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**CASE SEQUENCE SEGMENTS FOR EMU, ECB,  
AND EUROZONE :**

**A EUROZONE COUNTRY PROFILE AND  
RELATED EURO MATTERS**

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### **CASE SEQUENCE SEGMENTS FOR EMU, ECB, AND EUROZONE :**

#### **A EUROZONE COUNTRY PROFILE AND RELATED EURO MATTERS**

None of the countries examined in this case sequences segments of the eurozone ("Country Profiles" that follow) model their political institutions on the United States. The tripartite separation of powers familiar to Americans -- with its system of checks and balances between the president, the Congress and the Supreme Court -- has no exact duplicate in Europe, nor is there a carbon copy of the U.S. variant of federalism. Whereas the president of the United States is both *head of state* and *head of government*, most European countries tend to split these two roles into separate offices, usually occupied by different individuals. In most European countries, the *head of government* is the chief decision-making executive and is usually called the *prime minister* (or, in Germany and Austria, the *chancellor*). In some cases the *head of state* has little or no real decision-making power and performs largely symbolic or ceremonial functions. For example, Belgium, Denmark, Luxembourg, the Netherlands, Norway, Sweden, Spain and the UK are *constitutional monarchies*: they combine a monarch who has mostly ceremonial authority as head of state with a parliamentary system as described below. Germany, Italy, the Czech Republic and other countries in the region have an elected *president* who serves as a *ceremonial* head of state. The main political function of a ceremonial head of state is to invite a political leader to form a government whenever necessary, such as after parliamentary elections. Otherwise, ceremonial chiefs of state are expected to stand above the political fray and represent the unity of the nation. In a few countries the head of state is endowed with real decision-making power and shares power with the prime minister (e.g., the presidents of Finland, France, Russia, Ukraine and others). The president of Cyprus is both head of government and of state; there is no prime minister.

Most European democracies employ some variant of *parliamentary government*, the system used in the UK. But France, Russia, Romania, Ukraine and a few other countries employ variants of the *presidential-parliamentary* system. (Both systems are described below.) Some countries have largely *unitary* political systems, with decision-making power concentrated in the national government; others have *federal* systems, in which the central government shares power with regional and/or local governments. Some countries have a *bicameral legislature*, consisting of a *lower house* and an *upper house*; others have a *unicameral legislature* (one chamber). Electoral systems for both legislative and presidential elections also vary. Britain employs the *single member district/plurality* method for elections to the House of Commons, using a system similar to the one used for the U.S. House of Representatives. France and other countries use different variants of this SMD/plurality method. By contrast, other countries use some variant or another of *proportional representation (PR)* in legislative elections (e.g., the Scandinavian countries, Italy, Russia and others). Still others use combinations of SMD/plurality and PR (e.g., Germany).

No European country employs a U.S.-style electoral college in presidential elections. Presidents with largely ceremonial functions are elected in some countries by the national parliament or a special assembly (Germany, Italy, Estonia, Turkey and others) or by the people in other countries (Greece, Poland, Slovakia and others). The presidents of Cyprus, Finland, France, Russia and Ukraine -- who have real decision-making power -- are elected directly by the voters.

Keep in mind that *no two countries are exactly alike* in their institutional and electoral arrangements; all of these institutions and electoral systems are capable of being modified and adapted to suit national peculiarities and preferences.

### Parliamentary Government

The essence of the parliamentary system of government consists of the following features: (1) the people do not elect the head of government directly; rather, the people elect the parliament; (2) the party – or a coalition of parties – that controls a majority of the seats of the lower house of the national parliament (or that controls a unicameral legislature) usually forms the *government*. (The *government* means the head of government plus the rest of the cabinet). After the elections, the head of state typically invites the leader of the largest party to form a government.

For example, in 2001 the Labour Party under Tony Blair's leadership won 413 out of 659 seats in the UK's House of Commons (62.7%). In a ritualistic ceremony, the queen invited Blair to form a government. Blair thereupon became prime minister (PM) and once again formed a cabinet consisting exclusively of Labour Party members. (Blair formed his first Labour government in 1997, when the Labour Party won 419 seats.) In 2005 Labour won 356 out of 693 seats (51.4%).

When *no* party has an absolute majority (more than half) of the seats, a *hung parliament* is said to exist. When this happens, a *coalition government* may be necessary to build a legislative majority capable of passing bills into law. In a *coalition government*, two or more parties agree to share cabinet seats and formulate government policies jointly. For example, in the elections to the German Bundestag held in 1998, the Social Democrats (SPD) under Gerhard Schroeder won 44.5% of the seats, and the Greens, led by Joschka Fischer, won 7%. Germany's president, Johannes Rau, formally invited Schroeder to form a government. After negotiations, the two parties -- which together had a 10-seat voting majority -- agreed to form a coalition government. Schroeder became chancellor and Fischer became foreign minister; Social Democrats and Greens held the remaining cabinet posts. In the 2002 elections, the Social Democrats won 41.6% of the Bundestag seats and the Greens won 9.1%. The two parties formed a new Schroeder-Fischer government, but with a slimmer voting majority (306 seats out of 603, with 302 constituting the majority). In the 2005 elections, the Social Democrats and the Greens lost their majority of seats, but the Christian Democrats and their allies, the Free

Democrats, also fell short of a majority. The only politically viable majority was a “Grand Coalition” between the center-left Social Democrats and their arch-rivals on the center-right, the Christian Democrats. After protracted negotiations, a Grand Coalition government was formed with Angela Merkel, a Christian Democrat, as chancellor and the SPD’s chief as foreign minister. Following the 2009 elections, a center-right coalition was formed by the Christian Democrats and the Free Democratic Party; Merkel remained chancellor. In 2010, British voters returned a hung Parliament. The result was a coalition government consisting of the Conservatives, led by David Cameron, and the Liberal Democrats, led by Nick Clegg. Cameron became PM and Clegg Deputy PM. This was Britain’s first coalition government since the “unity government” of World War II.

In some cases, no coalition government commanding a majority of the legislature can be formed. As a result, a *minority government* may have to be formed: that is, a government consisting of one or more parties that are not backed by a majority of the legislators. Following the 2002 elections in Sweden, the Social Democrats under Göran Persson emerged as the largest party, winning 41.3% of the seats in the unicameral Riksdag in 2002. Persson formed a minority government consisting entirely of Social Democrats. To pass its bills into law, Persson’s party formed a *parliamentary alliance* with other parties. A *parliamentary alliance* is an agreement between two or more parties to vote together in the legislature, without sharing cabinet posts in a coalition government. As bills came up for a vote, Persson had to cobble together a voting majority (50% plus 1 vote) with his parliamentary allies to pass them into law. A new governing coalition of parties with a collective majority in the Riksdag was elected in 2006.

Most parliamentary systems feature *party discipline*: all members of a party’s legislative delegation must vote together as a bloc when so instructed by the party leadership. Legislators who defy their leadership and vote against the party line can be disciplined. Party discipline is far more common in Europe than in the U.S. Congress.

### Presidential-Parliamentary System

This system combines a *president* who has real decision-making powers and a *prime minister* who must be approved by the majority of the members of the lower house. It is therefore a *dual-executive* system: the president and the prime minister share power. The president is typically elected directly by the voters. The prime minister (PM) may be appointed by the president, but he or she must usually win and maintain the support of the legislative majority. This system works most smoothly when the president, the prime minister and the legislative majority are all members of the same party -- or at least share a common ideology (whether conservative, social democratic or the like). In these cases, the president tends to play the dominant role in domestic and foreign policy while the PM implements the president’s policies. But if the president’s opponents control the legislature, the president may be compelled to appoint a PM who leads one of the opposing parties. The French call this situation “cohabitation”: it is their equivalent of what Americans call “divided government” (i.e., a president of one party and control of one or both houses of Congress in the hands of the other party). France has had a presidential-parliamentary system since 1958/59, when Charles de

Gaule returned to power and presided over the drafting of the constitution of the Vth Republic. (France's IVth Republic, which existed from 1946 to 1958, was a British-style parliamentary system.) Russia's presidential-parliamentary system was shaped by President Boris Yeltsin and his advisors in 1993. After their new constitution was approved in a national referendum in December 1993, it took effect in January 1994.

Presidential elections in this system typically provide for two rounds of voting. In the first round, any number of candidates may run, subject to certain conditions for qualifying. If one of candidates wins an absolute majority of popular votes (50% plus 1 vote), that person is declared the winner. Russia's Vladimir Putin won the 2000 presidential elections in the first round with 53.4% of the vote. If no one wins an absolute majority, a second round is held, usually two weeks later. The second round is a runoff between the top two finishers of round one. Since 1965, every French presidential election has gone to the second round. Jacques Chirac, the leader of the neo-Gaullist party, bested Socialist Party chief Lionel Jospin in 1995. But in the legislative elections held in 1997, Jospin's Socialists and their allies on the left wrested control of the lower house from Chirac's followers. Because the legislature's majority could reject Chirac's nominations for prime minister, President Chirac had no choice but to appoint a PM who would be acceptable to the leftist majority. Accordingly, he named his arch-rival Jospin as PM, thereby launching France's third instance of left-right "cohabitation." (The first case occurred in 1986-88, when Chirac served as PM under President Francois Mitterrand, a Socialist; the second was in 1993-95, when the Gaullist Edouard Balladur served as PM under Mitterrand.)

In the 2002 presidential elections, 16 candidates vied in round 1, with Chirac finishing first (with 19.9% of the vote) and Jean-Marie Le Pen, the far-right National Front candidate, finishing second (16.9%). In a stunning upset, Le Pen beat out Jospin, who finished third with 16.2%. Chirac clobbered Le Pen in round 2, winning 82.2% of the vote. In parliamentary elections held weeks later, Chirac's followers won a convincing majority, enabling Chirac to put an end to cohabitation by securing parliamentary approval for his fellow neo-Gaullist, Jean-Pierre Raffarin, as PM. The French president used to serve a 7-year term but now serves 5 years; Russia's president may serve two 4-year terms but may not run for a third consecutive term. In May 2005, Nicolas Sarkozy of the UMP (Chirac's party) won a 2nd-round victory over Ségolène Royal of the Socialist Party. Legislative elections held in June of the same year returned a large UMP majority, enabling Sarkozy to win quick parliamentary approval of his choice for prime minister, François Fillon (UMP).

The presidents of France and Russia both wield significant powers. They have the authority to nominate the prime minister (subject to the approval of the lower house); they may dissolve the lower house and call new elections; they may even declare a state of emergency and effectively rule by decree. (De Gaulle declared France's only state of emergency in 1961; no Russian president has done so.) Both presidents take the leading role in formulating foreign policy and most domestic policies as well. In France, the PM tends to play second fiddle to the president except in periods of cohabitation, when the PM assumes a more prominent policy-making role. In Russia, President Yeltsin relied heavily on his PMs because of his prolonged

illnesses, but President Putin overshadowed his PMs. Putin stage-managed the 2008 presidential election in which his ally, Dmitry Medvedev, won a decisive first-round vote. By pre-arrangement, Pres. Medvedev appointed Putin prime minister; Putin was quickly approved by the Duma. It is evident that Putin is still Russia's primary decision-maker, thus proving that the realities of political power do not always follow constitutional formalities.

Because of their important decision-making powers, the presidents of Cyprus, Finland and France are members of the European Union's *European Council*, which consists of the heads of government of all EU countries (prime ministers and chancellors) and these three heads of state (plus the president of the EU's *Commission*).

### Legislative Electoral Systems

*Single member district/plurality.* In this system, the country is divided into electoral districts for elections to the lower house. (In the U.S., there are 435 districts for the House of Representatives; in the UK there are 659 districts for the House of Commons; in France there are 577 districts for the National Assembly.) One person (i.e., a *single member*) is elected to represent each district. In the U.S. and the UK, whoever wins the most votes wins the seat. When there are three or more candidates, a plurality (the most votes) is sufficient to win; it is not necessary to win an absolute majority (50% plus 1 vote). One advantage of this system is that voters have an opportunity to know their candidates and representatives by name. (However, surveys in the U.S. show that most voters cannot identify the main candidates or even their Representative). Another advantage is that the "winner-take-all" principle appears to be a fair way of deciding an election outcome.

Although this electoral system appears to be fair within each district, it may result in an unfair distribution of seats in the national legislature. For example, if Democratic Party candidates win 49% of the vote in each of the 435 House districts, and Republicans win 51% in each district, the Republicans will end up with 100% of the seats in the House and the Democrats will win none, in spite of having won almost half the national vote. While this example is an extreme one, the discrepancy between a *party's share of the vote nationwide* and its *share of the seats in the legislature* can in fact be quite glaring. For example, Labour Party candidates all together won 40.7% of the popular vote in 2001; but they won enough votes to carry 413 of the country's 659 districts, thereby gaining a whopping 62.7% of the seats in the House of Commons. By contrast, Britain's Liberal Democrats won 18% of the total vote nationwide, but their candidates won only 52 districts, thus ending up with only 7.9% of the seats. Such wide disparities between votes and seats are quite common in British elections.

France has a 2-round SMD/plurality voting system for the National Assembly. In the first round, any number of candidates may run, subject to various qualifications. In the second round, held two weeks later, only those candidates who garnered at least 12.5% of the registered voters in their district may compete. In most cases the second round is a runoff between the top two finishers in round one.

*Proportional representation.* Under PR, a party's percentage of the seats it gets in the legislature is in roughly equal proportion to its percentage of the popular vote nationwide. Thus, if a party wins 35% of the national vote, it gets roughly 35% of the legislative seats. Various statistical formulas are used to ensure these results. In PR systems, the voters tend to vote for a *party* rather than for a candidate listed by name. Although it may be more impersonal than the SMD/plurality system, proportional representation may be a fairer way of distributing legislative seats: it does not lead to the wide disparities that can – and sometimes do – occur in SMD systems.

There are several variants of PR. One of them is called the *party list* system. In this variant, each party draws up a list of its candidates for the legislature, rank-ordered in terms of their political prominence. (The party leader tops the list, followed by the second most important party personage, and so on.) If there are 500 seats in the legislature, a large party may draw up a list of 500 candidates. If it wins 300 seats, the first 300 people on its list go to the legislature. The lists are usually drawn up by the party leadership and by party members who vote at party meetings.

One of the disadvantages of the PR system is that it tends to multiply the number of parties that manage to win parliamentary seats. A small party that wins only 2% of the national vote is entitled to approximately 2% of the seats. PR thus encourages the proliferation of very small parties, while the largest party often falls far short of winning half the seats. When this happens, the legislature may be so fractionated into a multiplicity of parties that it becomes very difficult to form a stable government. Multiparty coalition governments – with five or more parties sharing the cabinet – become the rule. The more parties there are in government, the harder it is for them to agree on common policies. Gridlock and paralysis may result. Small parties may effectively blackmail their coalition partners by threatening to withdraw from the government unless they get certain concessions (such as plum cabinet posts, or more benefits for their constituents, etc.). If a coalition partner pulls out of the government, a new government that commands a voting majority must usually be stitched together; this can be an arduous process involving lengthy negotiations and a considerable amount of horse-trading. In order to prevent such an outcome, some countries combine a PR electoral system with a *hurdle*: a party must win a minimum percentage of votes nationwide in order to win *any* seats in the legislature. Germany has a 5% hurdle, Sweden 4%, and so on. Since 2006, Italy has had a 2% hurdle. Poland's nascent democracy started out with a PR system that produced 29 parties in the Sejm, the lower house. After a hurdle law was enacted, the number of parties and multi-party blocs in the Sejm fell to seven.

*Mixed systems.* Some countries seek to combine the advantages of both the SMD/plurality and PR systems. In Germany, half the Bundestag is elected by SMD/plurality, the other half by PR. A statistical formula sees to it that the final result comes close to proportional representation. Until the 1990s, Italy's PR system produced highly fractionated legislatures and unstable, multiparty coalition governments that were often mired in corruption. The voters' disgust at corruption scandals forced a change in the electoral system in the 1990s. Between

1996 and 2006, 75% of the Italian legislature was elected under SMD/plurality rules, the rest under PR. A new 4% hurdle was put in place to keep out mini-parties. In 2005, however, a new electoral law restored PR, but with a 2% hurdle and a bonus of at least 340 seats for the winning coalition to assure a governing majority.. In 2009, PM Berlusconi convinced a majority of Italians voting in a referendum to approve a reform that would give the bonus seats to the leading *party* in an electoral coalition rather than spreading them out among all the parties in the coalition. The reform benefitted Berlusconi's party. Several other countries in the region also have mixed electoral systems.

### Anticipated (Snap) Elections

Unlike the United States, most European democracies provide for *anticipated* (or *snap*) elections. These are *elections that take place before the expiration of a legislature's statutory term*. For example, the British House of Commons has a statutory term of 5 years: by law, elections to the Commons must take place at least every 5 years. However, the prime minister may call for elections *before* the end of the 5-year period. (In accordance with the rituals of British politics, the PM formally asks the queen to order new elections, but the monarch must comply with the request.) Since World War II, most British PMs have called anticipated elections. Tony Blair's Labour Party, which won the 1997 elections, did not have to face the voters again until 2002; but Blair called national elections in 2001, one year ahead of schedule. (After snap elections, a new full 5-year House of Commons term begins.) In 2005 Blair once again called snap elections one year ahead of schedule. Labour won a diminished majority.

Why would a government want snap elections? In some cases, its leaders want to seize on favorable public opinion polls that predict another victory. Every politician knows how fickle voters can be. In 2001, Tony Blair's high ratings prompted him to call early elections. His timing was impeccable, as Labour's unprecedented repeat of its 1997 landslide proved. Polls can be deceiving, however. In 1970, Prime Minister Harold Wilson, whose Labour government was elected in 1966, called snap elections in 1970 with every expectation of winning a new term. But the voters trumped the polls and elected the rival Conservative Party to office. Wilson had to move out of No. 10 Downing Street the next day and make way for its next occupant, Conservative leader Edward Heath. Four years later, the tables were turned on Heath. Convinced that the polls assured the Conservatives another victory, he called snap elections in 1974, only to be voted out of power.

Another reason to call snap elections is to arrest a perceived decline in voter support. With his popularity dwindling because of his support for the Iraq war, Blair decided on snap elections in 2005 as polls predicted a narrow victory; Blair feared that Labour might be defeated if he waited until 2006. Labour lost a large number of seats in 2005 but retained its majority in the Commons. In 1997, French President Jacques Chirac and his prime minister,



fellow Gaullist Alain Juppé, came under intense criticism for proposing reductions in the rise of future welfare payments. The polls nevertheless predicted that, if elections were held soon, the Gaullists and their allies would lose some seats but would still retain control of the National Assembly. Once again, the polls were wrong: Chirac's opponents, the Socialists and their allies, took control of the Assembly and forced Chirac to appoint Jospin, the Socialist leader, as prime minister.

A third reason for snap elections is to respond to public pressures for a change of government. When Italy was rocked by political scandals in the 1990s, a wellspring of public antipathy towards elected officials, especially those accused of malfeasance, convinced the governing coalition that only a newly elected government was capable of restoring the electorate's confidence in Italian democracy. In 1994 quite a few established political figures were voted out of office.

Anticipated elections may also be called if a coalition government breaks up. If one or more parties involved in the coalition decides to pull out of the government, the remaining parties may not command a majority of seats in the legislature. If a new majority coalition cannot be formed, it may be necessary to ask the voters to elect a new parliament in hopes that a stable government can be formed. Snap elections were called for this reason in Belgium and the Netherlands in 2010.

An additional reason for snap elections is to break a deadlock in the parliament. If the legislature is divided into a bunch of parties and no stable government can be formed (whether a coalition government or a minority government), the politicians may call on the voters to resolve the issue. A snap election called under these circumstances may not necessarily resolve things, however, as the voters may return a parliament just as fractionated as the one it replaced. Alternatively, a government may lose a *vote of confidence*, which is a showdown vote in the legislature (usually the lower house) to determine whether the government has the confidence (support) of a majority of legislators. If the government loses the vote, either a new government must be formed or snap elections must be called. In 1979, the British minority government led by PM James Callaghan (Labour) lost a vote of confidence by one vote. Snap elections were held, and the Conservatives under Margaret Thatcher won a large majority in the House of Commons. The Tories governed for the next 18 years.

### Left and Right

Most European countries have three or more political parties actively involved in the political fray; none have the pure 2-party system that we find in the United States. Most countries have three moderate parties whose views differ slightly but not dramatically. Virtually all of them support the EU and the western alliance (whether or not their country is in NATO).

-- *Center-left* parties tend to be rooted in the labor movement but they also capture middle-class voters. Examples include Britain's Labour Party and a large number of *social democratic* (or *socialist*) parties. Most of these parties have moved closer to the center in

recent years in an effort to balance budgets, reduce taxes and promote the private sector, but most also have a left wing that favors a well-funded welfare state and tends toward pacifism (e.g., Britain's Labour party has Blair and Brown's moderate 'New Labour' wing and the 'Labour left'). Many of these parties are joined in the Progressive Alliance of Socialists and Democrats (S&D) in the European Parliament (EP).

*Center-right* parties tend to appeal to the business community, the middle class and Catholics (or, in the UK, Anglicans) – but many of them also get working-class votes and support the welfare state (though they also tend to want to cut taxes and keep welfare costs and budget deficits contained). Examples include Britain's Conservative Party, France's UMP (Chirac and Sarkozy), Spain's Popular Party, Italy's Forza Italia (Berlusconi) and a large number of *Christian Democratic* parties throughout Europe. Many of them are joined in the European People's Party and European Democrats group (EPP) in the EP. However, in 2009 Britain's more euroskeptic Conservative Party joined with like-minded parties in Poland and the Czech Republic to form their own EP group, the European Conservatives and Reformists.

*Centrist* (or *liberal*) parties are located in between center-right and center-left parties. Most of them appeal to the business community and the middle class; they tend to support the market economy, tax reductions and balanced budgets. They also tend to favor a federalist EU and the euro. Most of these parties tend to attract only about 10-15% of the popular vote; consequently, most are willing to form coalition govts with either center-right or center-left parties. Examples include Britain's Liberal Democrat party, Germany's Free Democratic Party, France's Democratic Movement and a host of parties typically called "Liberal" or "Center" parties. In 2004, many of these parties reconstituted the centrist grouping in the EP under a new name, the Alliance of Liberals and Democrats for Europe (ALDE).

Most European countries also have a *Green* party, so called because of their commitment to a green environment. Most of these parties got started in the early 1980s and were initially fairly radical in their orientations. In these early years they favored stringent anti-pollution controls and opposed nuclear power plants. They were also strongly pacifist, opposing both nuclear weapons and NATO. Their voters tended to be under 30, well educated and middle class. (Thus the Greens have never been classic working-class oriented social-democratic parties.) With these views, most Green parties opposed forming coalition govts with other parties in this formative decade. Over time most of these parties mellowed and split into two wings: moderates became willing to make compromises in order to govern in coalition with other parties (mostly center-left parties), while "fundamentalists" remained faithful to their parties' original stringent environmentalist and pacifist views. With moderates now in control, most Green parties may be categorized as *center-left* parties. The first and most successful of these parties has been Germany's Green party. The Greens are organized in the EP as the Greens/European Free Alliance (EFA) group.

*Far-left (or extreme-left)* parties are rare nowadays. During the Cold War they tended to be Communist Parties (such as the large French and Italian CPs). They tended to be rooted in the most militant segments of the working class; most were firmly against capitalism, the EU and NATO (though the Italian and Spanish CPs were more moderate). Most of these parties broke up and split into new parties after the Cold War, adopting pro-EU and pro-NATO positions. The same is true of the descendants of most East European CP's that governed under Soviet aegis during the Cold War. Most former ruling CPs of Poland, Hungary and elsewhere are now moderate center-left parties that have changed their names and favor the EU, NATO and private enterprise. However, France's CP is still quite radical. Other far-left parties are even more pronouncedly anti-capitalist and anti-NATO, such as several small Trotskyite parties in France. (Leon Trotsky -- a hero of Russia's Bolshevik Revolution -- was persecuted by Stalin and advocated "permanent revolution" around the world.) Several moderate leftist parties form the European United Left/Nordic Green Left in the EP.

*Far-right (or extreme-right)* parties tend to be highly nationalistic. In the past, the far right in both Western and East-Central Europe was dominated by fascists and by advocates of monarchy or some form of military rule (such as Franco's regime in Spain and the Greek colonels). Today's far-right parties are mainly anti-immigrant parties (e.g., France's National Front and similar parties in Austria, Denmark, the Netherlands and elsewhere) or anti-EU parties favoring state sovereignty. The UK Independence Party (UKIP), wants full withdrawal from the EU. Other parties are euroskeptic: they favor remaining in the EU but want less power for Brussels and more for their national government. Separatist parties like Italy's Northern League and the Basque Fatherland and Liberty Party (ETA) are also far-right parties. In 2008 there was one far-right grouping in the European Parliament: the Independence and Democracy Group. A second far-right grouping, the Identity, Tradition and Sovereignty Group, broke up in 2007. In 2009 a new group called Europe of Freedom and Democracy replaced Independence and Democracy; it included UKIP, Lega Nord, the Movement for France, the Danish People's Party, True Finns and others. Parties that tend to be even more pronouncedly nationalistic, populist and anti-immigrant, such as the National Front, Flemish Interests (Belgium), the Freedom Party (Austria), the Greater Romania Party and others, currently have no organized group in the EP.

