescue operations could increase the number of deaths in the Mediterranean and in the aftermath of this decision thousands of people drowned in the Mediterranean Sea.

Following growing criticism of the inaction the EU, its member states agreed on a ten-point plan to increase resources and address the problem. However, refugees keep coming mainly by sea and this highly affects the southern European countries. By November of 2015 the Greek island of Lesbos declared that it could not manage the situation alone and called on the Greek government for support. At that point the number of people reaching the island had risen to 600 a day. 51 Amidst the problem Greece is facing, Hungary decided to build a fence along the Hungarian-Serbian border in order to prevent migrants and refugees from entering the country. The border fence not only triggered outrage among EU member states concerning the Schengen Agreement but also benefits traffickers because people were trying to cross the border before the fence is completed.52

50 ECRE Weekly Bulletin,” Operation Mare Nostrum to end Frontex Triton Operation will not ensure rescue at sea of migrants in international waters”, October 2014.

51 Greek Reporter, A. Makris, “Mayor of Greek Island Warns of Critical Conditions After Record Migrant Arrivals in 24 hours”, 2015.

The crisis was then further unfolding to Britain and France when 2,100 people tried to reach the UK. In its response 7 Million Pounds were invested to step up its border security along the tunnel connecting the UK and France. As a result, hundreds of refugees are stranded in a tent camp called “The Jungle” and make attempts to cross the tunnel at nighttime.53

In July 2015, 50,000 migrants and refugees arrived in Greece alone and International Organizations like the UNHCR called on the European Union for an urgent European response.54 Greek Prime Minister, Alexis Tsipras, asked the EU for financial aid claiming that Greece cannot accommodate the thousands of people. As a result, the European Commission approved 2.4 billion Euros of aid over six years to countries, which deal with a great number of refugees.

However, the crisis has increasingly tensed. Many European countries struggle to cope with the great refugee influx. In August 2015, Macedonia declared a state of emergency after 39,000 refugees passed the country in order to reach Western Europe.55 In Hungary, the situation escalated when Hungarian police prevented hundreds of refugees from boarding trains to Germany and Austria.56

55 Wall Street Journal, Giovanni Legorano: “Macedonia allows migrants to cross border from Greece”, August 2015.
As a response, 1,200 migrants and refugees marched 150 miles by foot from Budapest to Vienna, Austria, and Germany announced that it would allow the refugees to pass the border as an emergency measure. In the discussion about distribution of refugees France announced that it would take 24,000 refugees in two years and the UK commits accepted 20,000 refugees in five years. However, Germany is expected to take in another 80,000 by the end of 2015. Other EU member states such as Denmark, Slovakia and Czech Republic resist on taking more refugees, and have tightened their border controls. Reacting to these developments, European Commission President Jean-Claude Juncker announced a plan for an Emergency Quota System, triggering an intense backlash from Hungary. In November 2015 Greece started relocating the first refugees to Luxembourg. Meanwhile, the German Finance Minister Wolfgang Schäuble stated that Germany had limited possibilities and therefore has to cut back on family reunions for refugees and reinstate the Dublin Regulation on all EU states but Greece. After this announcement, Slovenia started building a razor wire fence along its border with Croatia and Austria following suit and announcing that they will build a 2,5 mile long fence along the border to Slovenia. These measures left thousands of people in no men’s lands outside the borders. In recent developments, Sweden has reimposed ID controls on its border to Denmark for the first time in 50 years, and Switzerland and Denmark have begun to implement a new policy which empowers authorities to seize cash and valuables

57 Hufflington Post, “France will take in 24,00 refugees”, September 2015.
exceeding a total value of 995$ from asylum seekers upon arrival to help cover their expenses. Moreover, several EU Ministers have threatened Greece with expulsion from the Schengen Zone of free travel if they don’t do more to control the flow of arrivals.