*Other parties.* Some parties are difficult to pin down on the left-right spectrum. Such parties often espouse a combination of nationalism (traditionally associated with the right) and anti-capitalism or resistance to market reforms (traditionally associated with the left). Most -- but not all -- hybrid parties of this type are the successors of Cold War-era communist parties in the former Soviet Union or communist-dominated Central and Eastern Europe. A few such hybrid parties can be found in Western Europe. In addition, some parties can be categorized mainly as pro- (or anti-) democracy parties, or as pro- (or anti-) EU parties, without having a clearly identifiable left-right profile. Turkey's governing party, the Justice and Development Party (AKP), is a pro-democracy Islamist party whose leaders consider it a center-right party. Finally, a few parties in this *Briefing Book* are identified simply as "centrist" (rather than as center-left or center-right).

*Coalition governments* in Europe display a variety of patterns, such as rightist coalitions (e.g., Italy under PM Berlusconi, 2001-06 and since 2008); leftist coalitions (e.g., Germany's 'red-green' govt, 1998-2005)); center-right/liberal coalitions (e.g., Germany, 1982-98 and since 2009; UK since 2010); and center-left/liberal coalitions (e.g., Germany, 1969-82). In some cases there is a "grand coalition" that unites the main center-left and center-right parties (e.g., Germany, 1966-69 and 2005-09; Austria since 2007).

Keep in mind that the party orientations just described are general tendencies. In actual practice, most political parties in Europe have internal divisions (between moderates and hardliners, for example) and many combine left (welfarist) and right (pro-business) tendencies. All of these parties also reflect the particularities of their own history and the history of their home countries.

## EUROZONE COUNTRY PROFILES

**AUSTRIA** The Republic of A.'s population of 8.3 million is 74% Catholic, 5% Protestant, and 17% Muslim/other. A. was a charter member of the European Free Trade Association in 1959/60. It remained in EFTA until it joined the EU on 1 Jan 1995. Until the 1990s, political life was dominated by the center-left Social Democratic Party of Austria (SPÖ) and the center-right Austrian People's Party (PVÖ), which is akin to Germany's Christian Democrats). The rising influx of "economic refugees" from Asia and Africa, combined with growing unemployment, produced a popular backlash, resulting in asylum restrictions and the rise of the extreme right-wing, anti-immigrant Freedom Party of Austria (FPÖ) under Joerg Haider. An outspoken opponent of the EU's Economic and Monetary Union (EMU), Haider was widely viewed as a racist: he denounced rivals inside and outside his party in anti-Semitic terms. In the 1996 elections to the European Parliament, the FP won an astonishing 27.6%; the center-left Social Democrats and the center-right People's Party won slightly more than 29% each. In the 1999 elections to the lower house of A.'s national parliament (the National Council), the Social Democrats won one-third of the votes; the Freedom Party and People's Party each won 27%. After negotiations between the Social Democrats and the People's Party failed to form a left-right Grand Coalition govt, the People's Party and the FP formed a right-of-center coalition govt under Chancellor Wolfgang Schuessel (leader of the People's Party) in Feb 2000. To limit controversy, Haider refrained from entering the cabinet and resigned as chief of the FP. But the other 14 EU govts each cut off bilateral diplomatic ties (as did the U.S. and Israel). The EU sanctions failed to topple the govt and were later lifted after an EU panel reported that A.'s treatment of immigrants was better than that of some other EU countries. In fact, the new govt imposed only minor restrictions on immigrants. In Feb 2002, Haider visited Saddam Hussein, whom he had visited several times previously. In Sept, in a bid to reaffirm his control of the FP and prevent it from becoming moderate, Haider ousted its figurehead leader (who was the govt's vice chancellor) and others who were in the cabinet. Schuessel then terminated his coalition govt with the FP and called snap elections. In elections held in Nov 2002, Schuessel's People's Party scored a major triumph, winning 43% of the vote and 25 additional seats. It became the largest party in the National Council with 79 seats out of 183 (43.2%). Haider's Freedom Party sank to 10% of the vote and fell from 52 seats to 19 – a disaster. The Social Democrats won 36.6% and gained 4 additional seats, but were outpolled by the People's Party for the first time since 1966. The Greens won 8.2% of the vote, less than expected. After months of negotiations with the Social Democrats and Greens on a left-right coalition govt came to naught, Schuessel re-formed his center-right/far-right coalition govt with the Freedom Party in March 2003. Haider tried unsuccessfully to regain the leadership of his party. A. has a parliamentary system with a ceremonial president, who is elected by the people to a 6-year term. In presidential elections held in April 2004, veteran Social Democrat Heinz Fischer won 52.4%, defeating Schuessel's hand-picked People's Party candidate, Benita Ferrero-Waldner. Fischer benefitted from a large backlash vote against Schuessel's coalition with the Freedom Party. Haider's open endorsement of Ms. Ferrero-Waldner cost her the votes of many Austrian moderates. Ferrero-Waldner joined the EU Commission in 2004 as A.'s member. In 2004, Heinz-Christian Strache became the new chief of the Freedom Party; he espoused a more blatant extreme-right ideology than Haider's. By

2005, Haider had changed his tone considerably, embracing more moderate views that included support for Turkey's admission into the EU and less hostile attitudes on immigration. In an effort to concentrate on power rather than on his former xenophobic ideology, Haider in April 2005 deserted the Freedom Party and launched a new, more moderate right-wing party, the Alliance for Austria's Future. All of the Freedom Party cabinet ministers in Schuessel's govt joined the new grouping, which thereupon replaced the FP as Schuessel's coalition partner. Most of the FP's 18 members of parliament also joined the Alliance. But many grassroots activists were sticking with the FP and its nationalist orientation. In the parliamentary elections held on 1 October 2006, the Social Democrats won 35.3% of the vote and 68 seats (a loss of 1 seat) under Alfred Gusenbauer, a career politician with no prior govt experience. Gusenbauer called for more govt spending for pensioners and the less well off. The People's Party won 34.4% of the vote and 66 seats (a loss of 13). The Greens gained 4 seats, and Haider's relatively moderate Alliance for the Future of Austria (now led by Peter Westenthaler) cleared the 4% hurdle, winning 7 seats. The Freedom Party, now a pronouncedly far-right party with neo-Nazi tendencies and a platform opposed to immigrants as well as to Turkey's admission to the EU, won 21 seats, a gain of 3 seats. The governing coalition partners -- the People's Party and the Alliance for the Future of Austria -- lost their parliamentary majority. After several months of negotiations, a Grand Coalition govt was formed in Jan 2007 by the Social Democrats and the People's Party, with Gusenbauer as chancellor. In the face of heavy criticism within his own party for failing to govern effectively, Gusenbauer stepped down as chancellor and as chief of the Social Democrats in June 2008. His successor in both positions was **Werner Faymann**.

In July the People's Party, under the leadership of Wilhelm Molterer, pulled out of the governing coalition and demanded snap parliamentary elections, which took place on 28 Sept 2008. The two large mainstream parties both lost seats and made their worst electoral showing since 1945: the Social Democrats lost 11 seats, garnering little more than 29% of the vote, while the People's Party lost 15 seats, with only 26% of the vote. The far-right parties both gained: the Freedom Party won new 13 seats (6.5% of the vote) and the Alliance for Austria's Future won 14 new seats (7% of the vote). Haider was killed in an auto crash in October 2008. After two months of negotiations, a new grand coalition government consisting of the Social Democrats and the People's Party was sworn in on 2 December; Faymann remained chancellor. In 2010 Heinz Fischer (SPÖ) was reelected as A.'s ceremonial president, winning 79% of the popular vote.

A.'s parliament ratified the EU Constitution in May 2005 and the Lisbon Treaty in April 2008. In 2007 the voting age was lowered to 16; citizens may now run for any office except the presidency at age 18. A. held the EU Council Presidency in the first half of 2006. A. has been a neutral country since WWII, but is a member of NATO's Partnership for Peace.

**BELGIUM** Created as an independent kingdom in 1831, the Kingdom of B. is a constitutional monarchy under King Albert II, who is head of state. B. is divided mainly between Dutch-speaking Flemings, who comprise 58% of its 10.4 million people, and French-speaking Walloons (31%). About 10% have a mixed, bilingual identity and there is a small

community of German speakers (1%). These ethnolinguistic differences permeate the country's political system. They are compounded by economic differences: the Flemish north is more prosperous than the French-speaking south, whose economy has declined in recent decades. Many Flemings are reluctant to subsidize the Walloon economy through their tax payments to the central government. Recent polls show that more than half of the Flemings favor independence, while some Walloon politicians favor a union with France. Constitutional amendments in 1993 established a loose federation consisting of three language-based regions: Flanders (the Flemish area in the north); Wallonia (the French area in the south) and the multilingual capital city of Brussels. A small German-speaking area has cultural autonomy. There are separate Flemish and Walloon branches of each of the main political parties (the Socialists, the Christian Democrats and the Liberals), and they engage in continual haggling over budgetary allocations and other controversies. Scandals involving child pornography, poultry contamination and the alleged illegal sale of EU visas by the foreign minister in the 1990s exacerbated these frictions. The 1999 legislative elections produced a center-left coalition government of Socialists, Liberals and Greens under PM Guy Verhofstadt, a Flemish Liberal. ("Liberals" in Europe are mostly pro-business centrists, located in between conservatives and Christian Democrats on their right and Social Dems and Greens on their left.) Municipal elections in 2000 saw the rise of an extreme right-wing Flemish nationalist party, the Vlaams Bloc, in Flanders. The party won a third of the vote in Antwerp and a fifth of the vote elsewhere. It favors the secession of Flanders from B. and the establishment of an independent state, as well as the deportation of all non-European nationals to their countries of origin. Parliamentary elections to the 40-seat Senate and the 150-seat Chamber of Deputies took place on 18 May 2003. Verhofstadt reassembled his 4-party center-left coalition govt consisting of his Flemish Liberal Democrats, a Walloon (Francophone) liberal party, and Flemish and Walloon Social Democratic parties. Verhofstadt was a market-oriented liberal who managed to balance the budget, but his coalition also pursued some center-left policies, such as the legalization of gay marriage and euthanasia. The Vlaams Blok raised its share of the vote in Flanders from 15% in 1999 to 18%, winning 18 seats in the Chamber. As its popularity grew -- especially in Antwerp, where frictions between Muslim immigrants and the European working class are serious -- the mainstream parties refused to cooperate with it. In 2004, the courts banned the Vlaams Blok for racism. In 2005, the party changed its name to Vlaams Belang (Flemish Interest). A more moderate, center-right Flemish nationalist party, the New Flanders Alliance (N-VA), recently formed an electoral alliance with the Flemish Christian Democratic party.

The 2007 parliamentary elections held on June 10 produced a more closely divided Chamber of Deputies. The four parties that had formed Verhofstadt's center-left government all lost seats, and Verhofstadt promptly resigned as PM. Verhofstadt's centrist Open Flemish Liberals and Democrats and their French liberal counterparts (the Reformist Movement, MR) together retained the largest bloc of seats (41). But they were challenged by the center-right bloc consisting of the Flemish Christian Democrats (CD&V) and their electoral allies, the New Flanders Alliance (N-VA), plus a center-right French Christian Democratic Party (Centre Démocrate Humaniste); the latter three center-right parties each made gains in 2007 and together won 40 seats. The center-left socialist parties lost 14 seats, and the far-right Vlaams Belang came out with 17 seats, a loss of 1 seat. With the parliament evenly divided between the liberals and the center-right grouping, King Albert played a pivotal role in exercising his main

constitutional function, that of naming a *formateur* to put together a coalition govt. The first two *formateurs* failed to form a govt. The king consulted 13 Ministers of State, but no new coalition govt could be formed until the end of the year. Differences between French and Flemish parties over constitutional reform issues complicated the govt formation process. Finally, a deal was reached that permitted the formation of a new interim center-left/center-right coalition govt under Verhofstadt on 21 December 2007 – 196 days after the elections. The coalition included Verhofstadt's party; the Flemish Christian Democrats under Yves Leterme (Verhofstadt's main rivals in the 2007 elections) and their electoral partners, the separatist New Flemish Alliance; the Francophone Socialists; the Francophone Liberals; and the Francophone Christian Democrats. The deal provided that Verhofstadt would remain PM until 23 March 2008, at which time Leterme took over as PM of the same 5-party coalition govt. In July Leterme resigned after failing to broker an agreement to reform B.'s regional autonomy and financial arrangements. King Albert refused to accept the resignation and Leterme remained in office until December 2008, when he resigned again. Leterme and two other officials were accused of improperly influencing Belgian courts in a case involving the sale of the Fortis bank. Herman Van Rompuy, a Flemish Christian Democrat (center-right), reluctantly agreed to become PM. He took office on 2 Jan 2009 and retained the same center-left/center-right coalition of Flemish and Walloon parties as his predecessor. But Van Rompuy resigned in Nov 2009 on being named president of the European Council and was replaced by former PM Leterme.

In April 2010 the govt collapsed upon the withdrawal of Verhofstadt's party over a dispute concerning the Brussels-area electoral district, which the Flemish want to break up into separate language districts. Snap elections were held on 13 June. The separatist New Flemish Alliance (which had split off from Leterme's party in 2008) emerged as the largest party, winning 17.4% of the vote and 27 seats in the 150-seat Chamber. Its leader was Bart de Wever. The Francophone Socialist Party under Elio Di Rupo finished second (13.7%; 26 seats); Leterme's party came in third, retaining its 17 seats. The other main parties lost seats, including the far-right Vlaams Belang, which got 7.7% of the vote and 3 seats (-2). King Albert appointed de Wever to form a new coalition govt, but he failed. On 9 July the king appointed Di Rupo to try his luck. No govt had been formed by the end of Aug; Leterme remained PM, presiding over a caretaker coalition govt. The main disputes center around Flemish demands for more political and financial autonomy and Walloon demands for compensation from the national budget.

B.'s parliament and regional legislatures ratified the Lisbon Treaty in the spring and summer of 2008. B. held the EU Council presidency in the second half of 2010.

**CYPRUS** The Republic of C.'s population of about 760,000 is 78% Greek (and Greek Orthodox) and 18% Turkish (and Muslim). The island was part of the Ottoman Empire from the 1571 to 1878, when the Congress of Berlin transferred it to British administration. Britain formerly annexed it in 1914 and made it a crown colony in 1925. During the 1950s, Greek Cypriots who favored uniting the island with Greece fought a 10-year guerilla campaign; communal clashes between Greeks and the Turkish minority took place in 1954-55. Following a bloody conflict that pitted Greek and Turkish Cypriots against British rule in the 1950s, the UK granted C. its full independence in 1960. The terms of the independence treaties stipulated that



the island would remain independent and unified: there would be no union (*enosis*) with Greece, and no partition into separate Greek and Turkish communities. The terms also provided that C. would not join any international organization of which the UK, Greece and Turkey were not already members. Today, the Turkish govt refers to that stipulation when stating its objections to the admission of C. into the EU before Turkey is admitted. In 1964, violence erupted between Greeks and Turks on the island when the president of C., the Greek Archbishop Makarios, tried to change the constitution in favor of the Greek majority. The U.S. intervened diplomatically and a UN peacekeeping force was dispatched to C. to impose calm. In 1967 the Greek military staged a coup d'état on Greece (with CIA backing) and took over its government. (Greece remained in NATO, but its participation in its military component was suspended.) In July 1974, members of the Greek Cypriot national guard, supported by the military govt in Greece, staged a coup on C. and ousted Makarios. Their aim was to unite C. with Greece. The surprise coup prompted a quick response from Turkey (also a NATO member). Five days later, Turkish troops invaded the island. Cease-fire talks collapsed the following month, and the Turkish forces announced the partition of C. and the creation of a new state in the Turkish area in the northern part of the island, the Turkish Federated State of Cyprus, with Rauf Denktaş [Denk-TASH] as its president. Ever since then, the so-called "Green Line" has divided the two parts of C. as well as its capital city of Nicosia. A UN peacekeeping force of 1,200 troops patrols the Green Line buffer zone. The Turks expelled some 200,000 Greeks from their territory, which comprises about 37% of the island. In 1982 the Turkish Cypriots declared their independence and renamed their entity the "Turkish Republic of Northern Cyprus" (TRNC). Turkey is the only state that recognizes the regime. It has more than 35,000 troops in the Turkish area and funnels about \$200 million a year in aid to the Turkish Cypriots. More than 100,000 settlers from Turkey have been brought to Northern Cyprus by the Turkish govt. The govt of C. is regarded by the UN as the sole legitimate govt of all of C., but it has de facto control only over the Greek sector. Greek Cypriots refer to Turkish-held northern Cyprus as "the occupied territories."

Makarios returned as president and governed until his death in 1977. His first successor was followed by Glafcos Clerides in 1993. C. signed an association agreement with the European Community in 1972 that established the basis for a customs union over the next ten years. The Turkish invasion of 1974 delayed its implementation, but subsequently the Greek part of the island experienced considerable economic growth. By contrast, the Turkish sector has languished, with living standards only about a third of the Greek part of the island. Turkish Cyprus is dependent on the Greek side for its electricity, which is free but inadequate; power outages are common. Many Cypriot Turks take advantage of a thriving black market. In 1990 the govt of C. formally applied to the EU for membership. In 1997 the EU agreed to open accession talks with C., in hopes that the Greek and Turkish communities would settle their differences. But the EU's refusal to acknowledge Turkey's candidacy in 1997 created ill feelings in Ankara. Tensions between Greece and Turkey over long-standing territorial claims in the Aegean flared up in 1998, and both states beefed up their air forces on the island. When President Clerides placed an order with Russia for the purchase of anti-aircraft missiles, the U.S. pressured him to cancel the deal; U.S. diplomacy narrowly averted war in the Aegean. Tempers cooled, and in 1999 and 2000 there were major improvements in relations between Greece and Turkey, resulting in agreements on the environment, tourism and immigration. Greece even came around to supporting Turkey's bid for full EU membership. In 1999, the EU

acknowledged Turkey as a candidate, but still refrained from setting a date for the start of accession talks. At the end of 2001, Clerides and Denкта\_ held their first face-to-face meeting in four years. In this and subsequent meetings they agreed to resolve their disputes surrounding C.'s division. But Greek Cypriots have called for a federation combining a strong central govt with local autonomy and free movement, while Denкта\_ has favored a confederation of two independent states, along with some common institutions having limited powers. The question of the eventual return of Greeks expelled from the Turkish part of C., and the restitution of their property, are among several outstanding issues that need to be resolved.

At their Dec 2002 summit in Copenhagen, EU leaders agreed to admit C. as a full member in 2004. Although the EU preferred to admit the entire island on a unified basis, it was prepared to admit just the Greek part if no agreement could be reached to end the partition. In 2002 UN Sec Gen Kofi Annan proposed reconstituting C. as a federation consisting of Greek & Turkish parts under one central govt. The EU and Turkey agreed that a unified C. will be demilitarized: Turkish troops (now numbering 40,000) and Greek troops (6,000) on the island would be reduced to no more than 1,600 by 2018. They also agreed that a unified C. will not join NATO or its Partnership for Peace. Turkey initially opposed the admission of C. before its own admission into the EU, but its new moderate Islamic govt elected in 2002 nudged Denкта\_ to accept the UN settlement proposal. But Denкта\_ refused to come to terms, steadfastly refusing to cede the territory -- 9% of the island -- that would go to the Greeks under the UN proposal. The EU voted in 2003 to admit (Greek) C. in 2004 if there was no agreement on unifying the island.

The House of Representatives of (Greek) Cyprus is not very influential, since executive power resides in the hands of the president and there is no prime minister. In parliamentary elections held in 2002, the reformed communist party of C., known as Akel, won a plurality (34.7%). The communists favor the reunification of C.'s divided parts and its entry into the EU. The president of (Greek) Cyprus is both head of state and head of govt, and is elected by popular vote to a 5-year term. In presidential elections held in (Greek) Cyprus in Feb 2003, the 83-year-old Clerides was defeated in his reelection bid by Tassos Papadopoulos, the leader of the center-right Democratic Party. Papadopoulos criticized Clerides for making too many concessions to the Turks in an effort to achieve national unity. Papadopoulos won an outright victory in the first round of balloting with 51.5% of the vote, thanks to the support of the communists, the Socialists and Greens on the left. The communists joined him in forming a center-right/center-left coalition govt. In elections to the House of Representatives held in May 2006, Papadopoulos's Democratic Party picked up 2 seats, reflecting the popularity of his position against the island's reunification without substantial concessions by the Turks. The pro-EU European Party gained 3 seats, a sign of the divisions among Greek Cypriots. (Several hundred Turks registered to vote in these elections.) The campaign revolved around economic issues rather than the island's unification, and the govts of Greece and Turkey avoided overtly interfering in the election campaign. The center-right/center-left coalition govt remained in office.

Turkish Cyprus (the TRNC) has its own multiparty democracy. The president is head of state and possesses significant decision-making powers. Rauf Denкта\_ won a fourth consecutive 5-year term as president of the Turkish Republic of Northern Cyprus in April 2000. As president he had effective control over the region's foreign policy and was the key player in its political life. Denкта\_, who turned 80 in 2004, consistently stood in the way of an agreement on C.'s

unification. But in July 2001, 6,000 Turkish Cypriots – most of them born in Cyprus – held a demonstration in favor of joining the EU; in Dec 2002, some 30,000 Turkish Cypriots held a similar demonstration. Tensions between the Cyprus-born Turkish Cypriots and the settlers from Turkey were mounting. In elections to the 50-seat Northern Cyprus legislature in December 2003 in which 120,000 Turkish Cypriots took part, a group of opposition parties that favor the UN partition plan and early accession to the EU won half the seats. Turks voting for these opposition parties – led by the pro-EU Republican Turkish Party (CTP) -- apparently feared that if Greek Cyprus joined the EU in May 2004 without them, Turkish Cypriots might lose out on the benefits of the UN plan. (Among other things, the plan would allow only 70,000 settlers from Turkey to remain.) The result represented a setback for the two nationalist parties that backed Denktash. Later, Turkey's PM Tayyip Erdogan, the leader of the pro-EU moderate Islamic party, pressured the Turkish Cypriots into forming a coalition govt between Denktash's faction (led by his son, Serdar) and a leftist faction led by Mehmet Ali Talat, who favored the Annan partition plan.

Referendums on Kofi Annan's UN partition plan were held in Greek and Turkish Cyprus in April 2004. Pres. Papadopoulos led the opposition to the plan's acceptance in Greek Cyprus; as a result, 76% of Greek Cypriots voted against the plan. Many of them objected to the plan's limitations on the number of Greek Cypriots who would be allowed to return to their former homes in Northern Cyprus and to its provisions allowing 70,000 Turkish settlers to stay. But in Northern C., a decisive majority of Turkish Cypriots (65%) voted in favor the UN plan, defying Pres. Rauf Denktash's vocal opposition to it. Denktash was visibly relieved that Greek Cyprus had voted no, calling the Annan plan "completely dead." Papadopoulos called on the UN to come up with new plans for uniting the island, but UN officials were bitterly disappointed in his opposition to the Annan partition plan. In March 2005, a new TRNC coalition govt was formed between the pro-EU Republican Turkish Party (CTP), which has 24 out of 50 seats in the National Assembly, and the Democrat Party, which has 5 seats and is led by Serdar Denktash, Rauf's son. The CTP's Ferdi Sabit Soyer became PM and Serdar Denktash became deputy PM and foreign minister. In presidential elections held in April 2005, Mehmet Ali Talat, leader of the CTP, was elected president of the Turkish Republic of Northern Cyprus, replacing Rauf Denktash. Talat campaigned in favor of the Annan settlement plan and EU membership, both vigorously opposed by Rauf Denktash.

In May 2004, Greek Cyprus formally joined the EU. It ratified the Lisbon Treaty in July 2008. The Turkish Republic of Northern Cyprus is not in the EU.

Two rounds of presidential elections were held in Greek Cyprus in Feb 2008. President Papadopoulos finished third in round one with 31.8% of the vote and was eliminated. Round two was contested between Yiannakis Kassoulidis of the right-wing Democratic Rally (33.5% in round one) and Demetris Christofias, chief of the center-left Cyprus Communist Party, Akel (33.3% in round one). Christofias won with 53.4% of the vote. The Moscow-educated Christofias is a pro-democracy populist who heads a party that endorses Marxism-Leninism but accepts the country's bustling business sector. Once a euroskeptic, he now embraces Europe and favors a resumption of UN-sponsored talks on reunification. In March 2008, the new president met with Pres. Talat in the first of a series of meetings. Though no tangible progress toward a settlement appeared imminent, both presidents considered their contacts useful. Snap parliamentary elections held in northern Cyprus (TRNC) in April 2009 complicated matters as

the right-wing National Unity Party (UBP) emerged victorious, winning 44% of the vote and 26 seats in the National Assembly out of 50, a gain of 7 seats. Pres. Talat's Republican Turkish Party (CTP) won 29% of the vote and came away with only 15 seats, a loss of 9 seats. The UBP's chairman, **Dervi Ero lu**, became PM of northern Cyprus. His party favors a two-state solution rather than federation, and he hailed Turkey as "our main native country." In April 2010, Ero lu was elected president, defeating Talat by 50.4% to 42.9%. Pres. Ero lu vowed to continue talks on C.'s reunification. Irsen Küçük (UBP) succeeded Ero lu as PM.

**FINLAND** The Republic of F.'s population is 5.3 million is 93% Finn and 6% Swede, with Lapp and Gypsy minorities. Recent immigrants from the Middle East and elsewhere have raised concerns. Between 1809 and 1917 it was a Grand Duchy in the Russian Empire, with autonomy. In 1907 F. became the world's first modern democracy with the introduction of universal suffrage, proportional representation, equal rights for women and other reforms; 16 women were elected to the unicameral legislature that year. F. achieved its independence after the communist takeover of Russia and a local civil war, but in 1939 it was attacked by the Soviet Union and forced to yield territory. The USSR and Germany fought for control over F. during WWII, devastating the country. The USSR imposed a costly armistice on F. in 1944, taking more of its territory. Throughout the Cold War, the Soviets allowed F. to have a western-style democracy and economic system, but compelled it to remain neutral. F. became an associate member of the European Free Trade Association (EFTA) – the British-led alternative to the EC – in 1961, and a full member in 1985. The EU accepted F. as a full member in 1995. F. belongs to NATO's Partnership for Peace, but the majority of Finns do not want F. to become a full NATO member, preferring instead to remain neutral so as not to antagonize Russia. F. has a variant of the French-style presidential-parliamentary system. The president, elected by the voters to a 6-year term, has extensive decision-making powers. The prime minister and cabinet also have executive powers; they are responsible to the unicameral legislature. The president is responsible for foreign policy and therefore serves a member of the EU's European Council, along with F.'s prime minister. In 2000, **Tarja Halonen** was elected F.'s first woman president. A radical leftist in her younger years, Halonen is a center-left Social Democrat who opposed NATO membership (in part because it would expose F. to terrorism and in part out of pacifism), but favors retaining the president's foreign policy powers. Her competence, down-to-earth manner and independence (she married her common law partner only after being elected president) won her broad popularity: she had an 88% approval rating at the end of 2003 and 74% at the start of 2006. In 2006 Halonen won reelection in the second round of voting, winning 51.8% of the popular vote. She won notoriety in F. and the U.S. for her uncanny resemblance to Conan O'Brien, who visited her and appeared in mock campaign ads.

In elections to the 200-seat unicameral parliament, the Eduskunta, held on 16 March 2003, the opposition Center Party, a largely rural-based party led by Anneli Jäätteenmaki, won 55 seats (a gain of 8 seats), narrowly outdistancing Prime Minister Paavo Tapio Lipponen's Social Democrats, who held steady at 53 seats. The far-right, anti-immigrant True Finns Party won 3 seats. Jäätteenmaki became F.'s first female PM in April after forming a center-left coalition govt with the Social Democrats and the small Swedish People's Party (8 seats). Shockingly, Jäätteenmaki was forced to resign after only two months in office owing to a scandal that became known as "Iraqgate." During the election campaign, Jäätteenmaki used information

from leaked memos to attack PM Lipponen for going too far in supporting Pres. Bush's Iraq policies. Lipponen insisted that the memos on his meeting with Bush were state secrets and claimed that Jäätenmaki had distorted his stance. Initially Jäätenmaki claimed that she had not seen the memos but had only been informed of their contents, but she later informed the parliament that she had made "elusive statements" that resulted in an "incoherent picture" of the matter. She asserted that she had not requested the documents but had received them by surprise. (The alleged source of the leaks, an aide to Pres. Halonen, denied this claim.) The PM's Social Democratic coalition partners were not satisfied by her statement and insisted on her resignation. On 24 June, **Matti Vanhanen**, the vice-chairman of the Center Party, was named PM. A low-key Center Party professional, Vanhanen had little governmental experience but served as F.'s representative to the EU Convention. In affirming his commitment to the 3-party center-left coalition govt, he pledged to repair the damage caused by Iraqgate.

In the parliamentary elections of 2007 – held on the 100<sup>th</sup> anniversary of the historic 1907 elections – PM Vanhanen's Center Party and its coalition partners, the Social Democrats, lost seats. The Social Democrats were stung by strong reactions against their negative campaign commercials that bashed capitalism and the conservatives. The labor-oriented parties in general had their worst showing in 100 years. The main center-right party, the National Coalition, won a major victory, winning 25% of the seats (a gain of 10 seats) after campaigning in favor of income tax reduction. Vanhanen formed a new center-right "blue-green" coalition government consisting of his Center Party and the National Coalition (the blue parties), plus the Greens and the Swedish People's Party (the green parties). Together the governing parties control 62.5% of the seats. The far-right nationalist True Finns party won 5 seats, a gain of 2 seats. Women raised their representation from 75 to 84 seats (42% of the total). F.'s high-growth economy is expected to provide additional funding for welfare spending. (Note: F. does not have a "grand coalition" govt; rather, it has a French-style 'cohabitation' of a center-left president and a center-right PM, each elected separately.)

The parliament ratified the Lisbon Treaty in June 2008. F. held the EU Council presidency in the second half of 2006, with a focus on enlargement, energy policy, competition policy, climate change, the Middle East and cooperation between the EU and Russia.

**FRANCE** The French Republic's population of 61.4 million is mostly Celtic-Latin in origin; there are N. African, Indochinese, Basque and Slavic minorities, among others. About 90% are Roman Catholic, 7.5% Muslim (mostly North Africans who have streamed in since the 1960s), 2% Protestant, 1% Jewish. The number of Muslims in France today is estimated at 5 to 6 million. (French law forbids the publication of official population statistics based on religion.) France was a charter member of NATO (1949), of the European Coal and Steel Community (1952) and of the EU's precursor, the European Economic Community (1957/58). In the Suez crisis of 1956, France joined with Britain and Israel in attacking Egypt following the Nasser govt's nationalization of the Suez Canal. The Eisenhower administration's strong objections to the operation forced the British and French to withdraw their troops, a humiliation that is still remembered in London and Paris. (Germany's chancellor, Konrad Adenauer, told the French prime minister, "Europe will be your revenge.") Under President Charles de Gaulle (1958-69), an outspoken French nationalist, F. pulled out of NATO's unified military command but

remained in the North Atlantic Council and various other NATO organs. De Gaulle twice vetoed Britain's entry into the EEC and insisted on preserving as much national sovereignty as possible, advocating a loose "Europe of states" as opposed to a federal Europe with greater supranational decision making. This vision clashed directly with the supranationalist views of another prominent Frenchman, Jean Monnet, the founding father of European integration. De Gaulle's successors departed from his legacy somewhat by promoting a larger and more active European entity, one with considerably more supranationalism than de Gaulle would have tolerated. At the same time, they have derived substantial gains for F. through the Common Agricultural Policy and other European programs, while retaining national sovereignty in a variety of areas. De Gaulle's 1963 treaty of cooperation with the Federal Republic of Germany failed in its objective to lure the FRG away from U.S. influence, but it established a precedent for close Franco-German cooperation in European affairs. French presidents of both the center-right, such as Georges Pompidou (1969-74), Valéry Giscard d'Estaing (1974-81) and Jacques Chirac (1995-2007), and the center-left (François Mitterrand, 1981-95) worked with a succession of German leaders to make the Franco-German partnership the motor force in the development of European integration. Mitterrand cooperated with German Chancellor Helmut Kohl to bring about the Maastricht Treaty (1992), which laid the foundations for the euro. By a vote of 51% to 49%, French voters narrowly approved the Maastricht Treaty in a non-binding referendum in Sept 1992.

Cooperation between French forces and NATO gradually increased after de Gaulle's presidency. After the end of the Cold War, F. sought to forge a European security policy based on military forces that would be at the EU's disposal and separate from NATO. But opposition to the idea from most other EU countries compelled F. to accept a European defense identity *within* NATO, with the EU acting independently of NATO only when the U.S. does not wish to engage its military forces. French forces have participated in "peacemaking" (i.e., war fighting) in Bosnia, Kosovo and Afghanistan, as well as in post-war "peacekeeping" activities. After Sept 11, 2001, F. joined with the other NATO allies of the U.S. in invoking Article 5 of the NATO treaty. (Art. 5 stipulates that an attack on any NATO member shall be regarded as an attack upon all.) In April 2009 France under Pres. Sarkozy rejoined NATO's unified command. F. has engaged its forces in rescue and humanitarian missions in Africa (e.g., in the Côte d'Ivoire), and it is actively engaged in anti-terrorism activities at home.

F.'s political landscape has undergone significant changes since Chirac's first election as president in 1995. A former junior cabinet official under de Gaulle, Chirac is the chief heir to de Gaulle's legacy and the head of the large center-right neo-Gaullist party (which has undergone several name changes). When first elected to F.'s politically powerful presidency, Chirac inherited a large center-right parliamentary majority dominated by his own party. He appointed Alain Juppé as PM, an aloof conservative who announced a program of cuts in the growth of welfare spending in an effort to bring F.'s budget deficit down to the levels required for the euro. Juppé's proposals triggered a wave of demonstrations and strikes that forced him to backtrack. Concerned about his party's declining popularity, Chirac called snap legislative elections in 1997, one year ahead of schedule, in hopes of preserving a favorable majority in the National Assembly. But the Socialist Party headed by Lionel Jospin, Mitterrand's successor as party leader, won a surprise victory. Chirac was forced to appoint Jospin as the new PM, ushering in a new period of "cohabitation" (which occurs when the president belongs to one political

orientation and the PM belongs to the opposing side). The French constitution requires the president and PM to share power. Chirac and Jospin managed to get along reasonably well, despite their differences. They agreed on the use of force in Kosovo and Afghanistan, and Jospin pursued the privatization of a number of F. state-owned companies -- a policy Chirac endorsed -- even more vigorously than previous conservative govts. Chirac opposed the Jospin govt's bill establishing a 35-hour work week for most of the country's employees, who were to be paid for 40 hours, but he lacked the authority to block the measure.

The tables turned in the spring of 2002, when Chirac's 7-year first term expired. (Starting in 2002, the presidential term was reduced to 5 years.) In a stunning upset in the first round of voting in April, Jospin won only 16.2% of the vote, finishing in third place behind Chirac (19.9%) and the arch right-wing National Front leader, Jean-Marie Le Pen (16.9%). A combination of other left-wing candidates, including a Communist and three Trotskyites, among others, received more than 26% of the vote. Thus the Socialist Party standard bearer was knocked out of the decisive second round, which is a runoff between the top two first-round finishers. Mortified, Jospin promptly retired from political life. Le Pen has for decades been F.'s most outspoken anti-immigrant and anti-EU tribune; in previous years he had called for the deportation of virtually all non-European immigrants from F. (though he backed off from this position in 2002). Chirac easily triumphed over Le Pen in round two, capturing 82.2% of the vote. Le Pen's share of 17.8% represented 5.6 million voters. Turnout reached an all-time low in both rounds, and a majority of French people felt disgraced at Le Pen's showing. Leftist voters -- approximately half the electorate -- felt effectively disenfranchised in the second round and voted for Chirac only as the lesser of two evils. In June, F. held two rounds of voting for the lower house, the National Assembly. Chirac reorganized his supporters into a new party, the Union for the Presidential Majority. (In November 2002 the name was changed to the Union for a Popular Movement.) Campaigning against a return of cohabitation, Chirac's followers won a decisive victory, garnering 69% of the seats. The rudderless Socialists under interim chief Francois Hollande were routed, as were the Communists and the Greens. Several important cabinet ministers in Jospin's govt lost their parliamentary seats. Chirac capitalized on his party's victory by appointing Jean-Pierre Raffarin as PM. Raffarin was a Chirac party loyalist from the provinces who was not very well known in the Paris political establishment.

Buoyed by his triumphs at home, Chirac defied the EU Commission and the European Central Bank in 2002 by refusing to bring F.'s budget deficit into line with the requirements of the EU's Economic and Monetary Union, which is the basis of the euro. The Commission threatened to impose hefty fines on F., but Chirac remained unfazed. In early 2003 the EU Commission warned F. and Germany to reduce their deficits, but no fines were imposed. Chirac got German Chancellor Gerhard Schroeder to agree in October to postpone any reform of the Common Agricultural Policy (CAP) until 2006. F. is the CAP's main beneficiary, while Germany provides the largest share of its funding. A compromise deal on CAP reform was negotiated in the summer of 2003, resulting in a partial "decoupling" of EU subsidies to farmers and farm productivity. Chirac won concessions for French beef and cereal producers, along with other compromises by countries in favor of more extensive decoupling. F. and Germany also came out against beginning accession talks with Turkey at this time. F. applied considerable pressure on the Bush administration to get a UN Security Council resolution on the resumption of weapons inspections in Iraq before going to war. After several weeks of negotiations, the U.S.

and F. came to terms on the resolution's wording; the resolution passed in the UN Security Council in Nov 2002. But Chirac wanted a second UN resolution before going to war. At a special meeting of the European Council on 17 February 2003, Chirac reaffirmed his opposition to war and roundly criticized the incoming EU members from Central and Eastern Europe for backing the United States, asserting that they should have "shut up." He also threatened to veto their admission into the EU. A compromise statement was issued that included wording that reflected Chirac's (and Schroeder's) anti-war position as well as the British-led pro-war position. Joining with Schroeder and Russia's President Putin in opposing the Bush war policy, Chirac stated that his aim was "to create a multipolar world" in which "the EU becomes a major pole of the global balance." Chirac applauded Saddam Hussein's capture in Dec 2003, but at the June 2004 NATO summit he reiterated his opposition to sending French troops to Iraq, once again opposing a joint NATO military operation there.

In Dec 2003, Chirac accepted the recommendations of an advisory panel and called for a ban on the wearing of Muslim headscarves, yarmulkes and large crosses in F.'s public grade schools and high schools. (Discretely worn religious jewelry would be permitted.) He justified his action as a defense of French secularism. The measures passed both houses of parliament by wide margins in 2004. The Muslim community was divided in its reactions, with some voicing opposition to the ban and others calling for Muslim understanding of French traditions.

Chirac's popularity declined in 2004. In Jan, Juppé was convicted of engaging in corruption during his years as an official in Paris when Chirac was mayor. Barred for running for office for 10 years, Juppé stepped down as chief of the UMP. In March, the Socialists staged a rebound in regional elections, winning control of 20 out of 22 regional governments. Chirac then reshuffled his cabinet: Raffarin remained as PM, but Michel Barnier replaced Dominique de Villepin as foreign minister, and Nicolas Sarkozy -- the UMP's rising star -- was moved from interior minister to finance minister. Sarkozy -- whose father emigrated from Hungary and whose French mother has Jewish roots -- favors market mechanisms and the privatization of several F. state-owned companies, but he avoided the hard-charging approach to liberalization that got Juppé into political trouble in the 1990s. Upon taking office, Sarkozy sponsored legislation making F.'s main electric utility company a state-owned institution, thereby depriving the company's Communist-dominated trade union of its previous influence in co-managing the utility. In Nov 2004, Sarkozy was overwhelmingly elected to the presidency of Chirac's party, the UMP, thereby positioning himself to run for the presidency in 2007. Chirac required Sarkozy to resign from the cabinet on becoming UMP chief. Raffarin's popularity also declined. Although he secured the passage of legislation reforming health care insurance and the civil service, these and other reforms were unpopular. Raffarin's approval rating fell from 64% in 2002 to 26% in 2004, but he survived a vote of confidence in the National Assembly. By the end of 2004 there were major strikes and demonstrations against his budget-cutting measures. In June 2004, Chirac's UMP suffered another blow: in elections to the European Parliament, it garnered only 16% of the vote, compared to 29% for the Socialists. (Le Pen's National Front won 10% on a platform criticizing the EU.) Chirac's influence in Europe was also waning. He failed to win approval for his preferred candidate for the Commission's new president (Belgium's Guy Verhofstadt), with opposition coming from Blair, Berlusconi and several new member states that still felt slighted by Chirac's haughty opposition to their support for the war in Iraq. Chirac also failed to get the more federalist EU Constitution that he wanted, and was



forced to compromise with Britain and other members that wished to retain national controls over taxes, immigration and other hot-button issues. In a shocking rebuff to Chirac, French voters rejected the EU Constitution in the referendum held on 29 May 2005: 54.7% voted no and only 45.3% voted yes. Turnout was 69.3%. Many who voted against the Constitution were apparently voting against the Chirac gov't's economic record; polls also showed that a small percentage voted to express opposition to Turkey's admission to the EU. (Chirac had promised another referendum when Turkey was ready for accession.) But most no-voters appeared to fear that the EU's economic trends threatened the French welfare state and tilted too heavily in the direction of private enterprise and competition in accordance with 'Anglo-Saxon' (US/UK) economic models. Leaders of the main parties were divided on these questions. While Chirac favored both the Constitution and Turkish membership, Sarkozy backed the former but opposed the latter. A majority of Socialist Party members voted in a party poll to support the Constitution, and party chief François Hollande also favored Turkey's eventual accession; but former Socialist PM Laurent Fabius openly opposed both the Constitution and Turkish accession. Shortly after the referendum, Chirac reshuffled the cabinet and replaced Raffarin with Dominique de Villepin as PM. Fabius and Hollande later agreed on a strongly anti-capitalist economic program.

In the fall of 2005, riots lasting several weeks occurred in largely Muslim areas around Paris and other cities following the death of two Muslim youths who were electrocuted inadvertently when they jumped onto electric power cables while fleeing police in a town outside Paris. The disturbances were largely a reaction to discrimination and the economic and social marginalization of France's Muslims, especially younger ones whose unemployment rates reach 40%. Interior Minister Sarkozy initially denounced the rioters as "scum" and "riffraff," and de Villepin appeared ineffective in controlling the situation. The prime minister's hopes for a presidential bid suffered further damage in 2006 after he proposed a law that would permit employers to fire newly hired employees under the age of 26 during a 2-year probation period. The measure was aimed at encouraging businesses to hire more young people. F.'s economy continues to suffer from a chronic 10% unemployment rate (23% for those 25 and under). But millions of French citizens – especially younger ones – saw the move as a recipe for more job insecurity. A wave of protests involving as many as 15 million people rocked France for several months; the Socialists and other opposition parties opposed the plan, as did key figures in de Villepin's own government. Humiliated, de Villepin withdrew the plan from legislative consideration in April 2006. In Jan 2007, Sarkozy won the UMP's presidential nomination with little opposition in a ballot among party members.

The first round of the 2007 presidential elections took place on April 22. Sarkozy finished first among the 12 candidates, winning 31%. Ségolène Royal, who had won the Socialist Party's nomination in an intra-party ballot, finished second with 26%. François Bayrou, the leader of the centrist Union for French Democracy (UDF), came in third with 19%, and Le Pen was fourth with 10%. Extreme left candidates (e.g., Communists and Trotskyites) won less than 5% each. Turnout (84.6%) was the highest since the Fifth Republic's first popular presidential election in 1965 (84.8%). In the second-round runoff on May 6, Sarkozy defeated Royal by 53% to 47%. Sarkozy won heavily among traditional center-right voters, basing his campaign on appeals for a revision of the 35-hour law to permit more overtime work, tax cuts, reductions in the costs of the civil service, tougher sentences for criminals and an emphasis on limiting

immigration to applicants qualified for work. Hinting at a closer relationship with the United States than previous French presidents favored, he announced his support for a new European constitution (with an EU foreign minister) that would be ratified by the parliament, not the population. He also confirmed his opposition to EU membership for Turkey and called for a revaluation of the euro. Royal won the center-left vote by favoring an increase in the minimum wage, generous compensation for the unemployed, a govt-funded job or training for unemployed youth, a massive increase in public housing and a life-long right to housing. While somewhat less pro-Washington than Sarkozy, she called for a referendum on a new EU constitution in 2009 and for efforts by the EU to safeguard social welfare benefits and to stimulate employment by limiting the ECB's exclusive authority to control inflation. Bayrou refused to back either candidate, and the UDF split into two new parties: the Democratic Movement (MoDem), which he headed, and the New Center, which supported Sarkozy. Left-wing candidates like the Communist

The first round of the 2007 legislative elections for the National Assembly took place on June 10, followed by the second round on June 17. Sarkozy's UMP retained a comfortable majority (54.2% of the 577 seats), though it lost 44 seats. This was the first time since 1978 that the majority party in the National Assembly retained its majority from one election to the next. The Socialists gained 46 seats (40 of them coming at the expense of UMP incumbents), ending up with 32.2% of the seats. Bayrou's "MoDem" won only 3 seats while the pro-Sarkozy New Center came away with 22 seats, emerging as the third largest party in the Assembly. The Communists lost 6 seats and Le Pen's National Front won no seats (as in 2002). Most voters opted for the mainstream parties; only one second-round race was a "triangular" between three candidates. Sarkozy selected **François Fillon** (UMP) as prime minister, and he quickly won parliamentary approval. In July 2008, an historic joint session of the French parliament narrowly approved Sarkozy's constitutional reforms, which enlarge parliamentary powers in various areas without significantly limiting presidential powers. The new law imposes a limit of two 5-year terms on the president. It also permits the president to ask parliament to decide on the admission of new EU member states without a referendum.

Sarkozy played a central role in efforts by key EU states to revise the proposed Constitution in 2007, resulting in the Lisbon Treaty. F. held the EU presidency in the second half of 2008. In June 2009, Sarkozy stirred controversy when he declared his opposition to the wearing of the body-covering burqa by Muslim women in France, describing it as a "sign of subservience ,, [and] debasement." In the same speech, Sarkozy admitted that the French model of social integration was not working, stating that it was producing only "inequality" and "resentment" instead of cohesion. On 24 June Sarkozy reshuffled his cabinet. PM Fillon and Foreign Minister Bernard Kouchner remained in their posts, but 9 ministers changed jobs, 8 left the cabinet and 8 new faces were brought on board. The latter included Frédéric Mitterrand, nephew of former Pres. Mitterrand; the openly gay leftist was appointed minister of culture. In Feb 2008 the two houses of the legislature ratified the Lisbon Treaty and Sarkozy signed his assent.

**GERMANY** With the liquidation of the German Democratic Republic – the former communist East Germany – in 1990, the population of the Federal Republic of Germany (FRG) rose; in 2006 it was 82.1 million. It is by far the most populous state in the EU. Approximately 92% are German; 2.4% are Turks (about 2 million), many of them the descendants of “guest workers” who arrived in the 1960s. About 6% (nearly 5 million) come from a variety of other non-German ethnic groups, many of them workers, asylum seekers and refugees from the Balkans, Eastern Europe, the former USSR and the developing world. Approximately 7.3% of the population is foreign-born. This mosaic makes G.’s population one of the most ethnically diverse in Europe. About 38% are Protestant, 34% Roman Catholic, 3.6% Muslim and about 25% are unaffiliated. Changes in G.’s citizenship laws in the late 1990s eased restrictions on the right of non-Germans to obtain citizenship. G.’s low birth rate will require it to invite 40-50,000 workers from abroad over the next decade; most will be needed in technology industries. In 2003, legislation was passed making it easier for highly skilled foreigners to work in G. with the equivalent of a U.S.-style green card. But in 2004 legislation was passed permitting qualified foreigners to move to G. only if they have already signed a job contract.

The FRG was originally constituted in 1949 and was confined to West Germany – the area occupied by U.S., British and French authorities after WWII. It was a charter member of the European Coal and Steel Community in 1952. It entered NATO in 1955 and was a charter member of the European Economic Community in 1957/58.

Ever since the founding of the FRG, the largest mainstream parties have been the center-right Christian Democrats, who are divided into the CDU (Christian Democratic Union) and the somewhat more conservative CSU (Christian Social Union), which operates only in Bavaria; the center-left Social Democratic Party of Germany (SPD); and the centrist Free Democratic Party (FDP). The center-left Green Party was established in 1979. In 1993 the Greens merged with Alliance 90, a former East German pro-democracy group. Every cabinet in the FRG’s history has been a coalition government consisting of some combination of these parties.

Decades of Cold War confrontation came to an abrupt and largely unanticipated end starting on the night of Nov 9, 1989, when East Germany’s communist authorities unexpectedly announced that the population now had the right to travel to West Berlin. The dreaded Berlin Wall, which had divided the western and communist sectors of the city since 1961, was suddenly open. Border checkpoints up and down the heavily fortified barriers separating West Germany and East Germany along their Elbe River boundary were also opened by the East German regime. Over the next few weeks, hundreds of thousands of East Germans crossed these borders into the western parts of G., many of them for the first time. The result was a political avalanche. Pent-up demands for democracy in East Germany compelled the communist regime to permit free elections and the establishment of non-communist political parties. The Soviet leadership under Mikhail Gorbachev did nothing to stop these revolutionary developments. In the elections held in March 1990, 75% of East German voters cast their ballots for one of the three parties associated with West Germany’s “big three”: the Christian Democrats, the Social Democrats and the Free Democrats. All three parties favored the immediate unification of East Germany with the FRG, an event that formally took place on 3 October 1990. Ever since then, the German economy has been absorbed in the costly effort to raise eastern Germany up to the levels of western Germany. Hundreds of billions of dollars in public funds and private investment have been spent on this task. Virtually the entire infrastructure of the east German

economy had to be rebuilt: roads, communications networks, office buildings, housing and the like. Most of the region's factories and other enterprises had been owned by the communist state, and none of them came up to western standards. Although more than 12,000 of these state-owned properties were auctioned off to private bidders for modernization, about 3,500 had to be shut down. The result was a spurt of unemployment in eastern G. that persists to this day. As in France, a fairly rigid labor market exacerbates unemployment in the FRG, along with the recent slowdown in the world economy. In addition, workers who do find employment in eastern Germany generally earn less than their counterparts in west Germany, a source of discontent in the east.