Step 2: Establishing a time frame of most important decisions

<table>
<thead>
<tr>
<th>Year</th>
<th>Developments and Decisions</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>Italy end the search and rescue mission Mare Nostrum</td>
</tr>
<tr>
<td>April 2015</td>
<td>EU Member States agree on Ten Point Plan</td>
</tr>
<tr>
<td>May 2015</td>
<td>The Greek island of Lesbos calls on the Greek government and the EU for help</td>
</tr>
<tr>
<td>June 2015</td>
<td>Hungary builds a fence along its border to prevent refugees from entering</td>
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<tr>
<td>July 2015</td>
<td>UNHCR calls on EU governments for immediate action</td>
</tr>
<tr>
<td>August 2015</td>
<td>Macedonia declares state of emergency</td>
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<tr>
<td>September 2015</td>
<td>EU Commission President announces plan for Emergency Quota System</td>
</tr>
<tr>
<td>October 2015</td>
<td>EU Commission approves 2.4 billion euros</td>
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</tbody>
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61 Reuters, EU Ministers threaten to expel Greece over refugees, January 2016.
financial aid over six years for the countries who deal with a large number of refugees

| January 2016 | EU Ministers threaten to expulse Greece from the Schengen Zone if it does not increase controls |

Self design

2015 Ten-Point Plan

At a Special meeting of the European Council on 23 April 2015, the Council decided to “mobilize all efforts at its disposal to prevent further loss of life at sea and to tackle the root causes of the human emergency … in cooperation with the countries of origin and transit.” Member states also committed themselves to working closer together in an effort to prevent more people from dying at sea, to increasing emergency aid to frontline Member States, and consider options for organizing emergency relocation between all Member States on a voluntary basis.\(^6^2\) At a subsequent joint meeting of Foreign and Interior Ministers was held in Luxembourg where Migration, Home Affairs and Citizenship Commissioner Avramopoulos presented a 10-Point Plan for immediate actions to be taken in response to the crisis situation in the Mediterranean. The plan

\(^6^2\) European Council- Press releases, Special meeting of the European Council, Statement, 23 April 2015.
received the full backing of Foreign and Interior Ministers.  

The Ten Points include

1. Reinforce the Joint Operations in the Mediterranean, namely Triton and Poseidon, by increasing the financial resources and the number of assets. We will also extend their operational area, allowing us to intervene further, within the mandate of Frontex;

2. A systematic effort to capture and destroy vessels used by the smugglers. The positive results obtained with the Atlanta operation should inspire us to similar operations against smugglers in the Mediterranean;

3. EUROPOL, FRONTEX, EASO and EUROJUST will meet regularly and work closely to gather information on smugglers modus operandi, to trace their funds and to assist in their investigation;

4. EASO to deploy teams in Italy and Greece for joint processing of asylum applications;

5. Member States to ensure fingerprinting of all migrants;

6. Consider options for an emergency relocation mechanism;

7. A EU wide voluntary pilot project on resettlement, offering a number of places to persons in need of protection;

8. Establish a new return programme for rapid return of irregular migrants coordinated by Frontex from frontline Member States;

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9. Engagement with countries surrounding Libya through a joined effort between the Commission and the EEAS; initiatives in Niger have to be stepped up.

10. Deploy Immigration Liaison Officers (ILO) in key third countries, to gather intelligence on migratory flows and strengthen the role of the EU Delegations.\footnote{European Commission – Press release, Joint Foreign and Home Affairs Council: Ten point action plan on migration, Luxembourg 20. April 2015.}

The plan clearly indicates an approach and a political framework, which includes all member states together and is based on cooperation between them. However, solely German Foreign Minister Frank-Walter Steinmeier, and Economic Minister Sigmar Gabriel developed the plan. Together they wrote about their 10-point plan in an opinion piece about the European refugee policy response.\footnote{UK Federal Foreign Service, A ten-point plan for a European refugee policy response, August 2015.} European Union ministers then agreed on the plan to tackle the crisis in the Mediterranean emphasizing that the ten actions agreed on were direct, substantial measures designed to make an immediate difference. As pointed out, the plan includes reinforcing joint operations in the Mediterranean and a systematic effort to capture and destroy vessels used by smugglers. Assurances were also given to support Italy and Greece in processing asylum applications and Member States were to ensure fingerprinting of all migrants. Announcing the plan, High Representative / Vice-President Federica Mogherini said, "we need to show that same collective European sense of urgency we have consistently shown in reacting in times of crisis. The dire situation in the Mediterranean is not a new nor a passing
However, support for the plan was not unanimous. Whereas Germany had proposed it, migration experts say the UK was more in favor of stopping traffickers of refugees instead of focusing on more expensive humanitarian issues like search-and-rescue operations. In fact, British Prime Minister David Cameron had originally been instrumental in halting Italy’s extensive rescue program Mare Nostrum, and was also influenced by domestic politics. Cameron’s participation in the summit which led to the plan came amid a general election in the UK where his campaign was focused heavily on immigration as an issue. Hence, he was reluctant to support the plan.