Germany has a parliamentary system of govt. The chancellor is head of govt and the ceremonial president, who is elected by a special electoral assembly, is head of state. The bicameral parliament consists of the Bundestag (the lower house) and the Bundesrat, a powerful upper chamber that represents state govts in G.'s 16 states. (Each state is a *Land* with its own local legislature and executive.) In most cases, a majority in each house of the federal legislature is necessary to pass a bill into law.

In the fall of 1998, the Social Democrats and the Greens secured enough seats in the Bundestag -- the lower house of the German legislature -- to form a coalition govt. The new "red-green" govt under Chancellor Gerhard Schroeder (SPD) put an end to the 16-year reign of Chancellor Helmut Kohl, whose center-right Christian Democrats had governed in a coalition with the Free Democrats since 1982. (After leaving office, Kohl admitted to maintaining an illegal CDU campaign slush fund while in power and was fined. He never divulged the source of the funds, but the scandal tarnished his reputation as the "chancellor of German unity.") The leader of the Greens, Joschka Fischer, became foreign minister. Schroeder announced on taking office that his goal was to bring unemployment below 3 million within four years. He told the voters that if he failed at this task, he should not be reelected. But by the time the 2002 election campaign rolled around, economic growth was still sluggish and unemployment topped 4 million. Under trade union pressure, Schroeder backed away from a plan to loosen Germany's rigid labor market that was proposed by a commission Schroeder himself had appointed. The Christian Democrats had meanwhile won control of several state legislatures and govts, gaining parity with the Social Dems in the Bundesrat. As a consequence, Schroeder had to make compromises with the Christian Dems in order to get much of his legislation passed into law. With only about a month left before the elections, the Christian Democrats' leader, Edmund Stoiber, appeared poised to replace Schroeder as the next chancellor. Stoiber, the chief of the CSU, had achieved considerable success in guiding the Bavarian economy in his capacity as Bavaria's governor.

Right from its origins as the West German state in 1949, the FRG closely attached itself to the U.S. and its allies in Europe. While the U.S. was the main guarantor of West Germany's security during the Cold War, West German leaders starting with the country's first chancellor, Konrad Adenauer (CDU, 1949-63), have maintained close relations with France, Britain and other West European countries. The Franco-German connection has been the motor force behind Europe's integration, a relationship fostered by such pairs as de Gaulle and Adenauer, Giscard d'Estaing and Helmut Schmidt (who was chancellor from 1974 to 1982), and Francois Mitterrand and Helmut Kohl (1982-98). (Britain did not join the European Community until 1973.) Schroeder's ties with Chirac were not as warm as these previous relationships, but the

two leaders still cooperated. Though Merkel and French President Nicolas Sarkozy are both conservatives, their relationship has reflected both the bonds and the disagreements that stem from their countries' respective national interests.

With the end of the Cold War, G. hoped to reap a substantial "peace dividend" by substantially cutting its military expenditures. Military spending has fallen from about 3% of GDP in the 1980s to less than 2%. Pacifist sentiment has remained strong in postwar G., a reaction to the barbarous Hitler years and to the long tradition of German militarism that preceded them. As a consequence, G. has had both emotional and legal impediments to sending troops into battle. When the Balkan wars broke out in the 1990s, the U.S. pressured G. to get involved militarily. It took a decision by the FRG's constitutional court to permit the deployment of German troops to the post-Dayton peacekeeping force in Bosnia. The Greens took a pronounced pacifist stand when they emerged as a party in the late 1970s. In the 1980s, however, the party split into a "realist" wing that accepted NATO and a more adamantly pacifist "fundamentalist" wing. Foreign Minister Joschka Fischer, a realist, was personally opposed to engaging German troops in the Balkans until he visited mass grave sites in Bosnia; at that point he came out in favor of the use of force for humanitarian purposes ever since. When the U.S., Britain and France decided that the entire NATO alliance should support the use of force against Yugoslavia in order to stop the Milosevic gov't's depredations in Kosovo in 1999, Fischer and Schroeder backed the policy. After Milosevic gave up following a massive air campaign waged by the U.S., France and Britain, German troops joined the NATO-led peacekeeping force in Kosovo. The Schroeder-Fischer gov't also decided after Sept 11 to send 4,000 troops to Afghanistan, a decision that proved so controversial that the gov't barely survived a vote of confidence in the Bundestag in Nov 2001 (the vote was 336-330). Starting in Jan 2003, G. and the Netherlands took charge of the international peacekeeping force in Afghanistan for the next six months.

U.S.-FRG relations hit an all-time low in Sept 2002 as Schroeder changed the focus of his flagging reelection campaign away from the economy, an issue more favorable to Stoiber, and shifted his attention to Iraq. As the Bush administration turned up the pressure for military action against Saddam Hussein, Schroeder announced that his gov't opposed such an "adventure" and would not take part in any military action, not even if it was supported by the UN Security Council. A cabinet minister compared Bush to Hitler: both men, she said, engaged in war in order to divert attention from problems at home. Bush administration figures said that these remarks had "poisoned" the U.S.-FRG relationship, an unusually strong admonition. (Apparently, Schroeder had promised Bush earlier that he would not openly criticize his Iraq policy.) Schroeder's stance proved popular at home, however; even Stoiber said that he would not commit troops to a war in Iraq. Schroeder also won plaudits for his vigorous response to mass flooding that damaged several German cities in the summer. In the Bundestag elections of 22 Sept 2002, the Social Democrats and Christian Democrats finished almost even in the popular vote. But the FRG's complicated electoral system conferred victory on the Social Democrats and the Greens, who were able to reconstitute their coalition gov't by a slim majority (306 seats out of 603, a majority of only 4 votes). Shortly after the elections, Schroeder announced new tax increases that sent his popularity plummeting. Public opinion remained hostile to Pres. Bush, and most Germans (54%) regarded France as their "best friend," with only 15% naming the US.

In May 2004, the presidential electoral assembly, dominated by Christian Democrats and Free Democrats, elected Horst Koehler as G.'s ceremonial president. Koehler (CDU), an economist who previously headed the IMF, succeeded Johannes Rau, a Social Democrat. In the same year, a neo-Nazi party won 9.2% of the vote in elections to the state legislature (Landtag) of Saxony, located in the former GDR.

Schroeder's popularity continued to wane in 2004. His budget-cutting measures remained unpopular, and surveys revealed a widespread malaise and fears of economic decline. They also revealed considerable public ignorance about economics and state finances (69% could not explain supply and demand). Unemployment remained stuck at a national average of nearly 10%, with 4.4 million unemployed. In the former E. Germany, unemployment averaged 18.5%, with joblessness running as high as 30% in some areas. In an effort to concentrate on governing, Schroeder in 2004 gave up his post as chief of the SPD, handing the job over to Franz Muentefering. In the June 2004 elections to the European Parliament, the SPD won only 21.5% of the vote – its worst showing in postwar Germany.

In May 2005, the SPD lost control of North Rhine-Westphalia, G.'s most populous state and Schroeder's home base, in Landtag (upper house) elections. The defeat solidified the Christian Democrats' hold on the Bundesrat, requiring Schroeder to make continuing concessions in order to legislate. Schroeder subsequently called snap elections to the Bundestag, one year ahead of schedule. Polls forecast a substantial CDU/CSU plurality, but the results of the 18 Sept 2005 elections were inconclusive. CDU leader **Angela Merkel** proved a lackluster campaigner who conveyed confusing signals on economic reform. The CDU/CSU won 36.8% of the Bundestag seats, about 6% less than predicted. The SPD won 36.2%. The Left Party, a new party consisting of the Party of Democratic Socialism (the remnants of E. Germany's ruling communist party) and disaffected Social Democrats led by Oskar Lafontaine, won nearly 9% of the seats, having campaigned against welfare-state cutbacks. The Free Democrats, the potential coalition partner of the Christian Democrats, won about 10%; the Greens and their allies won 8.3%. With no alternative possible, the CDU/CSU and SPD agreed to form a center-right/center-left "Grand Coalition" govt under Merkel, G.'s first woman chancellor. On immigration, Merkel expressed agreement with the notion that Germany "is not a country of immigration." She opposes full EU membership for Turkey, favoring a "privileged partnership" instead. Merkel managed to retain a measure of popularity as she emerged as a respected world leader and piloted G. through the turbulent economic crisis of 2008-09. (G. held the EU presidency in the first half of 2007 and chaired the G8 summit in the same year.) In May 2009 the Christian Democrats reelected Horst Koehler to his second 5-year term as the country's ceremonial president. Koehler's 613 votes constituted only 50.08% of the total vote in the electoral assembly, but they were enough to defeat the SPD's candidate, Gesine Schwan (503 votes) and challengers from the Left Party (91 votes) and a far-right party (4 votes). The Social Democrats proved difficult partners in the Grand Coalition government, changing their own leadership several times in the process. Matthias Platzeck replaced Muentefering from 2005 to 2006, and then ceded place to Kurt Beck from 2006 to 2008. Infighting within the SPD resulted in Beck's replacement as party chief by Frank-Walter Steinmeier, the foreign minister, in September 2008. A month later Steinmeier was designated the SPD's candidate for chancellor in the Bundestag elections slated for 27 September 2009. Unemployment was roughly 7.7% in May 2009 (lower than the EU average of 8.9%) and GDP was growing at about 1.3%.

In the Sept 2009 bundetag elections, the Christian Dems (CDU/CSU) registered their lowest vote percentage in 60 years (about 30%); but they gained 17 new seats, winning 239 out of 622 (38.4%). The Free Democrats picked up 32 new seats, winning 93 overall (14.6%). The Social Democrats lost 76 seats; some of them went to the Left Party (76 seats, a gain of 22) and some to the Alliance 90/Greens (68 seats, a gain of 17). With 53% of the Bundestag seats, the CDU/CSU and FDP formed a new center-right govt. Merkel remained chancellor. Guido Westerwelle, the head of the FDP, became deputy chancellor and foreign minister. Steinmeier resigned as head of the SPD and was succeeded in Nov 2009 by Sigmar Gabriel. In June 2010 Koehler resigned as G.'s ceremonial president following widespread domestic criticism of his remarks suggesting that G. needed to participate in international military operations in order to protect such interests as "free trade routes or preventing regional instabilities" that might affect "trade, jobs and income." He was accused of advocating "gunboat diplomacy." The special electoral assembly, with a large CDU/CSU/FDP majority, elected Christian Wulff (CDU), premier of Lower Saxony, as the new president.

The Bundestag ratified the Lisbon Treaty in April 2008; the Bundesrat followed suit in May.

**GREECE** The Hellenic Republic's population of 11.1 million is 98% Greek. G. entered NATO in 1952, along with Turkey. In 1961, G. became an associate member of the EU. In 1967 a group of colonels staged a military coup and established a dictatorship in place of the country's constitutional monarchy. King Constantine fled abroad. As a result of the coup, NATO partially suspended G. from the military component of the alliance and G.'s relations with Western Europe deteriorated. The military regime collapsed after its invasion of Cyprus in 1974, which was intended to unify the island with G., provoked Turkey into sending forces to Cyprus to protect the Turkish population. The U.S. and Western Europe opposed the Greek military govt's actions. In 1975, following the military's replacement by civilian leaders, the voters approved a new constitution replacing the old constitutional monarchy with a republic. NATO restored G. to full membership. In 1981 G. became a full member of the European Community. It has been a net recipient of EC/EU money and a beneficiary of regional funds. However, it is the second poorest West European EU member (after Portugal); 20% of its labor force is in agriculture (compared with about 6% in Italy, 4% in France and less than 3% in Germany).

Greece has a parliamentary system with a unicameral legislature and a ceremonial president. In 1981 a govt under Andreas Papandreou, the leader of the left-of-center Pan-Hellenic Socialist Movement (PASOK), became PM. His strident anti-American and anti-NATO rhetoric was counterbalanced by a reluctance to leave the alliance completely and by a vigorous rivalry with the Greek Communist Party. (Earlier, Papandreou had been a professor at the University of California.) Papandreou's govt was replaced by the center-right New Democracy party in the 1990, but PASOK returned to power in 1993. In 1996 Papandreou resigned as PM because of illness. His successor was Costas Simitis, the leader of PASOK's moderate wing. Simitis adopted a more conservative economic policy, pushing the privatization of govt-owned companies and setting G. on a course to qualify for the euro. The EU declared in

1998 that G. was not yet ready to meet the requirements for Economic and Monetary Union. But the austerity program pursued by Simitis won the EU's approval and G. adopted the euro in Jan 2001.

Tensions with Turkey over Cyprus and over competing territorial claims in the Aegean threatened to ignite a war in 1998. Vigorous U.S. diplomatic intervention preserved the peace. Since then, Greek-Turkish relations have experienced unprecedented improvements. The Simitis govt helped Turkey capture the Kurdish rebel Ocalan in Nairobi, an action that provoked an angry backlash among extreme anti-Turkish elements. Over the course of 1999 and 2000 the Greek and Turkish govts assisted each other in earthquake recovery efforts, and their foreign ministries signed a series of agreements on trade, immigration, crime, tourism and the environment. Significantly, G. finally came around to supporting Turkey's eventual admission into the EU. During the Kosovo war in 1999, the Simitis govt supported the NATO bombing campaign despite widespread public sympathy for the Serbs, with whom the Greeks share the religious traditions of the Eastern Orthodox church and a historic antipathy to the Turks. In April 2000 Simitis led PASOK to its third straight victory in parliamentary elections; with the exception of the 1990-93 period, the party governed from 1981 to 2004. After Sept 11, PASOK's left wing muted its anti-Americanism and united behind Simitis, its openly pro-U.S. and pro-NATO leader. G. made its airspace and NATO facilities available to fight terrorism. G. had the EU presidency in the first half of 2003 and hosted the Salonika summit in June, when the first draft of the EU Constitution was unveiled.

As the March 2004 parliamentary elections approached, George Papandreou, son of Andreas, replaced Simitis as PASOK's leader. But PASOK's arch rival, the center-right New Democracy party, won 45.4% of the popular vote and 165 seats in the 300-seat unicameral legislature. (PASOK captured 40.5% of the vote and 117 seats, a loss of 41 seats.) New Democracy's leader, Costas Karamanlis, the nephew of a former prime minister, formed the new govt as PM. Although Karamanlis favored Turkey's admission into the EU, he faced intense pressure by Greeks and Greek Cypriots opposed to Kofi Annan's partition plan for Cyprus. In Feb 2005, Karolos Papoulias (PASOK) was elected by parliament to the country's ceremonial presidency. Greece's GDP was growing at 4.5% in 2004, thanks in large part to the Olympic Games, but painful reductions in the country's large bureaucracy were in the offing and Greece's allotments from the EU will taper off considerably starting in 2007. The Greek parliament ratified the EU Constitution in April 2005.

PM Karamanlis called snap elections for Sept 2007, expecting an easy victory. (Elections were not mandated until March 2008.) But public discontent at the govt's poor response to the forest fires of the previous summer made for a tight race. The PM's center-right New Democracy Party lost 13 seats, but won 152 seats, enough for a slim majority in the 300-seat legislature, and Karamanlis began a new term as PM. Papandreou's center-left PASOK lost 13 seats (102 total). The leftist Communist Party won 10 new seats (22 total), and the far-left Coalition of the Radical Left won 14 (a gain of 8). The rightist Popular Orthodox Rally surpassed the 3% hurdle in the PR electoral system, winning 10 seats. Despite a 4% growth rate and a decline in the overall unemployment rate from 11% to 8%, Greece has only recently brought its annual govt deficit down to 3% of GDP (as required for the euro), and youth unemployment was the highest in the EU at 25.7%. Rising discontent at the govt's economic record, scandals in the administration and riots in 2008 that resulted in the death of a 15-year-old



boy by the police induced Karamanlis to call snap elections, which took place on 4 October 2009. The result was a sweeping victory for the center-left PASOK, which won 160 out of 300 seats (+58). **George Papandreou** became PM. New Democracy lost 61 seats and Karamanlis resigned as party leader. On the left, the Communists won 21 seats and the Coalition of the Radical Left won 13 seats; each party lost a seat. The far-right Popular Orthodox Rally won 15 seats (+5). Pres. Papoulias was reelected by parliament to a second 5-year term as the country's ceremonial president in Feb 2010.

The Greek parliament ratified the Treaty of Lisbon in June 2008.

Although the economy grew steadily from 2000 to 2007, Greek govts concealed the magnitude of budget deficits. Papandreou disclosed in April 2009 that G.'s deficit was 12.7% of GDP – not 6%, as previously reported. Govt debt reach 216 billion euros in Jan 2010, provoking fears of default. By spring the deficit had reached 13.6%. Austerity measures were passed in March, and in early May G. reached an agreement with the EU and the IMF providing for 110 billion euros in loans over three years. Public anger at cuts in benefits, the elimination of many public-sector jobs and other measures exploded into demonstrations; a general strike took place on 5 May. The govt also pledged to attack tax evasion, estimated at \$20 billion annually. The govt planned to cut 30 billion euros from its budgets by 2012.

**IRELAND** The Republic of Ireland's population of 4.2 million is almost entirely Irish (Celtic in origin), with a small English minority. It is 91.6% Roman Catholic, while 2.6% belong to the Church of England. After centuries of conflict with the English monarchy, a conflict that intensified after England broke with the Roman Catholic church in the 16<sup>th</sup> century, most of I. became independent of the United Kingdom in 1922. Six predominantly Protestant counties in northern I. stayed in the UK, where they remain today. Because of enduring Irish antagonism toward England, I. remained neutral throughout WWII. In 1949 its govt severed its last formal ties to Britain and became a fully independent republic. In 1969, violence between Protestants and Catholics broke out in Northern Ireland, setting off another long period of intense conflict. (Northern Ireland is in the UK, not in the Republic of Ireland.) The British govt sent in troops to quell the violence, but their presence further antagonized many Catholics, whose Irish Republican Army (IRA) engaged in a series of bombings and other violent actions directed against England and Irish Protestants. Protestant militias and street gangs in Northern Ireland engaged in their own violent operations. Throughout these dangerous decades, Irish govts engaged in various negotiations with the UK to find a settlement for Northern Ireland, but Catholic dominance of I. inevitably meant that the country's sympathies went to Northern Ireland's Catholics; many people in I. were openly sympathetic to the IRA. In 1998 a breakthrough occurred after months of negotiations chaired by U.S. special envoy George J. Mitchell. An accord was signed on Good Friday that called for the reestablishment of Northern Ireland's local assembly in Stormont (which had been suspended in 1972), the withdrawal of British troops and the disarmament of the IRA and Protestant paramilitary organizations. The accord was ratified by large majorities in Northern Ireland and in I. As part of the package of agreements, I. renounced the articles of its constitution claiming jurisdiction over Northern Ireland's six counties, leaving it up to the voters of Northern Ireland to decide whether they wish

to become part of I. But by the end of 2002, the IRA still had not fully disarmed, and the British govt suspended N. Ireland's local govt.

I. joined the European Community in Jan 1973, along with the UK and Denmark. Although it was one of the EC's poorest countries when it joined, intense EU-funded investment has sparked spectacular economic growth. By the 1990s I. became Europe's fastest-growing economy, with annual growth rates topping 7% a year by the end of the decade. The high-tech boom of the 1980s and 1990s made I. a prime location for technology and Internet firms from all over the world. Although the unemployment rate was 20% in 1992, by 2000 I. had achieved full employment. The centuries-old pattern of outbound emigration was reversed, as more people streamed into the country than the other way around. Business-friendly tax policies attracted a large foreign-owned manufacturing sector. (I.'s corporation tax averaged 12.5%, well below the EU-15 average of 35%.) The crash of the information technology boom began to pinch the country's economy by 2001, however.

Irish law requires a referendum to approve EU treaties. (Denmark has a similar requirement.) Irish voters overwhelmingly approved the Maastricht Treaty in 1992, but they threw a wrench into the EU's enlargement plans when voters in a referendum rejected the Treaty of Nice in June 2001 by a vote of 54% to 46%. Turnout was low: only 34% of the electorate took part in the referendum. The Treaty of Nice had been concluded by EU member states in Dec 2000. Its provisions specified new institutional procedures designed to accommodate the inclusion of up to 12 new member states. One of the issues of most concern to Irish voters was the country's formal neutrality. I. is not a member of NATO (though it belongs to NATO's Partnership for Peace program). Some voters were reluctant to see I. included in the EU's emerging defense policy initiatives. Another reason for the "no" vote was the concern that, under the Nice Treaty, I. would lose its veto over EU decisions. In fact, an increasing number of decisions after enlargement will be taken by qualified majority vote among the 27 EU member states, giving the larger states a greater say in the outcomes. Some Irish voters feared that enlargement would lead to a shift of jobs and EU investment funds away from I. to the poorer states of Central and Eastern Europe, and some feared that it would lead to more foreign immigration. (I. does not have an outspokenly anti-immigrant political party, however.) The Irish political establishment was embarrassed by the negative vote, and politicians in other countries worried that the Irish could stall enlargement indefinitely. (All the other 14 EU member states ratified the Treaty in their national parliaments.) The govt under PM Bertie Ahern got to work immediately to prepare a second referendum on the Nice Treaty. (Ireland's PM is known as the *taoiseach* - pronounced "TEE-shock.) Ahern won reelection to a second term in parliamentary elections held in May 2002, thanks to a strong showing by his center-right Fianna Fáil party. (Pronounced "Fianna Fól," the party officially translates its name into English as "Soldiers of Destiny," but the name literally means "Soldiers of Ireland.") Ahern pulled out all the stops to secure a "yes" vote for the Treaty. At the EU's June 2002 summit in Seville, Ahern got the EU govts to sign a 7-point statement affirming that the Nice Treaty would not violate I.'s neutrality. Leaders of the main Irish opposition parties also supported a "yes" vote. EU officials toured I. to stump for a "yes" vote, and voters received free literature on the Treaty and on the positive implications of enlargement. These efforts paid off. In the referendum held on 20 Oct 2002, 63% voted "yes." Turnout was 48.5%.

Ireland held the EU Presidency in Jan-June 2004. PM Ahern used his authority to work out a re-drafting of the EU Constitution, successfully brokering compromises on nearly twenty points of contention, including the contentious issue of qualified majority voting (QMV). The revised draft was presented at the EU summit in Brussels on 17-18 June. I. hosted the EU-US summit in Clare on 24-25 June. After French and Dutch voters rejected the EU Constitution in 2005, I. postponed a binding referendum and parliamentary voting on the document.

Elections to the lower house of I.'s parliament, the 166-member Dáil, took place in May 2007. Ahern's Fianna Fáil remained the largest party, but its coalition partners, the Progressive Democrats, lost 6 of their 8 seats. The campaign pitted the govt against the center-left opposition, with the economy, crime, education and health care emerging as the main issues. Several weeks after the elections, Ahern broadened the center-right coalition govt of Fianna Fáil and the Progressives by including the centrist Green Party. Ahern remained PM(Taoiseach). But opposition to Ahern mounted in 2008 as a number of financial improprieties and allegations undermined his popularity. In April 2008 Ahern stepped down as the leader of Fianna Fáil and as PM. In May he was replaced in both positions by **Brian Cowen**, a veteran cabinet minister.

Cowen's first test came on 12 June 2008 as the Irish went to the polls in a referendum on the Lisbon Treaty. All the mainstream parties and interest groups campaigned for a 'yes' vote. Opponents of the Treaty, which included Sinn Fein and a group called Libertas, played on the electorate's ignorance of the Treaty's purposes and limits, raising fears of a serious loss of Irish sovereignty on issues ranging from taxes and foreign policy to abortion and gay marriage. With 53% of the electorate turning out, 53.4% voted 'no' and 46.6% 'yes'. I. agreed in Dec 2008 to hold another referendum in 2009, and its EU partners agreed to address Irish concerns. A protocol added in June 2009 provided assurances the treaty would not change I.'s status regarding neutrality, taxation, ethical issues (e.g., abortion) or various social policies. In the referendum held on 2 October 2009, 67.1% of the voters approved the Lisbon Treaty; turnout was 59%.

Ireland's ceremonial president since 1997 has been Mary McAleese. Her predecessor, Mary Robinson (1990-97), has been a judge on the International Criminal Tribunal for the Former Yugoslavia in The Hague. Though I. expected 2.7% growth in 2010, its budget deficit reached 14.3% of GDP (a figure higher than Greece's) and unemployment exceeded 13%.

**ITALY** The Italian Republic's population of 58.7 million is overwhelmingly Italian, but there are small communities of mixed French-Italians, German-Italians and Slovene-Italians in the north, plus some Albanian-Italians in the south. The country is 98% Catholic. There is a small but growing immigrant population from northern Africa (especially Ethiopia), Albania and elsewhere. About 1 million residents of Italy are Muslims – about 1.7% of the population. (The EU-15 average in 2004 was 3.2%.) I. has about 2m legal foreign residents and at least 1m illegals; about 250,000 "migrants" enter each year. Italians achieved national unity under an Italian state in 1859-70. A constitutional monarchy was in place until 1922, when Mussolini's fascists took power. During WWII, a multiparty resistance movement included Catholics, socialists, anticlerical liberals and communists, with 1.7 million belonging to the Italian Communist Party (PCI) by the end of the war. The Communists helped write the 1948 democratic constitution, which established a parliamentary democracy. (A separate referendum had rejected a constitutional monarchy.) The Communists were forced out of the govt under U.S.

pressure in 1947 as the Cold War intensified. Since Mussolini's ouster in 1944, more than 60 govts have come and gone, making I. a watchword for political instability. But many of the cabinet ministers and coalition parties were the same from one govt to the next until the 1990s; thus the continuing rotation of prime ministers and cabinets did not threaten a complete breakdown of I.'s postwar democracy. Despite these rotating cabinets and decades of flagrant political corruption, I. managed after WWII to build one of the most dynamic economies in the world. In 2005, I.'s GNI of \$1.5 trillion was the world's 7<sup>th</sup> largest (after the U.S., Japan, Germany, France, China, and Britain).

From the end of WWII until the early 1990s, the mainstay of all Italian coalition govts was the Christian Democratic Party, a large middle-of-the-road catch-all party. Under the Christian Democrats, I. became a charter member of NATO in 1949. It was a charter member of the European Coal and Steel Community in 1952 and a founding member of the European Economic Community in 1957/58. One of the reasons the Christian Democrats managed to dominate every Italian govt for nearly 50 years – typically in coalitions with several smaller parties of the center-right or center-left – was that its chief opponent was the Italian Communist Party. Though the Communists were the second largest party in Italy, they never attracted enough voters to unseat the Christian Democrats. The PCI peaked in the 1976 elections, winning slightly over 34% of the vote. By that time it was a rather moderate party that favored private enterprise and clashed openly with the Soviet leadership on a range of foreign policy issues. Its chief sources of electoral support consisted of a sizable portion of the Italian industrial labor force and a substantial middle-class following that viewed the Communists as the “clean hands” party, untainted by the corruption that plagued the Christian Democrats. The PCI's administration of such cities as Bologna, Florence and Rome was widely regarded as successful. In the 1970s the Communists declared themselves ready for a “historic compromise” with their Christian Democratic rivals, hoping to be invited to join a broad coalition govt. But the Christian Democrats spurned these overtures, and the PCI's popularity waned in the 1980s.

The Christian Democrats imploded in the 1990s, causing an earthquake in the Italian political system. Investigations conducted by Italian magistrates uncovered far more official corruption than had ever been previously publicized. The revelations implicated top leaders not only of the Christian Democrats, but of their governing partners as well, such as Italy's Socialist Party. Bribery, kickbacks and even an alleged scheme to channel CIA money to the mafia in an effort to undermine the electoral popularity of the Communists – these and other transgressions were all detailed in a series of trials and open confessions. Eventually as many as 10,000 politicians and bureaucrats were indicted. The shocks of these disclosures unleashed a groundswell of opposition to the Christian Democrats, the Socialists and their allies. In 1993 the voters approved a new election law designed to deprive the entrenched parties of their power. A complicated variant of proportional representation was replaced by a new system in which 75% of the 630 members of the Chamber of Deputies were to be elected under a single-member-district/plurality system, with the remaining fourth to be elected by proportional representation at the regional level. The Christian Democrats disbanded, and a group of its leading reformers established a new party in its place, the Popular Party. In 1994, parliamentary elections took place under the new rules. The Popular Party and the Socialists were routed, and a coalition of right-wing parties emerged victorious.

The leader of the new govt was a relative newcomer to electoral politics, **Silvio Berlusconi**. Berlusconi was one of the richest men in I., the owner of a media empire (including three television stations that together control 90% of programming), professional soccer teams and other businesses. His wealth in 2006 was estimated at \$12 billion. With enormous financial resources at his disposal, Berlusconi created a new party -- Forza Italia (the soccer cheer, "Go Italy!") -- and joined with two other right-wing parties. One was I.'s neo-fascist party, re-baptized the National Alliance party under its leader, Gianfranco Fini. The other partner in Berlusconi's coalition was the Northern League, a movement whose leader, Umberto Bossi, had once sought to lead I.'s northern provinces on a path of independence from Rome. Both the National Alliance and the Northern League have a pronounced anti-immigrant orientation. Berlusconi served as PM for less than a year, resigning at the end of 1994 following disclosures that he was under investigation for bribery. A caretaker govt of technocrats took over until the next elections, held in 1996. Following those elections, a group of center-left parties known as the "Olive Tree Coalition" won power and formed a govt under Romani Prodi, an economics professor who had emerged as a leader of the Popular Party. (From 1999 to 2004, Prodi was the president of the EU Commission.) The Olive Tree govt also included moderates and reformers who had broken off from the Communist Party and formed the Party of Democratic Socialism. Their leader, Massimo d'Alema, followed Prodi as PM in 1998. Despite their leftist orientation, the Olive Tree govts, consisting of as many as nine parties, pursued the privatization of many of I.'s large and medium-sized state-owned companies and made painful adjustments in the country's generous welfare system in an effort to qualify for the euro. Decades of hefty budget deficits had resulted in a large national debt, and the govt was determined to bring public spending under control. Though many Italians regretted the austerity measures, there was broad support for the EU's economic policies. Italy's population had the highest pro-EU sentiment in Europe (65%, against an EU average of about 55%), and most Italians did not want to be left out of such a historic development as the adoption of the euro. Many Italians knew that the stringent economic policies dictated by the EU's Economic and Monetary Union were necessary because few Italian politicians were likely to reduce excess budget spending on their own initiative. In 1998, the EU approved Italy for the euro. In 1999, d'Alema's Olive Tree govt played a vital role in NATO's Kosovo campaign.

In 2001, Italian voters in elections to the Chamber of Deputies changed turned once again to Berlusconi's original 3-party center-right coalition, now called the House of Freedoms. A small Christian Democratic party, the Union of the Democratic Center, also joined the govt. A fifth party joined subsequently. After re-assuming the office of PM, Berlusconi showed signs of adopting a "Eurocritical" point of view. His two main coalition partners, Fini and Bossi, have been outspoken critics of the EU's supranationalist interventions in I.'s domestic affairs. Berlusconi appointed Fini as the Italian govt's representative at the European Convention. His pro-EU foreign minister resigned and Berlusconi took over the office himself. But Berlusconi nonetheless maintained that he favored the EU and the euro. In domestic affairs, Berlusconi took advantage of his large parliamentary majority to get a bill passed in 2002 that would have given him a favorable judge if his bribery charge came to trial. The law, hotly opposed by the left-wing parties, was intended to allow him to delay or even avoid prosecution on charges of bribing judges. It took effect on 30 June 2003, one day before I. assumed the EU presidency, but it was challenged in court. Berlusconi earlier managed to escape prosecution on other charges of

corruption because of the statute of limitations. He maintained that left-wing justices in Milan were out to get him for political reasons. Labor unrest in the summer of 2002 greeted Berlusconi's attempts to reform I.'s labor laws by making it easier for employers to fire workers. Berlusconi and his allies believed that the reform was necessary to make I. more competitive in world markets. (France, Germany and other countries on the continent faced similar problems.) A general strike shut down I. for a day in April 2002, but two of the country's three main trade unions later agreed to negotiate with the govt on a reform. The author of the govt's labor reform bill, an economics professor, was assassinated by the Red Brigades, an extreme left terrorist organization that has operated in I. since the 1960s. By 2001, I.'s economic growth was the lowest among the major EU countries. I.'s top trade association issued a report in 2001 claiming that 20% of the country's businesses were operated by criminal organizations. Berlusconi's popularity rating fell to 35% in 2002, but his govt coalition showed no signs of breaking up.

After Sept 11, Berlusconi was widely criticized for his remark that Christianity was superior to Islam and that the world was now embarked on a new crusade. However, he pleased the Bush administration -- and angered several France and Germany -- by agreeing to sign a bilateral agreement with the U.S. exempting Americans from indictment by the newly chartered International Criminal Court. The Bush administration opposes the ICC, fearing that U.S. troops or other personnel might be unjustly accused of human rights abuses by anti-U.S. regimes. Immediately after I. started its rotation as president of the EU in July 2003, amid a barrage of negative press commentary about Berlusconi throughout Europe, Berlusconi raised eyebrows in a speech before the European Parliament in which he suggested that a certain German MEP, one of his most vocal critics, might be well suited to play a Nazi concentration camp guard in a film currently being shot in Italy. Berlusconi and Prodi, who had to consult on a daily basis during the Italian presidency, are known to despise each other. In its 2 August 2003 edition, *The Economist* addressed an open letter to Berlusconi about his suspect business practices.

Berlusconi's political fortunes declined in 2004. After three years in office, his new govt had not produced the economic reforms it had promised, with the exception of a law raising the retirement age from 57 to 60 in the future (to take effect in 2008). Growth remained sluggish, and spending cuts totaling 29 billion euros would be necessary to keep the budget deficit within 3% of GDP, as required by the EU's Stability and Growth Pact. In January, I.'s highest court struck down as unconstitutional the June 2003 legislation granting immunity from prosecution to Berlusconi and four other top officials. Berlusconi responded by proposing legislation aimed at overhauling the I. judicial system, with the paramount aim of stripping the magistrates of much of their power. A poor showing by Berlusconi's Forza Italia party in the European Parliament elections and in Italian local elections in 2004 reflected the public's discontent. In regional elections held in the spring of 2005, Berlusconi's parties and its allies were routed in most of the regions by the center-left opposition, recently renamed the Union, led by Prodi. In April Berlusconi dissolved his govt -- the longest-serving govt in the postwar period -- and assembled a new 5-party coalition govt, the 60<sup>th</sup> govt since the fall of Mussolini in 1943. He pledged that his new govt would concentrate on economic recovery. In June 2005, a referendum on facilitating stem-cell research failed to draw the minimum 50% of the electorate, largely because the Catholic Church called for a boycott of the vote. I.'s two houses of parliament ratified the EU Constitution in January and May 2005, respectively. In Oct 2005, Berlusconi's parliamentary majority restored the proportional representation electoral system, reversing the

previous decade's reforms that were designed to reduce the number of small parties and to enhance govt stability. An additional change to the election law provided that any coalition of parties that wins a plurality of the national vote for the Chamber of Deputies -- even by a single ballot -- is automatically entitled to a "majority prize" consisting of at least 340 out of the 630 seats (54%). Berlusconi announced his intention of withdrawing I.'s troops from Iraq, a task accomplished in 2006.

The April 2006 parliamentary elections were highly acrimonious. At 69, Berlusconi led his House of Freedoms coalition. During the campaign he warned against tax increases by the left and called for various tax cuts, despite the govt's budget high deficits and the world's third-highest national debt. Prodi, 66, led a center-left "Union" coalition that included his Olive Tree group, communists, socialists, moderate Christian Democrats and Catholics, environmentalists, and others. Prodi promised a mixture of tax cuts and tax hikes, but his main promise was "a more serious govt" -- an obvious allusion to Berlusconi's occasionally outrageous statements. For most voters, economic issues outweighed Berlusconi's personality and the Iraq war. The economy had registered a growth rate of only 0.6% a year under his govt, with inflation running high after the introduction of the euro. I.'s competitiveness in global markets was in decline. Berlusconi got a rude reception from Confindustria, Italy's big business association; like many average Italians, business magnates were disappointed in Berlusconi's failure to deliver on his pledge to run the economy like one of his successful businesses. Pre-election polls showed a 3 to 5% edge for Prodi's coalition, but the final results were much closer. Turnout was 81.4% (Italians are required by law to vote). In the vote for the Chamber of Deputies, Prodi's coalition won 49.8% of the popular vote, Berlusconi's coalition won 49.7%; the two groupings were separated by fewer than 25,000 votes. Thanks to the new electoral law's "majority prize," Prodi's coalition won 348 seats (55.2%); Berlusconi's center-right House of Freedoms coalition (consisting once again of his Forza Italia, along with the Northern League and the National Alliance) won 281 seats (44.6%). In elections to the Senate, I.'s upper house, Berlusconi's coalition won more popular votes than Prodi's coalition nationally; but the seats were distributed on the basis of I.'s regions and Prodi's coalition won a slight majority of Senate seats. Berlusconi challenged the election results in court, but the highest tribunal affirmed the announced results.

Italy's ceremonial president is chosen for a 7-year term by an electoral college consisting of the two houses of parliament plus 58 regional representatives. Following the April 2006 parliamentary elections, Prodi's center-left majority elected Giorgio Napolitano as president. A former leader of the Italian Communist Party until its dissolution at the end of the Cold War, Napolitano was widely respected for his commitment to democracy and for his attempts to steer the Communists towards a "historic compromise" with the center-right Christian Democrats, the mainstream Catholic, pro-business, pro-NATO party that dominated Italian politics until the early 1990s. The Vatican endorsed Napolitano's election before the vote took place. He was elected on the fourth ballot in May 2006.

In Feb 2007, Prodi tendered his resignation to Pres. Napolitano after the Senate failed by 2 votes to support his govt's agreement to permit the expansion of the U.S. military base at Caserma Ederle. Prodi gave his center-left coalition a list of 12 political conditions for remaining in office. Napolitano asked Prodi to submit to votes of confidence in the two houses of parliament. On 28 Feb, the govt narrowly won the confidence of the Senate, 162-157; on 2

March it won the confidence of the House of Deputies, 342-198. The new govt was Italy's 61<sup>st</sup> since the fall of Mussolini in 1943.

A report by the govt in Oct 2007 indicated that organized crime is the largest sector of the Italian economy, accounting for more than 7% of GDP. Other estimates suggest the true figure is double that one.

Prodi's 9-party center-left coalition fell apart in 2008. In Jan the cabinet's justice minister, C. Mastella, resigned his post after his wife was arrested on corruption charges. Mastella and his family headed a small Catholic centrist party (Udeur). Two weeks later Udeur pulled out of the coalition when Walter Veltroni, the mayor of Rome and a supporter of Prodi's govt, entered into talks with Berlusconi on a new electoral reform that would favor the large parties and drive the smaller ones out of parliament. The small Liberal Democratic party also pulled out of the govt. After an acrimonious debate, Prodi's govt narrowly lost a vote of confidence in the Senate on 24 Jan. Prodi resigned and snap elections were called for April. Berlusconi's new center-right alliance (consisting of Forza Italia, the National Alliance and some smaller parties) was now called the People of Freedom. Joining the People of Freedom in Berlusconi's electoral coalition were Lega Nord and the Movement for Autonomy, a small Sicilian party. Berlusconi favored tax cuts to stimulate the slow-moving economy, and all three parties favored more vigorous measures against immigrants. Berlusconi called for closing I.'s frontiers and setting up camps to identify foreigners who pursue a life of crime; the National Alliance and the Northern League called for the expulsion of tens of thousands of EU citizens who lacked a regular income or permanent residence; many would be gypsies from Romania. The Berlusconi coalition was opposed by a new center-left party of Prodi supporters, the Democratic Party, led by Veltroni. The Democratic Party formed an electoral alliance with a smaller center-left grouping, Italy of Values. A small centrist Catholic party called the Union of the Center fielded its own candidates. The center-left Communists and Greens ran as the Rainbow Left. The April 2008 elections to both the Chamber of Deputies and the Senate resulted in a clear victory for Berlusconi's People of Freedom. In the Chamber, the Berlusconi's tripartite center-right coalition won 46.8% of the popular vote but, thanks to I.'s complicated electoral law, which gave bonus seats to the winning coalition of parties in order to ensure a parliamentary majority, it won 344 out of 630 seats (54.6%). Of these, People of Freedom won 276 seats; the Northern League (which no longer favors secession) won 60 seats - a gain of 34 seats; and the Movement for Autonomy won 8 seats. Veltroni's 2-party, center-left coalition won 246 seats (39%). The Union of the Center won 36 seats. The Rainbow Left won no seats, leaving the various Communist groups out of the Chamber for the first time since WWII. In a radical break from tradition, only 5 parties won the vast majority of the seats (626 out of 630); for the first time in I.'s postwar history, most of the small parties failed to win seats. In the Senate the Berlusconi coalition won 171 out of 322 seats; the Democratic Party won 132, and the Union of the Center won 3 seats. Berlusconi quickly formed a new center-right cabinet consisting of his People of Freedom coalition and the Northern League, and he once again became PM. In March 2009 the National Alliance formally merged with Forza Italia to transform the People of Liberty into a single party. In a referendum later that year Italian voters approved changes to the electoral law proposed by Berlusconi, giving the bonus seats in the Chamber of Deputies and the Senate to the leading *party* instead of to the winning coalition of parties, as in the past. I.'s bicameral legislature ratified the Lisbon Treaty in July 2008.



**LUXEMBOURG** The Grand Duchy of L.'s population of 465,000 is based on a Franco-German-Celtic blend, but foreign workers -- mostly from other EU countries -- now comprise 40% of the population. Thus far there has been very little anti-immigrant sentiment, perhaps because the native population is aging and there is a general acknowledgment that the foreigners are vital to the economy. The Grand Duchy of L.'s population grew 12% in the 1990s and it is expected that by 2025 it will nearly double. About 97% are Roman Catholic, with the rest Protestant and Jewish. L.'s per capita GDP of \$43,000 is the highest in the EU. The economy's mainstays are international banking and iron and steel production. Occupying an area smaller than Rhode Island, L. was one of principalities that formed the Holy Roman Empire until the Empire's formal demise in 1806. L. lost its French-speaking area to Belgium when the latter was created in 1831. L. became a sovereign state in 1867. Until 1890 L. shared a monarchy with the Netherlands, but in that year the tie with the Dutch monarchy was broken, and Adolf of Nassau became the grand duke of L. In Sept 2000 Grand Duke John abdicated after a 36-year reign. His son, Henri de Luxembourg, succeeded him as head of state. As grand duke in a constitutional monarchy, Henri plays a mostly ceremonial role; but he must sign all bills before they become law and he has the authority to dissolve the parliament. Since WWII, most govts have been coalitions. Six parties won seats in the country's 60-seat unicameral legislature in 1999. Since then the PM has been **Jean-Claude Juncker**, who is now Europe's longest-serving head of govt. Following parliamentary elections held in June 2004, Juncker set up a center-right/center-left govt consisting of his own center-right Christian Social People's Party (which won 24 seats) and the center-left Lux. Socialist Workers' Party (10 seats). Three other parties shared the remaining seats in parliament. In parliamentary elections held in June 2009, the status quo was essentially confirmed: Juncker's party gained two seats and his center-left partners, the Socialist Workers Party, lost a seat. The other parties' results changed only slightly in comparison with the 2004 election results. Juncker thereupon re-established a center-right/center-left coalition govt consisting of the same two parties that held power prior to the 2009 elections.

L. was occupied by Germany in WWI and WWII, experiences that induced its leaders to abandon neutrality and enthusiastically champion European integration. L. was a charter member of the UN in 1945, of NATO in 1949, of the European Coal and Steel Community in 1952, of the European Economic Community in 1957/58, and of the EU's Economic and Monetary Union in 1999. In 2004, Juncker was backed by France and Germany as the new EU Commission president after they failed to win the post for Belgian PM Verhofstadt, but he declined to be a candidate. In Jan 2005, Lux. assumed the 6-month presidency of the Council of the EU (the Council of Ministers). In a consultative referendum on the EU constitution held on 10 July 2005, 56.5% voted in favor of the Constitution and 43.5% voted against it, in spite of the recent negative referendum results in France and the Netherlands. Parliament ratified the Constitution in October 2005. It approved the Lisbon Treaty in May 2008.

**MALTA** The Republic of M. is an archipelago in the central Mediterranean. Malta is the largest of its islands, which together comprise a territory about twice the size of Washington, DC. The population of 404,000 reflects M.'s centuries-old position as a crossroads of Mediterranean civilizations: its people are the descendants of Carthaginians, Phoenicians, Greeks, Normans, North Africans, Italians and others who have come to conquer, crusade, trade or resettle. In 1530, Charles V (the Holy Roman Emperor) granted the islands to the Knights Hospitalers, or Knights of Malta. The islands fell to Napoleon in 1798, but in 1800 they were taken over by Great Britain, which formally annexed them in 1814 during the course of the British conflict with Napoleonic France. The British granted M. partial self-rule in 1921 and 1939. M. was heavily bombed by Germany and Italy in WWII. In 1964 the British granted M. limited independence within the British Commonwealth, with Queen Elizabeth II remaining as its sovereign. Since then, M.'s international orientation has fluctuated with the domestic political fortunes of its two leading political parties. Between 1964 and 1971 it was governed by the center-right, pro-Catholic Nationalist Party (NP), which favors a close partnership with Western Europe. (Roman Catholicism is M.'s official state religion.) In 1971 the center-left, anti-clerical Malta Labor Party (MLP), which favored nonalignment and closer ties with radical Arab states like Libya and Algeria, won power under its outspoken leader, Dom Mintoff. The MLP govt renounced M.'s mutual defense treaty with Britain and cut off all formal ties with the Crown. In 1974 M. became a fully sovereign republic. The MLP remained in power until 1987, when the Nationalist Party was voted back into office. Swinging the country back to a more western-oriented course, the NP applied for membership in the European Community in 1991. But the Malta Labor Party suspended the application on regaining power in 1996. When the Nationalist Party came back to power in 1998, under PM Edward Fenech Adami, it renewed M.'s application. The EU announced in 1997 that it was ready to begin accession negotiations with M., and in Dec 2002 it invited M. to become a member in 2004. The NP govt pledged to abide by a referendum on EU accession in 2003, but the Malta Labor Party leadership under Alfred Sant categorically opposed membership in the EU and insisted it would not abide by a vote favoring referendum if it regained power.

The long-awaited referendum on joining the EU took place on 8 March 2003. With a turnout of 91% of the electorate, 53.7% voted in favor of accession and 46.4% voted no. Several weeks later, on 12 April, elections were held for the unicameral legislature, the House of Representatives. (The House has a minimum of 65 seats, but more seats are added to ensure a voting majority for the winning party.) The results for the were exactly the same as in 1998: 35 seats for the pro-EU Nationalist Party and 30 seats for the anti-EU Malta Labor Party. Following the elections, PM Fenech-Adami reconstituted his center-right govt. But in 2004 the 70-year-old premier resigned and ran for the country's ceremonial presidency. In March the House of Representatives elected Fenech-Adami president. **Lawrence Gonzi** of the center-right Nationalist Party succeeded him as PM. Several weeks later, M. formally entered the EU. The next parliamentary elections were held on 8 March 2008. PM Gonzi's Nationalist Party won 49.3% of the vote and once again retained its 35 seats; the Malta Labor Party won 48.8% of the vote and 34 seats in the 69-seat legislature. Gonzi remained PM of the center-right Nationalist Party govt.

Following the failure of its anti-EU stance, the Labor Party accepted the country's EU membership. In 2004 (and again in 2009) it won 3 of M.'s 5 seats in the European Parliament.

M.'s parliament unanimously ratified the Lisbon treaty in Jan 2008. There are no plans to bring M. into NATO, and M. does not participate in NATO's Mediterranean Dialogue nor in its Partnership for Peace.

**NETHERLANDS** The Kingdom of the N. has a population of 16.5 million. Although 91% are Dutch, N. has experienced considerable immigration in recent years. In 1995, minorities -- Moroccans, Turks and others -- constituted 7% of the population; by 2001 they comprised 9% (over 1.4 million), a figure that is expected to rise to 12% by 2010 at current rates of immigration, with non-Dutch majorities in Amsterdam and Rotterdam. About 34% of the population is Roman Catholic, 25% Protestant and 6.2% Muslim (about 1 million); 35% are unaffiliated. The N. won its independence from Spain in 1579 and its sovereignty was recognized in the Treaty of Westphalia (1648). By 1815 a constitutional monarchy was in place. Despite intense social conflicts rooted in the Protestant-Catholic divide and class divisions, the N. managed to build a democracy from the end of WWI onwards. The Dutch-born political scientist Arend Lijphardt coined the term "consociational democracy" to describe the N.'s unique brand of democratic governance based on a series of accommodations among the elites who represented the country's contending religions and classes. Nazi Germany defeated the N. in 1940 after five days of combat, but Queen Wilhelmina and the cabinet fled to Britain, maintaining a govt-in-exile. (Her granddaughter, Beatrix Wilhelmina Armgard, became queen in 1980 and remains the country's ceremonial head of state.) The war exacted a heavy human and economic toll on the country, which began its rebuilding efforts immediately upon liberation in 1944 by forming the Benelux economic union with Belgium and Luxembourg. The N. was a charter member of NATO in 1949, the European Coal and Steel Community in 1952 and the European Economic Community in 1957/58. These ties promoted the modernization of the economy and sparked rapid and extensive economic growth. The burgeoning economy more than compensated the N. for the loss of its largest remaining colonies -- Indonesia, Ceylon (Sri Lanka) and Surinam -- after WWII. Postwar political stability has been based on coalition govts involving center-right (mostly Christian Democratic) center-left (social democratic) and centrist (liberal) parties. These parties have generally shared the popular consensus supporting private enterprise, a generous welfare state and a relaxed social order. With the rise of better educated generations and the attenuation of religious and class animosities, the Dutch by the 1960s were able to dispense with the elite-managed accommodations of consociational democracy, confident that their multiparty democracy rested on safe foundations. The Christian Democrats governed with the Liberals from 1982 to 1989, and with the Labor party from 1989 to 1994. In 1994 the Christian Democrats left the cabinet for the first time since 1945 as PM Wim Kok of the Labor Party established a new govt consisting of Labor, the Liberals and a center-left reform party. During these decades the N. legalized euthanasia, gay marriages and adoptions, and the limited sale and public use of marijuana.