October 2015 EU Commission 2.4 billion funding

According to the UNHCR 300,000 people have crossed the Mediterranean Sea in 2015. Unfortunately this development triggered a dispute among member states over who should bear responsibility for taking refugees. Instead of addressing the problem of distribution of refugees among member states, the European Commission approved 2.4 billion Euros of aid over six years for countries including Greece and Italy that had struggled to cope with a surge in numbers of immigrants. Italy would receive the largest share of aid - nearly 560 million Euros, while Greece will get 473 million Euros. Britain received its 27 million Euros from the commission in emergency aid funding, and France

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67 Tara Palmeri, Refugee crisis pits Europe’s north vs south, Politico, April 2015.
20 million euros. The EU commission issued a statement stressing that the funding was provided in a context of constantly increasing support to Member States. The sum includes 780 million Euros for relocation of 120,000 people agreed before. For another 150 million Euro, at the beginning of 2016 the Commission will activate the Emergency Aid Reserve.

The European Commission has issued a Budget Draft for 2016, which includes the

![Bar chart showing total expenditure for each country in EUR million for 2014](chart.png)

**Figure 1: European Commission - Immediate operational, budgetary and legal measures under the European Agenda on Migration**

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68 Pascal Rossignol, European Union approves 2.4 billion euros funding for migration crisis, Reuters, August 2015.

69 European Commision, Budget in Focus, European Commission formally proposes EUR 2.4 billion support for EU farmers and refugees, October 14, 2015

http://ec.europa.eu/budget/nes/article_en.cfm?id=201510141244
above-explained budgetary considerations. To point out the allocation of resources among member states and the actual budget needed in order to implement the Commission funding, this chart, shows, which member states receive the most funding and which states will be significantly affected by the 2016 Budget Draft.

This figure shows, that in 2014, Poland, Germany, and France accounted for the highest total expenditure concerning the operational, budgetary and legal measures under the European Agenda on Migration. When we compare that to the recently proposed

![Figure 2: European Commission - Immediate operational, budgetary and legal measures under the European Agenda on Migration](image)

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budget, we can observe that countries that had been hit by the Eurozone Crisis like Italy make major contributions as well. Those Member States who contribute to the budget but also have major expenses due to the refugee crisis have been considered to receiving funding in 2016.

Before the Commission had proposed this budget plan, Kristalina Georgieva, European Commissioner for Budget and Human Resources, had invited German finance minister Wolfgang Schäuble to speak at her conference on the European Budget in September 2015. At this conference he made concrete suggestions which measure could increase EU funding.70

Italian Prime Minister, Matteo Renzi, had suggested a plan to raise funds by issuing EU bonds that are guaranteed using its budget as collateral. That way significant sums could be raised to help Italy and Greece with the costs they are facing because of the migrant crisis. This plan was actually well received by the Commission. However, Angela Merkel, the German chancellor, with unusual force and speed, rejected it. David Cameron, who tried to renegotiate Britain’s membership and resource contributions, backed her this time. When taking a closer look at these objections, it becomes clear that both Heads of State faced extreme domestic backlash. Cameron faced an increasing demand for the Britain’s exit from the European Union, and Merkel’s rejection reflects the concern in her conservative CDU/CSU bloc about the recent electoral success of the rightwing Alternative for Germany party. The AFD had campaigned with an emphasis on

skepticism towards the euro and appealed to voters angry about Eurozone monetary policies. \(^{71}\)

**September 2015 Quota Plan**

After several EU countries declared a state of emergency or even had recourse to extreme measures such as putting up border fences, Germany and France demanded a binding refugee quota for EU members. Angela Merkel and François Hollande called for a mechanism forcing countries to take an obligatory number of refugees in order to distribute refugees equally between EU member states. All European Union ministers voted the Emergency quota system, and the vote was overwhelmingly in favor of a plan to redistribute migrants and asylum-seekers from Italy, Greece, and Hungary.