Kok's govt undertook some reforms in the welfare system and kept economic growth above the average EU level. But in April 2002 he abruptly announced his entire cabinet's resignation only a month before the next scheduled parliamentary elections. The reason for the sudden decision was the release of a report by a govt-sponsored commission that blamed a succession of Dutch cabinets for not doing enough to prevent the massacre of 7,000 Bosnian

civilians by Serb forces in the town of Srebrenica [Sreh-breh-NEE-tsa] in 1995. The massacre was the worst in Europe since WWII. At the time, 200 Dutch troops were stationed in the town under United Nations command. Their task was to protect it as a "safe haven" for the civilian population, consisting mostly of Muslims. The official Dutch report criticized the govt for failing to provide a clear mandate for its troops. Wim Kok was vice premier in 1995, and in his resignation speech he emotionally assumed responsibility for the Dutch govt's "international and national shortcomings."

The atmosphere surrounding the May 2002 elections became even more electric when the populist, anti-immigrant politician Pim Fortuyn [FOR-tan] was assassinated barely a week before election day. It was the first political assassination in the N. since the 17<sup>th</sup> century. Fortuyn, a gay, shaven-headed former sociology professor who had risen to political prominence only in the previous year, had tapped a wellspring of frustration on the part of a growing segment of Dutch voters when he called for a halt to further immigration and for a more open style of governing than the distant, business-as-usual approach traditionally favored by the mainstream parties. With the rapid rise in immigration stemming from outside Europe, and the concentration of large numbers of immigrants -- most of whom speak little or no Dutch -- in cities like Amsterdam and Rotterdam, many Dutch people were becoming increasingly concerned about rising crime rates and other unfamiliar developments. Immigrants now comprise 40% of the population of Rotterdam, and it was there that Fortuyn made his mark as the first politician to speak out openly against the prevailing political consensus. He gathered his followers into a makeshift party called Liveable Rotterdam, and shocked the political establishment when the party came in first in local elections in March 2002. He quickly formed a national party -- the Pim Fortuyn List (LPF) -- to run in the upcoming parliamentary elections. Although Fortuyn was a harsh critic of ethno-religious minorities (he vilified Islam as a "backward culture" because of its attitudes towards women and gays), his opposition to minorities was more cultural than racial: he feared that they threatened the country's Dutch identity. He likened himself to conservatives like Margaret Thatcher and Silvio Berlusconi rather than to Austria's Joerg Haider. Immediately after his assassination by a Dutch animal rights activist who was upset at Fortuyn's approval of mink farming, Fortuyn's followers continued the campaign without a recognized leader. Following the balloting on 15 May, the center-right opposition party, the Christian Democratic Appeal (CDA), emerged as the largest party, winning 43 seats out of 150 in the lower house of parliament (28.7%). The LPF finished in second place with 26 seats (17.3%), a success that was unimaginable only a week before the election. Approximately 1.6 million voters had cast their ballots for Pim Fortuyn's followers. The liberal, free-market People's Party for Freedom and Democracy (VVD), which had participated in Wim Kok's coalition govts, won 24 seats. The Labour Party collapsed, falling from 45 seats in the previous parliament to only 23.

After protracted negotiations, a center-right coalition govt consisting of the CDA, the Pim Fortuyn List and the VVD was formed under PM **Peter Balkenende**, a conservative Christian Democrat. A devout Christian, Balkenende was on record as opposing the legalization of marijuana and euthanasia; he also favored mandatory classes in the Dutch language and culture for immigrants. His new govt took controversial stands on immigration and EU enlargement. Asserting that "(w)e have to put this country in order," the immigration minister (Hilbrand Nawijn) unveiled plans to reject upwards of 80% of future applications for asylum. "People say the Dutch are tolerant but I doubt that," the minister said. He also accused previous Dutch govts

of being "too soft on crime" -- though he denied that the N. was shifting radically to the right, and he criticized Fortuyn for going too far in his condemnation of Islam. In Oct, just two months before the EU's Copenhagen summit, govt leaders said that Poland, Latvia, Lithuania and Slovakia were not ready for admission into the EU. They called for safeguards to make sure that the aspirants would meet all requirements for admission before becoming EU members. The comments, which had support in the governing parties' legislative delegations, threatened to block the EU's upcoming decision in Copenhagen to admit ten new members. Ultimately the Dutch govt went along with the Copenhagen consensus, but only after Balkenende's coalition had fallen apart. On 16 Oct Balkenende announced that the Pim Fortuyn List ministers were leaving his coalition govt. The LPF's parliamentary delegation and governing board were in disarray over policy and personality issues. After its meteoric rise, the new party was foundering on its political inexperience and rapidly losing popular support. With the govt's collapse after only 87 days -- the shortest Dutch govt in the postwar period -- new parliamentary elections were scheduled to be held within three months. In the interval, Balkenende's Christian Democrats and the VVD agreed to govern as a minority caretaker govt, nine votes short of majority in the lower house. Meanwhile, the Dutch economy was undergoing a downturn, requiring the Balkenende govt to impose unpopular budget cuts and tax hikes. Crime was emerging as a central issue.

The snap elections to the 150-seat Second Chamber took place on 22 January 2003. Balkenende's Christian Democratic Appeal increased its delegation by 1 seat, winning 44 seats. The center-left Labor party made a stunning comeback under its energetic new leader, Wouter Bos, who chided his party for losing touch with the voters. Labor won 42 seats, a gain of 19. The most noteworthy aspect of the election, however, was the collapse of the Pim Fortuyn List, which fell from 26 seats to 8. The party leadership's internal bickering and manifest political inexperience turned off many of its former supporters. It took a record 120 days of inter-party negotiations for Balkenende to give up trying to form a coalition with the Labor Party and to build a center-right coalition with the liberal VVD, which finished third with 28 seats, and a centrist party, Democrats 66 (D66), which won 6 seats. With a slim 3-vote majority, the new govt immediately set to work dealing with the country's recession and budget deficit, agreeing on a package of \$12.8 billion in spending cuts and more than \$3 billion in new taxes. The govt also supported the Bush administration's invasion of Iraq, despite widespread public opposition to it. The N. assumed the 6-month EU Presidency on 1 July 2004. In Nov 2004, a Muslim immigrant murdered Theo van Gogh, a film-maker known for his provocative criticism of radical Islamist immigrants. The incident intensified the govt's efforts to limit immigration and promote assimilation.

On 1 June 2005, in the first referendum in the country's history, Dutch voters decisively rejected the EU Constitution by a vote of 61.5% to 38.5%. Turnout was 63%. The consultative vote came only three days after a majority of French voters rejected the Constitution. Voters on the left were largely

worried about economic issues, while most on the right were concerned about a potential rise in immigration resulting from enlargement and other EU policies.

Balkenende's coalition govt collapsed in June 2006 when the D66 party walked out of the coalition. D66 had earlier objected to the deployment of Dutch troops in Afghanistan, but it remained in the govt. This time the party called for the resignation of the cabinet's immigration

minister, Rita Verdonk, over her handling of a dispute concerning Ms. Hirsi Ali, a Somali-born member of the center-right VVD party and a member of the Dutch parliament. Hirsi Ali was a well-known filmmaker and writer who rejected her Muslim heritage and voiced strong criticisms of Muhammad and various Islamic practices (especially the treatment of women) in her writings, interviews and a documentary film she made with Theo van Gogh. She received death threats and had to go into hiding. (Threats of violence against her in a rap song led to the conviction of the rappers.) In 2003 she entered parliament on the VVD party list. In 2005 she was named by *Time* magazine as one of the 100 Most Influential People of the World. In May 2006 a Dutch TV program reported that she had given false information about her real name, age, and the reasons why she was applying for asylum in 1992. Minister Verdonk initially reported that Hirsi Ali had never received Dutch citizenship because she had lied on her application; but after an emotional parliamentary debate Verdonk said that Hirsi Ali still had citizenship and would retain it pending a final decision by the govt. In June the govt said she could keep her citizenship. Hirsi Ali moved to Washington to take a position with the American Enterprise Institute a conservative think tank. As conflicting statements and uncertainties about the true facts of the case multiplied, D66 broke up the coalition govt. Snap elections were held in Nov 2006 and resulted in a more fragmented parliament than before. Economic issues dominated public discussion as blogs and websites fueled a highly charged campaign; but immigration and the role of Islam in Dutch society emerged as the main unspoken issue, decisively influencing the outcome. PM Balkenende's center-right Christian Democratic Alliance lost 2 seats but remained the largest party with 41 out of 150 seats in the unicameral legislature (27.3%). But the VVD, his former partners, lost 6 seats; D66 lost 3 seats. The center-left Labor Party fell from 42 to 32 seats, complicating prospects for a "grand coalition" govt with Balkenende's party. Many voters moved to the extremes. On the left, the Socialist Party -- with an anti-globalization, anti-European agenda and a commitment to more welfare spending on the poor and the elderly -- gained 17 additional seats, winning 26 in all. On the far right, a new party -- the Party for Freedom (PVV) -- headed by Geert Wilders, a former VVD member, won 9 seats. Wilders favored ending all further immigration, voicing opposition to "the rise of Islam in Dutch society" and arguing that "there are enough Muslims in the N. and enough mosques." He favored banning the Koran and asking the country's 1 million Muslims to leave or give up parts of their religion. Balkenende formed a caretaker govt with the VVD as talks proceeded on building a new coalition govt. On 3 Feb 2007, a coalition agreement was signed by Balkenende's center-right Christian Democrats, the center-left Labor Party, and the small center-right Christian Union -- a Dutch 'grand coalition'. In March 2008 Wilders posted on the Internet a film he made that depicts Islam as a violent religion. The film included the 2005 Danish cartoon that depicted Muhammad with a bomb in his turban. It provoked highly critical reactions in various Muslim countries and a warning to Europeans of a "severe reckoning" by Osama bin Laden. N.'s two legislative houses ratified the Lisbon Treaty in June and July 2008.

Balkenende's fourth govt collapsed in Feb 2010 when the Labor Party withdrew from the cabinet over its opposition to a NATO request to extend the participation of Dutch forces assigned to a training mission in Afghanistan. Snap elections to the House of Representatives were held on 9 June. Balkenende's Christian Democratic Appeal (CDA) lost 21 seats, while the center-right VVD under Mark Rutte emerged as the largest party, with 31 seats out of 150 (+9). The Labour Party came in second (30 seats, -3) and the Party for Freedom led by Wilders bounded into third with 24 seats -- a gain of 15 for the anti-immigrant party. Between June and Aug, Queen Beatrix appointed six *informateurs* to explore the possibilities of forming a new coalition govt. Wilders appeared ready to support a possible center-right coalition with his party's votes in parliament. But there was opposition among Christian Democrats to cooperation

with Wilders on the grounds that his anti-Muslim party disrespects religious freedom and equality.

**PORTUGAL** The Portuguese Republic's population of 12 million is almost entirely Portuguese. Fewer than 100,000 Africans have emigrated to P. from its former colonies. All told there are about 200,000 foreigners. Since Aug 1991 P. has had the most liberal immigration policies in the EU: illegal immigrants and even tourists can become legal residents. A labor shortage of about 22,000 helps account for the liberal policy. About 94% are Catholic. Approximately 10% of the labor force is in agrisculture.

From its peak in the Age of Exploration and as a colonial power in India, Africa, Latin America and East Asia, P. declined in the 19<sup>th</sup> century as dynastic civil wars crippled the power of the state. In the process, Britain assumed control of P.'s foreign policy. (The British already controlled part of the wine trade, specializing in port and sherry.) In 1910, P. made a bloodless transition from a monarchy to a republic, but the govts that followed over the next 15 years were divided and unstable. The army seized power in 1926, and in 1928 it installed Antonio Salazar, an economics professor, in power. From 1932 until his retirement in 1968, Salazar headed a fascist dictatorship backed by the military. P. remained neutral during WWII while remaining friendly to Britain. Despite the fact that P. was not a democracy, its strategic location influenced its selection as a charter member of NATO in 1949. In 1959/60 P. joined with the UK and other non-EEC countries in forming the European Free Trade Association (EFTA). In 1972, as the UK was approved for admission into the EEC, P. and the EC came to terms on a special trade relationship.

In 1968, Salazar stepped down in favor of his close associate, Marcello Caetano. Caetano was deposed in a bloodless coup engineered by the Armed Forces Movement, a group of left-wing military officers. Although P. was the poorest country in Western Europe, the Salazar and Caetano govts insisted on maintaining P.'s colonial domains in Africa. For years, Portuguese troops were compelled to fight costly wars in Angola, Mozambique and Guinea-Bissau. An element of the Portuguese military became increasingly disenchanted with these conflicts and sought to bring them to an end by seizing power in Lisbon. After the 1974 coup, P. withdrew from its African colonies. (In 1999 P. returned Macao to China after 442 years of colonial rule.) A period of extreme instability and uncertainty ensued in the mid-1970s as several groups vied for power, including the left-wing military officers, the Portuguese Communist Party and various western-oriented democratic parties. With some financial and moral support from the European Community and the United States, the democratic forces won out. A democratic constitution was elaborated in 1976, and a series of free elections and democratic govts stabilized the situation over the second half of the 1970s and through the 1980s. Democracy endured even though there were no fewer than 16 changes of govt between 1974 and 1987. There were also intense conflicts over economic policy between the center-left parties (such as the Socialists), which favored the nationalization of large banks and other enterprises, and the center-right parties (like the Social Democrats), which favored privatization. On 1 Jan 1986, P. became a full member of the EC (along with Spain). P.'s per capita income tripled between 1985 and 1992, and its GDP grew by an average of 3.5% a year until the end of the 1990s. P. qualified for the euro in 1998 and was among the first wave of EU countries to adopt it. Despite these gains, experts predict that the Portuguese economy will need 20 years to catch up to average West European performance levels. P.'s estimated per capita GDP of \$15,800 in 2000 was the lowest among the EU-15. Salaries, pensions and literacy rates remain among the EU-15's lowest, and the state has an excessively large bureaucracy. P. was the first country to breach the Stability and Growth Pact's requirement that countries using the euro must

restrict their annual budget deficit to no more than 3% of GDP: its debt rose to 4.2% in 2001. P. met the 3% limit in the following two years, but the deficit rose above 4% again in 2004.

Snap elections in March 2002, called by President Jorge Sampaio (a Socialist) 18 months ahead of schedule, resulted in a legislative plurality for the center-right Social Democrats. They ousted an increasingly unpopular govt led by the center-left Socialists, and formed a coalition govt under PM Jose Durao Barroso in April. But in 2004, Barroso resigned upon becoming president of the EU Commission. Pres. Sampaio thereupon named the mayor of Lisbon, Pedro Santana Lopes, as PM. Santana Lopes was a right-of-center populist. But after losing confidence in Lopes, President Sampaio dissolved parliament and called elections, which took place in February 2005. The result was a convincing victory for Sampaio's center-left Socialists (120 seats out of 230), and they formed a govt under PM José Sócrates. The center-left govt pursued labor reforms and tax cuts, policies typically associated with the center-right. In the next legislative elections, held on 27 Sept 2009, the Socialists lost 24 seats, largely because of public reactions to the continuing economic crisis; but they remained the largest party with 97 seats. The center-right Social Democrats won 81 seats. A right-wing party (Democratic and Social Center-People's Party) won 21 seats (+9). The Left Bloc won 16 and the Communist-Green party won 15. Having lost their majority in the 230-seat legislature, the Socialists tried to form a coalition govt, but none of the four opposition parties were willing join them. The opposition did not want gridlock, however, and Sócrates was able to form a minority center-left Socialist govt in Oct. Elections held in January 2006 for the ceremonial presidency resulted in a first-round victory for Anibal Cavaco Silva of the center-right Social Democratic Party. He had served as PM from 1985 to 1995.

P.'s parliament ratified the Lisbon Treaty in April 2008. The govt deficit was 9.4% of GDP in 2010.

**SLOVAKIA** The Slovak Republic's population of 5.4 million is 85.7% Slovak, 10.7% Hungarian and 1.5% Roma (about 500,000). The Roma are subject to continuing discrimination. Roman Catholics make up 60.3% of the population, while 9.7% are atheist, 8.4% are Protestant and 4.1% are Orthodox. Historically, the Slovaks and Czechs have been culturally and linguistically distinct. For more than a thousand years, stretching from the 10<sup>th</sup> century to the collapse of the Austro-Hungarian Empire in 1918, the Slovaks were ruled by Hungarians. The creation of Czechoslovakia after WWI was engineered by Czechs, and the fusion of Czechs and Slovaks was somewhat artificial. Hitler played upon Slovak resentment, creating a puppet Slovak govt during the war under a pro-fascist leader, Magr Tiso. After the war, the Soviet army's presence in the region undergirded Stalin's efforts to impose communist party regimes in Central and Eastern Europe. The Soviets favored the reestablishment of the fused state of Czechoslovakia. Although pro-western politicians participated in the country's initial postwar govts, the Soviet-backed communists took full control in 1948, establishing a "people's republic" (i.e., a communist one-party dictatorship) modeled on the other communist states in the region. Although the Czechs, who outnumbered the Slovaks by two to one, tended to have the upper hand, it was a Slovak – Alexander Dubcek – who became the head of the Communist Party of Czechoslovakia in 1968 and spearheaded the extraordinary "Prague Spring" reform process that ended with the Soviet-led invasion in August. The hardliner who replaced Dubcek was also a Slovak. When communism collapsed in the throes of a popular revolution in 1989, Czech and Slovak proponents of democracy had their own respective organizations (viz., the Czech Civic Forum and the Slovak Public against Violence), but they collaborated to ensure the removal of the communist regime. Once the new democratic govt under PM Vaclav Klaus (a Czech) began the tasks of Czechoslovakia's political and economic transformation, problems arose. The head



of Slovakia's regional govt, Vladimir Meciar, objected to Klaus's shock therapy approach to economic change. (For a definition of shock therapy, see under the Czech Republic.) Meciar, a former communist official and ardent Slovak nationalist, also resented the Czechs' traditional dominance over the Slovaks. Under his leadership, Slovak members of the national legislature prevented Vaclav Havel's reelection as Czechoslovakia's president in the summer of 1992, and its regional legislature overwhelmingly approved a declaration of S.'s sovereign independence. Negotiations on the break-up of Czechoslovakia proceeded quickly, with the two sides coming to terms in September 1992. Klaus and other Czech leaders were not disposed to prevent the split, especially inasmuch as the Czech economy was more advanced than the traditionally rural Slovak economy, and Klaus did not want the Slovaks to delay his fast-paced economic reform program. Following on the heels of Czechoslovakia's non-violent "Velvet Revolution" of 1989, the "Velvet Divorce" that split up the country took effect in Jan 1993.

From the outset, Meciar called the shots. As the head of the Movement for a Democratic Slovakia (HZDS), S.'s largest party, he was PM in three govts until 1998. Under his leadership, S. rapidly fell behind the Czech Republic, Poland and Hungary in the post-communist transition process. Democratic freedoms failed to take hold as the govt routinely violated legal norms and trampled on press freedoms, judicial independence, minority rights and other fundamentals of democracy. Economic reform gained scarcely any ground at all, as Meciar opposed extensive privatization and other economic changes aimed at promoting a more diversified economy. An inefficient farm sector and an arms export industry remained from the communist era as basic elements of the Slovak economy, while inflation and unemployment soared. Governing in the style of a communist-style dictator, Meciar quarreled openly with Michael Kovac, S.'s pro-democracy president; he was even suspected of playing a role in the kidnapping of Kovac's son. Corruption was so rampant that Meciar had to step down as PM in 1994, but a new coalition that included a number of old guard communists soon put him back in office. Meciar had no interest whatsoever in bringing S. into the EU or NATO. He manipulated the wording of a referendum on NATO so as to encourage a negative vote, and he saw to it that the ballots for a referendum question on establishing a directly elected president were not available at all the polling places. When the Slovak parliament failed to elect a new president in 1998, thanks to Meciar's efforts to prevent any candidate from winning the necessary 60% of the members' votes, Meciar assumed presidential powers.

A turnabout came with the parliamentary elections of 1998. Although Meciar's HZDS once again emerged as S.'s largest party, winning 27% of the vote, four other parties combined their votes in the unicameral legislature to form a new center-right govt. All four parties were committed to democracy as well as to a western-oriented foreign policy. The leader of the Slovak Democratic Coalition, Mikulas Dzurinda, replaced Meciar as PM. Dzurinda immediately set about changing course, placing S. on the path to democracy, economic reform and eventual membership in the EU and NATO. In Jan 1999 the parliament enacted a constitutional amendment providing for the direct popular election of the president. In a two-round election in May 1999, Rudolph Schuster, the pro-democracy candidate of the Party of Civil Understanding, bested Meciar with 57% of the second-round vote. Subsequently, the Dzurinda-Schuster combination effected fundamental legal and economic reforms in accordance with EU criteria for building democracy, including press freedoms, judicial independence, minority rights and anti-corruption measures. S. has also made considerable strides towards a market-based economy. By 2001 the private sector was responsible for 80% of the country's GDP and 75% of its jobs. In 1999 the EU decided to begin negotiations with S. on eventual accession. A member of NATO's Partnership for Peace, S. was invited in Nov 2002 to prepare for full membership in the alliance in 2004. But problems remain. Corruption scandals have occurred, and the

unemployment rate remains high at 20%. As the country geared up for the next parliamentary elections in 2002, Dzurinda's popularity was dwindling.

As it happened, the parliamentary elections held on 23 Sept 2002 gave Dzurinda new life. His party finished as the legislature's second largest with 15% of the vote. Dzurinda formed a new 4-party coalition together with the Christian Democrats, the ethnic Hungarian party and a new party (Ano) formed by a wealthy media magnate. The govt's center-right orientation stood in contrast to the victory of center-left coalitions in Poland in 2001 and in the Czech Republic and Hungary in 2002. Meciar's party once again ended up as the largest in the parliament, but its popular vote fell appreciably, slipping from 27% in 1998 to 19.5% in 2002. The EU and NATO made no secret of their opposition to Meciar, warning Slovak voters that S. would not be admitted into either of these organizations if he were elected PM. Meciar's inability to tell the voters how he paid for his \$1 million villa did not help his cause. A new center-left party established in 1999 called Direction-Social Democracy (or *Smer*, which means 'direction'), under the leadership of Robert Fico, got 13.5% of the votes and finished third.

In a referendum held on 16-17 May 2003, 93.7% of the voters approved Slovakia's accession to the EU. Turnout was 52.2% of the eligible electorate.

Meciar made what seemed to be an unexpected comeback in April 2004, when he emerged as the front-runner in the first round of elections to the largely ceremonial presidency, garnering 33% of the vote. Another surprise was the second-place finish of Ivan Gašparovic, Meciar's former right-hand man, who outpolled the center-right government's candidate. Gašparovic was a little known political figure but -- following his falling out with Meciar -- he was regarded far more positively in the EU than was Meciar, one of its most notorious critics. In the second round held on April 17, Gasparovic defeated Meciar, winning 60% of the vote. In parliamentary elections held in June 2006, the center-left Direction (Smer)- Social Democracy party emerged as the largest party, winning 29% of the vote and one-third of the 150 seats in the legislature. Although Fico was a Social Democrat critical of market economics and eager to make social reforms, he formed a 'grand coalition' govt with two right-wing parties: Meciar's People's Party-Movement for a Democratic Slovakia and the Slovak National Party. The latter's participation in the govt elicited a protest from Europe's social democratic parties, which suspended Smer from the social democratic group in the European Parliament in Oct 2006. In the presidential elections held in 2009, Pres. Gašparovic was reelected in the second round on April 4, winning 55.5% of the vote. Gašparovic was supported by Direction-Social Democracy on the center-left and by the rightist Slovak National Party.