In detail, in the language of the documents “relocation means a distribution among Member States of persons in clear need of international protection. On the basis of a distribution key, the Commission will, by the end of May, propose triggering the emergency response system envisaged under Article 78(3) of the Treaty on the Functioning of the European Union and introduce a temporary European relocation scheme for asylum seekers who are in clear need of international protection.” The plan lays out to move 15,600 migrants out of Italy, 50,400 out of Greece, and 54,000 out of

The quotas are measured by a distribution key based on quantifiable and verifiable criteria that reflect the capacity of the Member States to absorb and integrate refugees, such as, “the size of the population (40%) as it reflects the capacity to absorb a certain number of refugees, total GDP (40%) as it reflects the absolute wealth and the capacity of an economy to absorb and integrate refugees, average number of spontaneous asylum applications and the number of resettled refugees per 1 Million inhabitants over the period 2010-2014 as it reflects the efforts of member states in the recent past and unemployment rate (10%) as an indicator reflecting the capacity to integrate refugees.”

Even though these specifics seem fair and measurable, a number of member states, particularly from Eastern Europe, rejected the quota plan, saying it unfairly placed the burden of asylum-seekers on countries that were not prepared to take them. Namely, the Czech Republic, Hungary, Romania, and Slovakia voted against the deal. Finland was the only country to abstain mainly because of domestic struggles in the ruling center-party. However, Finland’s President Niinistö and his government later agreed to take in 3,190 refugees as part of the EU quota.

Overall, the agreed redistribution of a first group of 160,000 refugees is moving slowly. And for some countries it almost appears to be a form of sabotage for an unpopular decision. This means, they accepted the EU decision but purposely postponed

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72 European Commission, Home Affairs, European Scheme for relocation and resettlement, 2015.

73 European Commission, Home Affairs, European Scheme for relocation and resettlement, 2015.
dealing with its redistributive costs. Germany wants to make this initially voluntary redistribution a permanent mechanism, and received backing from Sweden and Austria, whereas Slovakian Prime Minister Robert Fico said those who decided to push through quotas nonsensically caused a deep rift over a very sensitive issue. However, the three countries that voted against the proposal — the Czech Republic, Romania and Slovakia — would be required to accept migrants against their will under European law. Poland, which had previously opposed the proposal, voted in favor of it.

Even though, Germany is very fond of this quota system and German Chancellor Angela Merkel said that such a plan would be a "first step", stressing the importance of shared responsibility among all member states; the plan has been criticized by the UN refugee agency (UNHCR), which says it is insufficient and the EU needed to go much further and faster. According to the UNHCR, the resettlement program would only be equivalent of just 20 days' worth of arrivals at the current rate. So they point out that overall the proposed quota system does not cope sufficiently with the influx.

**Step 4: Unveiled Patterns**

In this case study it becomes obvious, that Germany and France do not form a coalition anymore as they did in former decision-making processes. One can only speculate that this may be due to the election outcome in France, which brought Hollande

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74 Siobhán O'Grady, Mapped: What Each EU Country Impacted by New Quota Plan Thinks About Refugees, Foreign Policy, September 2015.

75 Adam Withnall, Refugee crisis: EU ministers try to agree quotas - as UN says even its best offer is not enough, The Independent, September 2015.
to power and broke the “Merkozy” alliance. In any event, this development results in a struggle within the Union because it has become rather unclear who the major powers or stakeholders are. Decisions have become lengthy and inefficient since more states are now trying to influence the outcome and find a solution to the crisis. However, when states come forward with ideas, like Italy on budgetary issues, they are often turned down ultimately by Germany. Concluding, the Refugee Crisis appears to be an example for realist state behavior in the European Union. Displayed not only by the powerful member states but also by smaller states, which insisted on their sovereignty.

At first glance, the decision to increase funding for those countries, which receive most refugees seems like a constructivist approach of burden sharing. However, I argue that this decision reflects classic rational choice behavior. The most influential member such as France and the UK agreed to the decision to avoid relocation of refugees to their own countries or contribution of a greater amount of resources. Especially the case of the UK shows how domestic politics influence the decisions that Cameron favored in the Union or pushed back against. Surprisingly, the countries, which least speak up are countries such as the Eastern European and Southern European countries, which have most at stake since they receive most of the refugees. They try to push for a timely solution, however, they heavily depend on the funding that lies in the hand of the most powerful decision makers.

In the case of Germany, one could argue that it follows a constructivist approach of burden sharing because Merkel agreed to take in a large amount of refugees, and contribute resources to help member states, which are more affected. However, it can also be interpreted as rational behavior and calculated strategy from Merkel to use this crisis
in order to give Germany a new perception in the world and enhance Germanys international status. This can be seen as constructivist behavior were perceptions are important but also as very rational behavior, which aims to maximize the status of the state in the global order.