The next parliamentary elections to S.'s 150-seat unicameral legislature, the National Council, were held on 12 June 2010. Although Fico's Smer-Social Democracy Party gained 12 new seats and emerged as by far the largest party with 62 seats, his two coalition partners collapsed: the Slovak National Party lost 11 of its 20 seats and almost fell below the 5% threshold required for representation, and Meciar's party lost all its seats. A 4-party center-right govt was established under **Iveta Radi\_ová** in July. Coming from a Slovak-Jewish family, the country's first woman PM was a professor of sociology who did post-doctoral studies at Oxford. Though her center-right Slovak Democratic and Christian Union-Democratic Party (SDKU-DS -- former PM Dzurinda's party) won only 28 seats (-3) in finishing second, it formed a majority of 79 seats with three other center-right parties: Freedom and Solidarity (SaS), the Christian Democratic Movement (KDH) and an ethnic Hungarian party, Most-Híd. The new govt is pledged to cutting the deficit, avoiding tax increases, improving ties with Hungary and renegotiating S.'s 4.5 billion euro guarantee to the EU's stabilization fund, a sum Radi\_ová considers excessive.

S.'s "tiger" economy had the highest growth rate in the OECD in 2006 (8.9%) and the highest in both the OECD and EU the following year (10.4%). But growth was negative in 2009 (-4.7%) in 2009 and unemployment exceeded 14% in 2010.

Slovakia entered NATO in April 2004 and the EU in May 2004. S.'s parliament ratified the EU Constitution in May 2005, but a high court nullified this vote in July. The parliament ratified the Treaty of Lisbon in April 2008. In May the EU's Commission gave S. the green light to adopt the euro.

**SLOVENIA** The Republic of S.'s population of 2 million is 88% Slovenian, 3% Croat, 2% Serb and 1% Bosniac (Bosnian Muslim). There are small Roma and German minorities. About 71% are Roman Catholic, 1% Lutheran, 1% Muslim and 27% other. The main language is Slovenian, used by 91%; only about 6% use Serbo-Croatian. S. was never an independent state until 1991. For more than a thousand years it was attached to Austria, starting with the Carolingian dynasty in the 8<sup>th</sup> century and continuing through the Hapsburg empire, to which it belonged from 1335 to 1918. After WWI S. became a formative unit of the new Kingdom of Yugoslavia. It was partitioned by Hitler's Germany and Mussolini's Italy during WWII. As the war ended, Tito's communists destroyed Slovenia's militia, the Home Guard, and incorporated S. into postwar Yugoslavia as one of its six republics. Throughout the communist decades, S. was Yugoslavia's richest republic, a status it maintained in part through its continuing economic ties to neighboring Austria. It was also the first to declare its independence, following multiparty elections in 1990 that ended communist rule in the Slovenian republic and gave the Democratic United Opposition control of S.'s parliament. In the same year Milan Kucan, a popular pro-independence former communist, was elected S.'s president. S. declared its independence from Yugoslavia in June 1991. When Yugoslav strongman Slobodan Milosevic activated national army forces to prevent secession, the Slovenian militia quickly defeated them with minimal bloodshed. Milosevic backed down, unwilling to fight a risky war in a region where few ethnic Serbs lived. In Dec 1991 the EU recognized S.'s sovereignty (along with Croatia's). Elections to the first post-independence parliament were held in 1992. The proportional representation electoral law encouraged a multiplicity of parties to field candidates, but virtually all of them agreed on the need for democracy, private enterprise and other economic reforms, and on a western foreign policy orientation aiming at eventual membership in the EU. Janez Drnovsek, the leader of the Liberal Democracy of Slovenia party, formed a center-left coalition govt. and became PM. The 1996 elections produced a parliament that was evenly divided between center-left and center-right parties. After several months of gridlock, Drnovsek assembled another center-left coalition govt. That govt fell apart in April 2000, and a center-right coalition govt was formed under Andrej Bajuk, who remained PM until the parliamentary elections of Oct 2000. A new PR electoral system, which raised the threshold needed for parties to win seats from 3.2% of the popular vote to 4%, reduced the number of parties fielding candidates to eight. Former PM Drnovsek's party emerged as the largest, winning 34 out of 90 seats. Drnovsek formed a 5-party center-left coalition govt. In 1992 and 1997 the ever-popular Kucan was reelected president, a largely ceremonial position. Kucan was not allowed to run for a fourth term, and on 1 Dec 2002 PM Drnovsek was elected president in the second round of balloting. Subsequently, Anton Rop, a leader of Pres. Drnovsek's Liberal Democrats, replaced him as PM. But Rop's center-left govt was unseated following elections to the National Assembly in Oct 2004. His successor was Janez Jansa, whose Slovene Democratic Party formed a center-right govt with smaller allied parties. Though S.'s economy was strong, with low unemployment and steady growth, voters apparently feared that S.'s status will be diminished in the 25-member EU.

In 1997 the EU included S. in the first wave of five Central and East European countries (CEECs) invited to begin accession talks. S. is the richest of all eight CEECs that were invited at the end of 2002 to enter the EU in 2004; but it is still slightly poorer than Portugal, the EU-15's poorest member. (In 2000, S. had an estimated per capita GDP of \$12,000, compared with \$15,800 in Portugal, \$10,000 in Estonia and \$8,500 in Poland.) The EU has indicated that by 2007, S. may be a net contributor to the EU budget rather than a net recipient, a prospect that worries the Slovenian govt. S. is also disappointed that – like the other prospective EU members in 2004 – it will not qualify for free labor mobility to the other EU countries for 7 years. S. is a member of NATO's Partnership for Peace. At its Prague summit in Nov 2002, NATO invited S. to become a member in 2004. In a referendum held on 23 March 2003, 89.6% of the voters expressed their approval of accession to the EU. Turnout was 60% of the electorate. Even though only about half the Slovenes favored joining NATO, S. entered the alliance in 2004. S.'s parliament ratified the EU Constitution in Feb 2005.

Presidential elections were held in Oct and Nov 2007. The presidency is essentially ceremonial, but direct election by the people confers some moral authority on the president. Seven candidates ran in the first round on 21 Oct. Personalities rather than issues dominated the campaign, but the center-right govt's candidate, Lojze Peterle, did far worse than expected, polling only 27.8% of the vote. The center-left's main candidate, Danilo Türk, a former ambassador and UN official, did twice as well as predicted, winning nearly 25%. Türk defeated Peterle handily in the second-round runoff on 11 Nov, winning 68% of the vote against Peterle's 32%. These results reflected declining public support for PM Jansa's govt. By the end of 2007, only about 18% of Slovenes said they would vote for the governing parties in the next parliamentary elections. In the elections held for the lower house (the National Assembly) in Sept 2008, a coalition of center-left parties defeated the governing center-right coalition. The new govt consists of the Social Democrats, the largest party with 30.5% of the vote and 29 seats out of 90; Zares - New Politics (9 seats); and Liberal Democracy of Slovenia (5 seats). **Borut Pahor**, the leader of the Social Democrats, became PM. Jansa's center-right Slovenian Democratic Party finished second with 28 seats and moved into the opposition.

In July 2006, the EU Council approved S.'s adoption of the euro, which took effect on 1 Jan 2007. Slovenia held the EU presidency in the first half of 2008, assisted by Germany and France. Its parliament ratified the Lisbon Treaty in January 2008. In a referendum held in June 2010, a slim majority (51.5%) approved the establishment of an arbitral tribunal by the govts of S. and Croatia to mediate their border disputes. Candidates for the 3-member panel would be selected by the EU Commission president and the commissioner for enlargement.

**SPAIN** The Kingdom of S.'s population of 44.7 million descends from centuries of miscegenation between Basques, Celts, Romans, Goths, Arabs and others. The main divisions are ethnolinguistic: about 74% speak Castillian Spanish, 17% speak Catalan (mostly in Catalonia, with its capital in Barcelona), 7% speak Galician (mostly in the province of Galicia), 2% speak Basque (mostly in the Basque country in the north). Nearly 99% are Roman Catholic. There are about a half million Muslims (1.2% of the population). For over a thousand years, S. was a crossroads of Pyrenean and Mediterranean civilizations, experiencing migration flows from the outside and divisions on the inside that still leave their mark. The Romans conquered most of the area around 200 BC and remained in power until the invasion of the Visigoths in the 5<sup>th</sup> century. The Visigoths mingled with the existing population and were converted to Christianity. In 711 Spain was invaded by Moors from northern Africa (now Morocco), and remnants of the family that had previously headed the Islamic Caliphate in Syria established a Muslim stronghold in S. that lasted more than 700 years. Waves of Berbers and Arabs from

northern Africa imposed a succession of Islamic leaders on most of S. Some were tolerant and granted religious freedom to Catholics and Jews, producing an efflorescence of cultural development in all three religious communities; others were intolerant of Christianity and Judaism, and forced an austere version of Islamic fundamentalism on Muslims. The heartland of Islamic S. was the south, centered in Cordoba, Granada and Seville. Catholic monarchs in the north began whittling away at Islamic power in the 11<sup>th</sup> century, taking Toledo in 1085 and Cordoba in 1236. The marriage of Ferdinand of Aragon and Isabella of Castile in 1469 sealed the dominance of Catholic Spain. The Spanish Inquisition began its work in 1478, employing torture and summary executions (known as *autos da fe* -- "acts of faith") to impose a stringent Catholicism on both Catholics and non-Catholics, especially Jews. In the pivotal year of 1492 Ferdinand and Isabella conquered Granada, the last Muslim redoubt; they also expelled the Jews and dispatched Columbus on his fateful voyage. In 1502 all but a few Muslims were expelled from S. The country was unified in its present form in 1512.

S. reached its apogee as a European power under the Hapsburg dynasty (1516-1700), acquiring vast colonial domains in Central and South America, the Philippines and elsewhere. During the 18<sup>th</sup> century it was ruled by the Bourbon dynasty. Although it remained actively involved in Europe's dynastic rivalries, S. in this period began a long period of decline. Following an interlude of Napoleonic domination, the country turned inward in the 19<sup>th</sup> century as a series of civil wars over the monarchical succession and a brief republican period accelerated its decline. One by one, most of its colonies revolted, ending S.'s imperial ambitions. The country stayed neutral in WWI. In 1923 a right-wing military officer, Miguel Primo de Rivera, took power and established a dictatorship, but he was deposed by the king in 1930. Anti-monarchical forces compelled the king to abdicate in 1931 and S. became a republic. From the outset, the Second Republic was torn apart by fierce antagonisms between the left -- including socialists, communists, anarchists, regional groups like the Catalonians and Basques, and anticlericalists of varying types -- and the right, consisting of wealthy landowners and industrialists, the army, the Catholic church hierarchy, monarchists and defenders of a strong central state, virtually all of whom were ardent Spanish nationalists. While the right ran the govt in the Republic's early years, brutally smashing a miners' strike in 1934, a "popular front" of communists and socialists won the elections of 1936. With the backing of some 2 million anarchists, they turned S. sharply to the left.

A military coup in 1936 triggered the Spanish Civil War of 1936-39, a period of carnage and atrocities that ravaged the entire country. While the Republican forces received help from the Soviet Union and from "international brigades" of sympathetic volunteers from Europe and America, Generalissimo Francisco Franco led the right to victory with support from Hitler and Mussolini. He then set up a quasi-fascist military dictatorship, backed by the country's conservative forces. Franco's regime was heavily centralized in Madrid; Basque and Catalan nationalism were severely repressed. Franco kept S. neutral during WWII, spurning Hitler's pressures for more active engagement. After the war the country was mired in poverty, barely recovering from the social and economic devastation of the Civil War. But its strategic location astride the Mediterranean and Atlantic made it an attractive partner for the United States and its NATO allies in the Cold War. Although Franco's dictatorial regime precluded NATO membership, the U.S. signed an agreement establishing military bases in S. in 1953, and it was instrumental in bringing S. into the UN in 1955. Franco discarded the fascist features of his regime and in the late 1950s enlisted the support of economists, business people and technocrats to undertake economic reforms aimed at liberalizing trade, promoting industrial development and attracting investment. The modernization program worked, and a tourist boom that took off in the 1960s contributed to the economy's revival. In the late 1960s Franco granted limited powers to a partially elected legislature (the Cortes) and relaxed the censorship system. In 1947 the

Franco regime's Law of Succession provided for the restoration of the monarchy after Franco's death. Juan Carlos, the heir to the Bourbon throne, was designated the rightful successor to the monarchy in 1969. He was crowned king after Franco died in 1975.

Still in his thirties, Juan Carlos I played a critical role in leading S. to democracy. Together with PM Adolfo Suarez, he promoted the adoption of a democratic constitution in 1978 that established the two houses of parliament as elected bodies. He also helped open up the political system to competing political parties. The Spanish Communist Party supported the development of democracy, thereby helping to stabilize the situation. In 1981 a coup attempt by right-wing military officers who took over the Cortes quickly failed as the king strongly opposed it. In 1980 the govt accorded Catalonia and the Basque country home rule. The country was administratively divided into 17 autonomous regions, each with local powers of control over police, health, language instruction and tourism. The regions have only limited powers of taxation, however, a fact that is still a source of frustration among regional political leaders. Without the ability to raise their own revenue, the regional govts are financially -- and hence politically -- dependent on the central govt in Madrid in a number of policy areas. Terrorism on the part of separatist movements, especially in the Basque region, has provided a constant source of instability; about 800 people have been killed since the 1970s. Nevertheless, democracy scored an early triumph in the post-Franco years. As a result, S. joined the Council of Europe in 1977 and became a full member of NATO in 1982 and of the European Community in Jan 1986. The Socialist Workers Party of Spain (PSOE), once a radical left-wing party in the Second Republic, became a moderate, center-left party in the post-Franco era and maintained control of both houses of the Cortes between 1982 and 1996. Its charismatic leader, Felipe Gonzalez, was PM from 1986 to 1996. Under the Socialists, the Spanish economy grew at 5% a year in the late 1980s, and S. hosted the 1992 Olympics in Barcelona. But an economic slowdown boosted unemployment to 22% by the early 1990s, and several cabinet ministers were implicated in an anti-terrorist death squad that killed 27 Basque separatists in the 1980s. The Socialists lost power in the 1996 elections to the Popular Party, a center-right party akin to Christian Democratic parties in other European countries. Its leader, Jose Maria Aznar, became PM. The economy perked up, with yearly growth rates topping 3%; but unemployment, while lower, remained in double digits. S. qualified for the euro and adopted the currency with the other first-wave states in 1999. Aznar's popularity rose, while the Socialists had a difficult time finding a suitable successor to Gonzalez. In the next elections, held in March 2000, the Popular Party increased its share of the legislature, winning 183 out of 350 seats in the Congreso, the lower house of the Cortes -- an outright majority of 52.3%. Aznar remained as PM.

Aznar and his party were first elected in 1996 with the endorsement of moderate nationalist Basque and Catalanian politicians, who hoped to gain more power to formulate local policies. But in 2001, Jordi Pujol, the president of Catalonia's regional govt, announced that he would not seek reelection in 2003 because the lack of local taxation powers diminishes his govt's decision-making authority and, in his view, weakens its ability to improve economic conditions for Catalonia's 6 million people. The Basque problem has had more deadly implications. In 1998 the region's separatist movement, the Basque Fatherland and Liberty Party (ETA), which has taken responsibility for most of the violence associated with Basque separatism, suddenly announced a ceasefire and declared its readiness for negotiations. Aznar was the target of an ETA assassination attempt in 1995 when he led the Popular Party in opposition. Upon becoming PM, Aznar negotiated with ETA as well as with a moderate Basque party, the Basque Nationalist Party (PNV). The conclusion of the Good Friday accord in Northern Ireland raised hopes in both camps that a settlement might be possible. But no agreement was reached after more than a year, and in Dec 1999 ETA called off the ceasefire and resumed its bombings and assassinations of moderate Basque politicians, police officers and other govt officials. Aznar

broke off his talks with PNV, insisting that it renounce the agreement it made in 1998 with ETA's political wing. PNV leaders had hoped the agreement would moderate the ETA leadership. Regional elections in the Basque country in May 2001 showed rising support for the moderates and declining support for ETA. Perhaps for this reason, ETA stepped up its terror attacks in 2001 and 2002, but it did not kill anyone between May 2003 and Dec 2006. ETA declared a "permanent ceasefire" in March 2006. Zapatero sought negotiations and a Northern Ireland-style peace agreement; but in Dec 2006 he said that ETA had broken its ceasefire when it set off a car bomb at the main Madrid airport, killing two. In 2007 a pro-independence Basque party with no proven links to ETA won control of 17 town halls in elections held in the Basque region. (In 2002, Spanish courts had banned a party with known ties to ETA.) ETA killed two Spanish Civil Guards in France in Dec 2007. Since 1968, ETA has killed more than 800 people. In early 2008 ETA said it would base its future claims to independence on the outcome of Kosovo's status. ETA staged more than 20 bombings in 2008 and more than a dozen by late summer 2009.

Parliamentary elections took place on 14 March 2004 – three days after more than 200 people were killed in the bombing of a train in Madrid by terrorists linked to al Qaeda. Prior to the Madrid bombings, polls showed that Aznar's successor as chief of the People's Party, Mariano Rajoy, would lead the PP to another victory and replace Aznar as PM. But the bombings provided a strong boost to the center-left Socialists and their standard-bearer, **José Luis Rodríguez Zapatero**. Zapatero had openly attacked Aznar's support for the war in Iraq, a popular position in a country where 90% of the people opposed the war. Aznar's clumsy attempts to blame Basque terrorists for the bombings also played into Zapatero's hands. On election day, millions of young voters cast their first vote; turnout climbed to 77% (8% higher than in 2000). The Socialists took 42.6% of the popular vote and 164 seats in the 350-seat Cortes – a gain of 39 seats. The PP lost 65 seats. Lacking a clear majority, Zapatero's Socialists formed a minority govt that was supported in parliamentary votes by smaller friendly parties. Immediately upon assuming office, PM Zapatero announced that Spain would withdraw its 1,300 troops from Iraq ahead of schedule. He also sought to improve the central govt's ties with Catalonia and the Basque region. But in 2006 Catalonia's regional parliament sparked controversy when it adopted a new Autonomy Statute that defined Catalonia as a "nation." Advocates of national unity contended that this claim of Catalonian nationhood violated Spain's 1978 constitution, which refers to "the indissoluble unity of the Spanish nation" and grants rights of autonomy only to "nationalities and regions."

Even before the terrorist attack, immigration was a major problem. The govt estimates that approximately 50,000 legal and illegal immigrants are arriving each year, mostly job seekers from North Africa. Immigrants have grown from barely 1% of the population in 1991 to more than 6% by 2003, when they numbered 2.7 million. Nearly 40% come from Latin America and 35% come from other parts of Europe; 14% come from Morocco. Large influxes in 2000 and 2001 produced an anti-immigrant backlash among some segments of the Spanish public. Discrimination, exploitation and physical abuse of immigrants are common. As many as 1,000 illegal immigrants from Morocco arrived by boat in one week in the summer of 2001; perhaps as many as 3,000 have drowned in the last six years while attempting to reach Spain's shores. The EU estimated that there were about 800,000 illegal immigrants residing in S. in 2003. The Aznar govt enacted laws fining employers of illegal immigrants, and reached an agreement with Morocco to control the illegal smuggling of migrants. Several people linked with al Qaeda were arrested in S. after Sept 11. Nevertheless, S.'s low birth rate will probably result in a decline in working-age Spaniards by 2010, a prospect that makes the need for more immigrants in the future unavoidable.

The EU's Nice Treaty gave S. 27 votes in the Council once the EU has 27 members -- only 2 votes less than the UK, France Germany and Italy. S. therefore objected when the first draft of the EU Constitution in 2003 called for replacing this favorable voting system with a double majority system that required the winning side to represent 60% EU population. (Poland raised similar objections.) In 2004, S. accepted a compromise plan that called for a different double-majority voting system. In a consultative referendum on the EU Constitution held on 20 February 2005, 76.7% of those voting approved the document; only 17.2% voted against it, but turnout was only 42.3%. The two houses of the legislature subsequently ratified it. They ratified in the Lisbon Treaty in June and July 2008. S. has continuing problems with the UK over Gibraltar.

Parliamentary elections were held on 9 March 2008. After a bitter campaign that reflected long-standing differences between left and right, PM Zapatero's Socialists won a convincing victory over the center-right Popular Party led by Mariano Rajoy. Backed by the Catholic Church, the Popular Party criticized the Zapatero govt's liberalization of gay rights and divorce laws. Rajoy also attacked Zapatero for widening the autonomy rights to Spain's regions and for granting amnesty to 600,000 illegal immigrants. Young voters turned out in large numbers in support of the Socialists; turnout was 75.3% of eligible voters. The Socialists won 44.1% of the popular vote and 169 seats out of 350 in the lower house (the Congress of Deputies), a gain of 5 seats. The Popular Party won 40.1% of the vote and 154 seats, a gain of 6 seats. The Socialists' near-majority would permit PM Zapatero to govern with less reliance on coalition partners. In the 208-seat Senate, the Popular Party won 101 seats and the Socialists 89 seats.

Unemployment remained chronic, exceeding 20% in 2010; the budget deficit topped 11% of GDP.

**UNITED KINGDOM** The population of the UK of Great Britain and Northern Ireland, now approximately 60.5 million, is 81.5% English, 9.6% Scottish, 2.4% Irish, 1.9% Welsh; about 1.8% live in Northern Ireland, and immigrants who have arrived during the past 50 years or more from India, Pakistan, Africa and the Caribbean constitute about 2.8%. About 26% of the people of Wales speak Welsh, and about 60,000 Scots speak the Scottish variant of Gaelic. There are 27 million Anglicans, 9 million Roman Catholics, 1.4 million Muslims (2.5% of the population), 800,000 Presbyterians, 760,000 Methodists, 400,000 Sikhs, 350,000 Hindus and 300,000 Jews. Following referendums held in 1997, the govt of PM Tony Blair in 1999 put into effect the devolution of decision-making authority from the national govt in London to local legislatures and executives in Wales and Scotland. The Welsh and Scottish bodies are responsible for local matters concerning transportation, education, housing and the like. In 1998 the "Good Friday" agreement called for the reestablishment of the Northern Ireland legislature and local govt in Stormont (a suburb of Belfast). The Stormont govt's authority had been suspended by the British govt in 1972. Prior to the Good Friday accord, approximately 3,200 people had lost their lives in sectarian violence since 1969, when a new wave of fighting between Protestants and Catholics in the region broke out. The Good Friday agreement was brokered by the Clinton administration's special envoy, former U.S. Senator George J. Mitchell. It was ratified by large majorities of Protestants and Catholics in N. Ireland, as well as by a majority of voters in Ireland. The accord's implementation was repeatedly delayed because of the failure of the local militias -- particularly the Irish Republican Army (IRA) -- to disarm. The Blair govt suspended local authority in N. Ireland again in Oct 2002 and reimposed direct rule from London. In 2005, the IRA agreed to turn in its weapons. After prolonged negotiations, the



N. Ireland Assembly was reconstituted in 2006 on a transitional basis following the St. Andrews Agreement between the governments and the main parties. Elections to a new Assembly took place in March 2007. Ian Paisley's hardline Protestant Democratic Unionist Party won the most seats (36), followed by Sinn Fein, the political arm of the IRA. The more moderate Protestant and Catholic parties lost seats but finished third and fourth. (This was a *regional* election, not a national election.) On 8 May 2007, devolved govt returned to N. Ireland in a ceremony at the Stormont parliament building. Rev. Paisley, for decades the leader of the hardline Protestants, became first minister (i.e., head of N. Ireland's regional govt) and the chief negotiator of Sinn Fein became deputy first minister. In regional elections to the Scottish Parliament in May 2007, the pro-independence Scottish National Party (SNP) for the first time emerged as the largest party, winning 47 seats (a gain of 20). The Labour Party, traditionally the largest in Scotland, won 46 seats (a loss of 4 seats).

The UK was a charter member of NATO in 1949, an outgrowth of its wartime alliance and "special relationship" with the United States. Its ties with Europe have been more complicated. Although Winston Churchill called for the creation of a "United States of Europe" in 1946 and organized the United Europe Movement the following year, his vision of European cooperation differed substantially from the federalist concept advocated by continental proponents of integration. Churchill favored little more than a loose organization of European states, each acting in accordance with the interests and decisions of its national govt. He opposed supranational institutions that could make decisions over the heads of the individual member states. By contrast, the federalists in the late 1940s wanted a European constituent assembly that would draw up a constitution for a truly unified United States of Europe. Ultimately, neither of these early notions of European integration panned out. When France, West Germany, Italy and the three Benelux countries formed the European Economic Community (EEC) in 1957/58, they endowed the organization with both supranational and intergovernmental decision-making institutions. Britain had been invited to attend the 1955 Messina conference that was convened to discuss European integration, but its Conservative govt declined. Britain's foreign policy was based primarily on its "special relationship" with the United States, though the historic partnership was severely strained in 1956, when the Eisenhower administration ordered Britain to call off its invasion of Egypt after Nasser's govt nationalized the Suez Canal. The UK also felt that its economic interests were best served by staying out of a supranational European organization and customs union. It saw its prosperous economy as a partner and competitor of the U.S. rather than as a medium-sized European economy. It also feared that its food imports and other preferential agreements with the British Commonwealth nations would be damaged by the EEC's customs union and Common Agricultural Policy, and it did not want to lose control over the pound sterling. In order to take advantage of free trade arrangements with other countries without creating supranational institutions, the UK in 1959 proposed the establishment of a European Free Trade Association as an alternative to the EEC. The EFTA agreement was negotiated in 1959 and took effect in 1960. Its charter members were the UK, Austria, Denmark, Norway, Portugal, Sweden and Switzerland. Finland became an associate member in 1961 and a full member in 1985. Iceland joined in 1970 and Liechtenstein in 1991.