In this argument fits a quote by German interior minister De Maiziere who said "We have to keep the pressure on," meaning the pressure on the other member states who have yet to implement decisions that have already been made in the area of refugee policy.

Findings

When looking at both case studies in comparison, it can be pointed out that the decision-making process is mainly influenced by the most powerful states in the union. In the Eurozone crisis, it is evident that the stake in the decision making process was clearly on Germany and France. Even though, individual nations like Greece, Italy, Spain and Portugal would expected to have an enhanced interest and say in the solution drafting because they were most affected. The same can be said in the refugee crisis were the main decisions are made by the most influential member states like Germany and the UK, whereas smaller states have more at stake. This directly relates to the argument I am making that the most powerful states make the decisions in crisis situations.

It can be said, that in the Eurozone crisis and in the Refugee crisis, coalitions between states play a key role. Referring to the Eurozone crisis, a coalition between France and Germany is observable and seems to influence decisional outcome in a rather successful way. However, most of the time it turns out that these coalitions are only formed between the most powerful while there are no coalitions between less powerful
states. These coalitions then seem to be an extension of gain maximization on another level to remain in control. In contrast, the Refugee crisis shows that the lack of coalition opportunity leads to a struggle within the Union. In this scenario, France and Germany do not agree on significant policy suggestions, and in addition they cannot count on the UK to form a coalition with either one of them since Cameron is more concerned about domestic issues. Therefore, each of them tries to push autonomously for their best interest. As a consequence, the European Union is in a state were it can be described as divided and basic principles such as the Schengen Agreement are simply discarded.

Concerning the other factors I was trying to identify, from the evidence presented we can also draw that member state interest seems to play a key role in EU decision-making. This can especially be seen in the way Germany tried to gain influence by strategically positioning its ministers in the different institutions and even expert groups to remain in control throughout the decision-making process in the Eurozone crisis. In addition, state interest behavior can be observed in the refugee crisis in the relocation deal, which was mainly pushed for by Angela Merkel. In this particularly situation the power struggle presents itself through the other countries that try to gain back their influence. This situation can also be perceived as potential threat to national security for some states and lead to decisions such as building a border fence (Hungary) or reintroduced ID checks at the border (Sweden). These are examples, which indicate that in crisis situations states revert to rational behavior based on realist theory.

On the institutional level, it seems that EU bodies, especially the EU Commission are often instrumentalized by member states. They use their position in the EU commission to make sure the other members adopt their ideas. This role seems to have
changed when we compare both crisis situations. In the Eurozone crisis heads of state assumed a key role in crisis management, however, they worked in a practical manner together with the EU institutions whereas, in the current refugee crisis, EU bodies are often bypassed and the mode of governance is not cooperative. This also points out, that according to my evidence, norm-driven behavior that is based on the shared ideas and values of the union becomes less relevant.
Chapter 6 - Conclusion

For all these reforms that have been enacted in the wake of the global financial crisis the economic policy remains decentralized and in the grip of member states. Even though they agreed on cooperation and surveillance, member states remain in control over the formulation and implementation of fiscal policies and structural reforms. In this context, the amount of control is distributed unequally among the member states. Especially the smaller states, which have turned to the EU for financial support, retain less control over their fiscal policies.

The crises reveal the underlying power realities of modern Europe. It brought creditor state power to the fore. This is exemplified in the core role of Germany. However, Germany tends to reach out for a coalition with France. By 2011 the term ‘Merkozy’ had been coined to describe this central axis of power well. This can be further underlined by the fact that Sarkozy pointed out "Things cannot continue as they have done up until today. Our preference is for a treaty among the 27 (EU members), so that nobody feels excluded, but we are open to a treaty among the 17 (euro members), open to any state that wants to join us." It shows a rational attitude in which other states can only join on a decision, which had previously been made between only a few powerful countries and is in France’s best interest.

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76 Kenneth Dyson, Patterns, Challenges, And Strategic Choices In The Euro Crisis. 2016.

77 Spiegel Online, “Germany and France Agree: Merkozy to Seek New EU Treaty to Tackle Crisis”, December 2011.
Overall, the Eurozone crisis revealed the tension between solidarity and sovereignty. Member state governments, such as France and Germany, have reverted crisis management to a realist and sovereign approach. As I mentioned, they have in some cases sidelined the EU bodies, the Commission and the European Parliament, in favor of decisions in the European Council. This way they used the supposedly constructivist intergovernmental approach to push their own sovereign interests. This shows that in conclusion a constructivist method is unsuited for the urgent, decisive action in crisis. This supports my argument that the immediacy of these crises requires a rapid response, and member states revert to making rational choices based on their interests.

In sum, the evidence from the negotiations is broadly in line with my argumentation and expectations. First, the major crisis management and reform deals have been reached in negotiations but based on previous bargaining by member states, coalition building or even agreed upon drafts. This is especially true for the bailout packages, the rescue funds EFSF and ESM and the Fiscal Compact, which are all based on such agreements. At each step of crisis decision-making, the most influential states were able to shape the terms of integration in return for some degree of cooperation between member states in order to rescue those states most affected by the crisis. This means most member states seem to act according to their perception that the damage of a default of another Eurozone country is incalculable and more costly than the rescue.

78 Frank Schimmelpfennig, Liberal Intergovernmentalism, p. 10.
In conclusion, it can be seen that in the Eurozone Crisis methods of traditional decision-making based on a constructivist approach have been replaced by a more realist approach. Monetary policy and financial supervision rely on the decisions of key member states which reacted to the Eurozone crisis with a wave of new procedures, rules and processes which are not relied on the community as a whole and their ideas and norms. The same can be said about the Refugee crisis, which showed that states agree to constrain their own autonomy and sovereignty largely in response to an unusual power configuration and for security reasons. The Refugee influx is widely perceived as a common threat and leads to an overwhelming response of autonomous measures without any coordination. In this scenario, norm driven behavior becomes peripheral.

Looking forward, I assume that based on my findings, the worsening division in the EU over what to do about the refugees and the future of the EU as a whole, especially when we refer to the Schengen area is going to continue. German chancellor, Angela Merkel, recently led a summit with seven other government leaders from Scandinavia, Benelux, Austria, and Greece, which was intended to reach an agreement on the still pending issue of ways and means, to apply quotas, and to confirm a deal with Turkey. This deal is supposed to implement an exchange of refugees for 3 billion Euros and was reached between Turkey and the EU. However, Merkel is the driving force behind this deal. The fact, that Merkel could only attract eight out of the 28 member states to join her in the summit to discuss the issue shows, that there is no majority in the EU, which would support this initiative. Moreover, Hollande made clear that France would not take part in schemes like this and would simply take on an observer status. This is just to point out,

that the divide is still ongoing and the member states, which constitute the European Union seem to be drifting further apart.

Overall, further research could be done in the area of my research. It would be highly interesting to look at other crises that the EU had to face in other areas of high or low politics such as health or the environment. The Dioxin crisis or BSE have already been analyzed in studies about the EU crisis capacity but would maybe serve as an interesting case to analyze decision-making and actor behavior. In terms of EU crisis management capacity this thesis could be a starting point for research on the question if the EU could do more in this domain. A cost-benefit analysis would probably be helpful to assess what is needed resource-wise in crisis situations and what states are able to contribute. Overall, investing in capacities could significantly decrease the cost of crises. Moreover, there might also new crises to be expected in the future of the European Union especially concerning the environment, energy and resource supply which could challenge the cooperative and underlying design of the Union.

Concerning, this design, it becomes clear, that ultimately the EU is built on the idea of shared ideas and values, and these become less important in crisis situations. The threats of finding a timely solution along with insecurities that pose an exogenous threat on states enhance the occurrence of realist behavior. I think that in recent years, it became clearer that the way crises are addressed is also a generational phenomenon. I recently attended The Max Weber Conference on Democracy and Expertise where a German student when asked how she would describe the EU in three words replied “unity, shared ideas and cooperation”. Renée Haferkamp, Former Director General of the European Commission, then said, “Well, you just described what the EU is not”. This personal
example shows that despite crises there seems to be a sentiment of unity among young Europeans.

Finally, the further question is whether the crises the European Union faces are just a bump in the road in the process of European integration overall or not. Some member states like the UK have already flagged the possibility of exiting out of the European Union. We will have to observe in the future, if states will continue to integrate despite the obstacles they face or if crises are ultimately going to spread instability and lead further divisions within the Union and possibly its disintegration.
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