The EEC proved its success more convincingly and rapidly than many British leaders had assumed, and in Aug 1961 the Conservative govt under PM Harold Macmillan – with the encouragement of the Kennedy administration – applied for membership. (Denmark, Ireland and Norway also applied.) But Britain's application was rebuffed by French President Charles de Gaulle in Jan 1963. The French leader shared Britain's preference for a loose "Europe of states" rather than a supranational federation, but he objected to Britain's special relationship with the United States. De Gaulle wanted a "European Europe" led by France, and he proclaimed that

Britain's membership would transform the EEC into "a colossal Atlantic community under American domination and direction." This statement amounted to a de facto French veto of British membership, and the accession talks were suspended. Britain applied for membership again in 1967 under PM Harold Wilson, whose Labour Party was deeply divided on the economic desirability of European Community membership. De Gaulle again imposed a de facto veto. Only after de Gaulle retired in 1969 was Britain's application taken up under his successor, President Georges Pompidou. After the UK and the EEC worked out special arrangements for the Commonwealth countries, the complicated negotiations were completed under Conservative PM Edward Heath, who was staunchly pro-Europe, in 1971. Harold Wilson opposed the agreement, reflecting continuing divisions in the Labour Party about the benefits of membership. Labourites objected that the UK would be a net contributor to EC funding rather than a net recipient. Wilson wanted a referendum on EU membership, which Heath refused, and he vowed to renegotiate the accession agreement if he became PM. Heath got the EC to agree to a Regional Development Fund to aid Wales and other impoverished parts of the UK. France held a referendum on enlargement in 1972; 61% voted in favor of admitting the UK and the other applicants. On 1 Jan 1973, the UK formally joined the European Community. But the Conservatives lost the Feb 1974 elections and Heath was replaced by Wilson, who insisted on a renegotiation of Britain's membership terms. After 11 months of talks, Britain got an agreement ensuring that it would not contribute more than its fair share to the EC budget, and it won some concessions on its dairy trade with New Zealand. Wilson supported the largely cosmetic, face-saving agreement but Labour was still internally divided. Britain held a referendum on the agreement in 1975. With both Wilson and Conservative Party leader Margaret Thatcher favoring a "yes" vote, 67% voted yes and 33% voted no. Wilson remained largely indifferent to the EC, as did his successor, PM James Callaghan. By choice, the UK had little effect on the EC in the 1970s.

The Conservatives won the 1979 elections and Thatcher became PM. The Conservatives were themselves internally split on Britain's relationship with the EC. Its big business wing – especially in the City of London's prosperous financial community – mostly favored close ties with the EC, but Thatcher and her ideological right wing of the party disdained supranationalism and the increasingly interventionist Brussels bureaucracy. In a speech in Bruges in 1988 she summarized her view that "cooperation between independent sovereign States is the best way to build a successful European Community"; she flatly opposed "a European super-state exercising a new dominance from Brussels." These views were very much in keeping with de Gaulle's state-centered, intergovernmentalist vision of Europe. But although she was a Euroskeptic, Thatcher was also a free marketeer who favored trade liberalization throughout Europe. She therefore strongly supported the Single European Act of 1986, which set the stage for a real common market among the EU countries based on the free movement of goods, services, capital and people. Meanwhile, Thatcher demanded (and got) a reduction in Britain's EC contributions, while working to make sure that Britain got its share of EC regional development funds. Thatcher's forceful views on Europe and on various domestic issues sharpened the divisions within her own party, and at the end of 1990 the Conservative members of Parliament voted to dismiss her as party leader, and thus as PM.

Her successor was John Major, a more moderate and accommodating figure. Major was more favorably disposed towards Europe than Thatcher was, but the split between Euroskeptics and pro-Europeans within Conservative ranks became so acrimonious that he had little authority to play a strong leadership role. When the EC heads of govt met in Maastricht in Nov 1991 and decided to establish an Economic and Monetary Union by the end of the decade – complete with a common currency and central bank – Major announced that Britain would not take part. Major agreed to sign the Treaty of Maastricht in Feb 1992 only after the other members permitted the

UK to opt out of the provisions on EMU. Britain also opted out of the European "Social Chapter," which advocated greater rights and welfare benefits for workers than Major's govt was prepared to accept. Major voiced additional objections to the Maastricht Treaty's provisions for a "common foreign and security policy," fearing that it would require Britain to weaken its close diplomatic and security cooperation with the United States. Although Major led the Tories to another electoral victory in 1992, his leadership of the party progressively unraveled over European issues. In 1992 the weak British economy prompted currency traders to undertake a massive selloff of pounds. As a member of Europe's Exchange Rate Mechanism (ERM), Britain was entitled to assistance from the central banks of the other participating states to bring the pound's value back to its prior levels. But the other states – led by the powerful German Bundesbank – declined to assist the British on the grounds that the pound was overvalued. Major abruptly pulled Britain out of the ERM in Sept 1992 ('Black Wednesday'), a move that appeared to justify the Euroskeptics' suspicions of European cooperation. Nevertheless, Major called on the Conservative Party majority in the House of Commons to approve the Maastricht Treaty, convinced that the opt-outs he had negotiated made the agreement palatable -- and even desirable -- for Britain. But as many as 26 Tories deserted him and voted against the treaty as it came up for a series of votes, defying Major's threats to penalize recalcitrant Conservative MPs. Major became so exasperated at one point that he called for a vote of confidence on his govt; a number of Tories voted against him, but he managed to scrape by with a narrow victory. Ultimately he got the Parliament to accept the Maastricht Treaty, but in 1995 he forced the issue of his leadership again, resigning as Conservative Party leader. The Tory MPs voted to reinstate him, but defections from the party's delegation reduced the Conservative majority to zero by the end of 1996. In the same year another controversial European issue arose when British cattle were overcome by "mad cow disease," a malady whose effects could be fatal to humans. As the other EU countries banned the import and sale of British beef, Britain destroyed 3 million head of cattle and lost about \$5 billion in sales. While Britons understood the gravity of the epidemic, many became highly critical of the EU for waiting until the end of Nov 1998 before deciding to lift the ban.

With the Conservatives in complete disarray, Tony Blair led the center-left "New Labour Party" to a resounding victory in the elections held on 1 May 1997. Blair and his large Labour majority in the House of Commons (63% of the seats) adopted the EU's Social Chapter. With the passage of the Human Rights Act, which took effect in Oct 2000, British courts were now pressured to comply in their rulings with the European Convention on Human Rights. The law in effect substitutes for a British bill of rights, which does not exist as a written document in British law. Blair made no secret of his support for Britain's eventual adoption of the euro, but with public opinion running as much as 2 to 1 against the currency, he put off a promised referendum on the issue. Nevertheless, Blair's govt took a number of technical measures to prepare the country for the eventual adoption of the common currency. While moving closer to EU positions in these and other areas, Blair opted out of the Schengen framework that eliminates border controls within the EU. Blair's govt acted to keep illegal immigrants out of Britain as much as possible, and substantially reduced the number of asylum applications it approved. (According to the govt, asylum applications declined 41% between 2002 and 2003.) Immigrants trying to enter Britain illegally via the English Channel tunnel have been rounded up with a view to sending them back to their country of origin. In 2004, following a large anti-terrorist operation, Muslim leaders in Britain called for cooperation with British police. But polls showed that 13% of Britain's Muslims regarded future terrorist attacks on the US as "justified," while 64% said that the UK's anti-terrorist laws were being enforced unfairly. And surveys revealed that 81% of British Muslims considered themselves Muslims first and British second, while a third of the general British public regards immigration from the Middle East as a "bad thing."

The ultra-right British National Party, which advocates "firm but voluntary" measures to induce non-white immigrants to leave Britain and to restore the country's mostly white racial balance that it had before 1948, won only 0.7% of the vote in the 2005 House of Commons elections, earning no seats.

In foreign policy and defense matters, Blair maintained close ties with the United States. Clinton was a close friend, and Blair's influence was important in persuading Clinton to get involved in Bosnia and to consider the possible use of ground forces in Kosovo. Blair rushed to Bush's support after Sept 11 and provided military support in Afghanistan. Blair also provided the most explicit support in Europe for Bush's policy towards Iraq, in spite of sharp objections to war within the Labour Party and even among some Conservative MPs. (A majority of the British public also opposed war in 2002.) Blair expressed his support for Turkey's admission into the EU, another Bush administration policy. Meanwhile, Blair persuaded Bush to get UN Security Council approval for new inspectors in Iraq before going to war. But he also clashed with Pres. Chirac and Chancellor Schroeder, who led the opposition to Bush's war policy. Blair openly called for the inclusion of the incoming EU members from Central and Eastern Europe -- most of whose govts backed the US on Iraq -- at a special EU summit on Iraq in Feb 2003; but France and Germany blocked their inclusion. Blair persuaded Bush to make some exceptions in the application of the administration's steel tariffs, which hurt the steel industry in the UK and other European countries. At the same time, Blair voiced his disagreement with other Bush administration policies, such as its rejection of the Kyoto Protocol and the International Criminal Court. But Blair got Bush to agree that "realistic multilateralism" should constitute the basis of their foreign policy. Meanwhile, Blair moved towards closer defense cooperation with France, starting with the St. Malo declaration in 1998. Blair saw himself as a bridge between Europe and the U.S.

Blair's role as Pres. Bush's staunchest defender in Europe during the Iraq war cost him dearly. In the weeks leading up to the U.S.-British invasion, more than 100 Labour Party MP's voted against resolutions supporting the war, and massive demonstrations underscored the opposition of the vast majority of Britons. Blair predicated his support for war on the presence of weapons of mass destruction in Iraq. When no such weapons were subsequently found, Blair was forced to accept a parliamentary inquiry over charges that his govt had "sexed up" its claims about the weapons. The crisis was exacerbated when a British intelligence analyst involved in the pre-war weapons assessments committed suicide after being grilled by parliamentary investigators. A respected judge, Lord Hutton, was called upon to conduct an investigation; Blair himself testified before the justice. Hutton's report, issued in January 2004, cleared Blair's govt of having "sexed up" its intelligence dossier on the WMD. But Blair publicly took personal responsibility for his govt's intelligence failure.

The Conservatives, for their part, remained as divided on Europe as ever. William Hague succeeded Major as party leader after the 1997 elections and held his party together by taking a largely Euroskeptic approach. Hague stepped down after Labour routed the Tories once again in the June 2001 elections. Despite widespread feelings that the Blair govt had not delivered on its promises to improve social services, British voters saw little reason to vote for the Tories. European issues played virtually no role in the 2001 election campaign. (Candidates from the UK Independence Party, which advocates withdrawal from the EU, won no seats in Parliament.) After the elections, the Tories elected Iain Duncan Smith as their new leader. Duncan Smith has also adopted a pronouncedly Euroskeptical stance. Disappointment in Duncan Smith's leadership led to the election of Michael Howard as party leader in 2003. In 2004, the Tories agreed to participate in the EPP-ED group of center-right parties in the European Parliament, but with the provision that the Tories may pursue their own agenda favoring a Europe of states rather than a more federal Europe. Some Tories objected to the deal, preferring independence from the more

pronouncedly pro-EU center-right parties in the EP. The Tories' "Euro-critical" position may make good political sense. The British are the least "European" of all the populations of the EU member states. Whereas more than half the adult population in the other countries is favorable to Europe, only about 35% have pro-European attitudes in the UK. Many Britons are opposed to supranationalism in principle, and many raise more specific objections to a variety of regulations imposed by the European Commission and the Brussels bureaucracy. Many believe that the continental Europeans do not appreciate or respect the UK's parliamentary traditions. And many object to giving up the pound and the independent Bank of England.

Blair stressed Britain's objections to the adoption of common EU tax laws. As a result, the draft EU Constitution did not permit the harmonization of tax policies by majority vote, as demanded by Pres. Chirac and other European leaders. Any such change must be approved unanimously. In June 2003 Chancellor of the Exchequer Gordon Brown announced a postponement of a decision on the euro, promising only to determine next year if there are grounds for a reassessment of his position. Of the five "tests" that Brown set for Britain's adoption of the common currency, only four have thus far been met. While evidence for the "City test" – the effects of the euro on London's giant financial industry – is positive, Brown argued that the case for adopting the euro anytime soon has not passed the "convergence test," which measures the extent to which the British economy has converged sufficiently with the euro-zone countries; the "flexibility test," which reflects the British economy's ability to absorb economic shocks from euro countries without control over its own monetary and exchange rate policy; the "investment test," which relates to the euro's impact on investment levels in Britain; and the "jobs and prosperity test," which refers to the euro's impact on Britain's labor market and economic growth. Blair was probably still be more committed to the euro than Brown, but it is unlikely that there will be a referendum on the issue until the future of the EU Constitution is sorted out.

Blair's plummeting popularity resulted in a disastrous showing for the Labour Party in the June 2004 elections to the European Parliament. Labour got only 22.6% of the vote. The Conservatives did not do much better (26.7%). The pro-euro Liberal Democrats won 14.9%. Strikingly, the UK Independence Party, which wanted Britain to withdraw from the EU, registered a substantial 16.1% of the vote. The UKIP's leader was Robert Kilroy-Silk, a controversial former BBC broadcaster. After the elections, the UKIP joined with "Euro-critical" parties in forming a new party bloc in the EP. A number of anti-EU Conservatives were expected to join the new formation. Kilroy-Silk quit the UKIP in 2005.

In the elections to the House Of Commons held on 5 May 2005, Blair's Labour Party fell from 413 seats to 356, but retained a healthy majority in the 693-seat house. The Tories picked up 31 seats (197) and the Liberal Democrats gained 10 new seats (62), but both opposition parties fell short of their anticipated goals. With the economy in good shape, most Britons focused on Blair's untrustworthiness in the Iraq issue, as evidence surfaced that he had lied or misled the public when arguing in favor of joining in the 2003 invasion. Opposition to Blair in the Labour Party was especially strong, and after the elections some members called openly for Blair to resign in favor of Gordon Brown. The terrorist attacks in London in the summer of 2005, and the govt's swift response in rounding up suspects, may have worked in Blair's favor. Blair also won plaudits at home – including a standing ovation from Tory MPs — for standing up to Pres. Chirac at the June 2005 EU summit by calling for reductions in EU spending for agriculture, increases in technology development and support for a more competitive Europe in the global economy. Following the defeats suffered by the EU Constitution in the French and Dutch referendums, Blair postponed holding a referendum in the UK, where the Constitution faced major opposition. Votes on ratification in the two houses of Parliament were also postponed indefinitely. The UK assumed the 6-month presidency of the EU Council on 1 June 2005. Its priorities were economic reform (focusing on the internal market, the business climate, the labor market, the knowledge society and EU finances); social justice (growth and living standards); security and stability (counter-terrorism; people trafficking; enlargement); and Europe's role in the world (Doha agenda; Africa; climate change; Middle East; Balkans; defense; and reform of the EU's sugar regime). The UK presidency's achievements were modest, but it managed to broker an EU budget deal at the Dec. 2005 European Council summit. In the same month, **David Cameron** became the new head of the Conservatives. Under pressure from Labor Party MPs and members, Tony Blair agreed in 2006 to resign in 2007. On 27 June 2007 Blair resigned and Gordon Brown, the Labour Party's new leader, succeeded him as prime minister. Brown suffered a rapid descent in the polls and Labour met defeat in by-elections.

The House of Commons took no vote on the EU Constitution. It ratified the Treaty of Lisbon in March 2008 by a vote of 346-206, with 81 abstentions. The House of Lords approved the Treaty in June. Ratification became completed on 19 June after the Queen's Assent (an obligatory formality). There was no referendum. In the June 2009 European Parliament elections, Labour fell to 15.7% of the vote, winning only 13 seats and falling behind the Conservatives (27.7% and 25 EP seats) and the UKIP, whose EP vote rose to 16.5%, giving it 13 seats (+1). The extreme-right British National Party won 2 EP seats. Shortly after the elections, Cameron joined with other euroskeptic parties in disbanding the European Democrats (ED), the EP party that was previously affiliated the more pro-EU European People's Party (EPP). They and other parties formed a new center-right EP group, the European Conservatives and Reformists (ECR).

Upon the expiration of the Brown govt's 5-year term, elections to the 650-member House of Commons were held on 6 May 2010. The result was a hung parliament, with an unusually wide gap between the number of seats needed for a majority (326) and the seats won by the two largest parties: the Conservatives won 306 seats (a gain of 97 over 2005), Labour 258 (a loss of 91). The centrist Liberal Democrats won 57 seats (-6). A few smaller parties, mostly from Northern Ireland, Scotland and Wales, shared the rest. The moderately leftist Green Party won 1 seat. The main right-wing parties – the UK Independence Party and the British National Party – won no seats, but the UKIP finished fourth in the popular vote (3.1%). On 12 May the Conservatives and Liberal Democrats agreed on the terms of a coalition govt. Cameron became PM of the center-right govt and Nick Clegg, the LibDem leader, became deputy PM. This was the first British coalition govt since the WWII-era "national unity" cabinets.

Brown resigned as head of the Labour Party. Harriet Harman became temporary party chief until Sept 2010, when elections were held within the party for a new leader. Of the five declared candidates, the top two were brothers: David and Ed Miliband. Their father, Ralph Miliband, was a Marxist scholar and is buried next to Karl Marx in London's Highgate Cemetery. David, who served for 3 years as Blair's foreign secretary, was favored by the party's right wing. Ed, who joined Brown's cabinet in 2007, appealed to the Labour left. The multi-round elimination system accords equal weight to three groups: Labour MPs, dues-paying party members and Labour-affiliated trade union members. In the fourth round, 262 Labour MPs, about 120,000 party members and some 200,000 union members voted. On Sept 25 Ed Miliband was declared the winner, beating his brother with 50.65% of the cumulative percentages to 49.35%. David won more votes among MPs (17.81% to 15.52%) and party members (18.13% to 15.2%), but Ed outscored him among union members (19.93% to 13.4%).

The UK economy was expected to grow by 1.6% in 2009-10; unemployment stood at about 7.8%. But even though the UK remained outside the eurozone, its budget deficits were among the highest in the EU, reaching 11.4% of GDP in 2009 and 12.6% in 2010.

## ECONOMIC AND MONETARY UNION (EMU)

### EUROPEAN MONETARY SYSTEM

- 1) 1979: EST. AN *EXCHANGE RATE MECHANISM* TO KEEP BILATERAL EXCHANGE RATES WITHIN BANDS RELATED TO A EUROPEAN CURRENCY UNIT
  - 2) UK JOINS IN 1980
  - 3) BENEFITS GERMANY; CRISIS IN EARLY 1990s

### MAASTRICHT TREATY EMU CONVERGENCE CRITERIA:

- 1) *PRICE STABILITY*: INFLATION NO MORE THAN 1.5% ABOVE THREE BEST-PERFORMING STATES
- 2) *GOVT FINANCES*: BUDGET DEFICIT NO MORE THAN 3%, AND GROSS DEBT NO MORE THAN 60%, OF GDP
- 3) *EXCHANGE RATE STABILITY*: KEEP CURRENCY WITHIN EUROPEAN MONETARY SYSTEM (EMS) BANDS FOR 2 YRS WITHOUT DEVALUATION
- 4) *AVG LONG-TERM INTEREST RATES*: NOT MORE THAN 2% ABOVE 3 BEST PRICE STABILITY PERFORMERS

### STABILITY AND GROWTH PACT ADOPTED DEC 1996

- 5) A COUNTRY'S ANNUAL DEFICIT MAY EXCEED 3% *IF* ITS GDP DROPS AT LEAST 2% THAT YEAR OR IT EXPERIENCES A MAJOR SETBACK BEYOND ITS CONTROL (e.g., NATURAL DISASTER)
- 6) IF ITS GDP FALLS BETWEEN 0.75% AND 2.0%, FINANCE MINISTERS OF EURO COUNTRIES MAY DECIDE WHETHER OR NOT TO IMPOSE A PENALTY
- 7) IF GDP FALLS 0.75% OR LESS, OR IF IT GROWS, A COUNTRY WHOSE DEFICIT EXCEEDS 3% OF GDP MUST PAY A PENALTY IN THE AMOUNT OF:



- BETWEEN 0.2% AND 0.5% OF GDP, DEPOSITED WITH EUROPEAN CENTRAL BANK
  - IT IS RETURNED – MINUS INTEREST – IF THE EXCESSIVE DEFICIT IS ELIMINATED WITHIN 2 YEARS; AFTER 2 YEARS, IT'S A FINE
  - THE COMMISSION ENFORCES THESE RULES
- 8) COUNTRIES MUST BALANCE THEIR BUDGETS BY 2004 (LATER CHANGED TO 2006)
- 9) 1997: EUROPEAN COUNCIL REJECTS FRENCH PM JOSPIN'S REQUEST TO RENEGOTIATE PACT
- 10) PRODI CALLS THE PACT "STUPID" (10/02) – BECAUSE ITS STRICT LIMITATIONS ON GOVT SPENDING INHIBIT GROWTH IN THE CURRENT RECESSION
- 11) 2002: DEFICITS OF PORTUGAL, FRANCE, & GERMANY EXCEED 3% OF GNP; FRANCE FLOUTS COMMISSION
  - JAN 2003: COMMISSION TELLS FRANCE & GERMANY TO REDUCE DEFICITS (NO FINES)
    - 2003: GERMANY & FRANCE EXCEED 3% AGAIN (U.S.: > 4%; JAPAN: > 7%);
    - COMMISSION WARNS FRANCE AND GERMANY TO REDRESS BUDGET BALANCES, BUT REFRAINS FROM IMPOSING FINES FOR NOW
- 12) CHIRAC, PRODI & OTHERS CALL FOR MODIFICATIONS, REFORMS TO LOOSEN THE 3% RULE; BUT AUSTRIA, IRELAND, NETH FAVOR CURRENT SYSTEM
- 13) FRANCE & GERMANY WILL EXCEED 3% AGAIN IN 2004 AND PERHAPS 2005
- 2004: COMMISSION BRINGS COUNCIL BEFORE ECJ, CHARGING THAT COUNCIL FAILED TO RECOMMEND BUDGETARY POLICIES TO FRANCE & GER

2005: UNDER PRESSURE FROM FRANCE & GERMANY, COUNCIL OF MINISTERS (ECOFIN) RELAXES SGP RULES:

- CEILINGS FOR BUDGET DEFICIT (3% OF GDP) AND PUBLIC DEBT (60% OF GDP) REMAIN, BUT:
- STATES GET MORE FLEXIBILITY IN MAKING ANNUAL ADJUSTMENTS TO MEET THESE GOALS, TAKING ACCOUNT OF CYCLICAL FLUCTUATIONS & COSTS OF STRUCTURAL REFORMS
- "EXCEPTIONAL CIRCUMSTANCES" UNDER WHICH A STATE MAY EXCEED SGP'S 3%/GDP LIMIT ARE BROADENED:
  - DEFINITION OF A "SEVERE ECONOMIC DOWNTURN" IS LOOSENED TO INCLUDE ANY NEGATIVE GROWTH RATE OR EVEN A LOW POSITIVE GROWTH RATE
  - LIST OF "OTHER RELEVANT FACTORS" TO BE TAKEN INTO ACCOUNT IS SPECIFIED
  - TIME FRAME FOR ANNUAL AND MEDIUM-TERM CORRECTIVE ACTION CAN BE EXTENDED IF UNEXPECTED EVENTS OCCUR OR IF DEBT-TO-GDP RATIO RISES
- ADDITIONAL REFORMS AIMED AT PERMITTING STATES MORE LEEWAY IN REACHING SGP TARGETS BEFORE BEING PENALIZED

JAN 2007: FRANCE BRINGS DEFICIT TO 3%, COUNCIL CLOSES "EXCESSIVE DEFICIT PROCEDURE"

### EUROPEAN CENTRAL BANK (ECB)

EST 1 JUNE 1998; FRANKFURT-AM-MAIN

*GOVERNING COUNCIL* – EXECUTIVE BOARD + GOVERNORS OF CENTRAL BANKS OF EURO ZONE

1) ECB'S HIGHEST DECISION BODY; DEFINES MONETARY POLICY

- FIXES INTEREST RATES AT WHICH COMMERCIAL BANKS GET LIQUID FUNDS FROM CENTRAL BANKS

- BUT ITS MISSION IS TO KEEP INFLATION DOWN (2% OR BELOW); UNLIKE U.S. FED, IT IS NOT RESPONSIBLE FOR GROWTH OR UNEMPLOYMENT

*EXECUTIVE BOARD* -- PRES (DUISENBERG), VP (PAPADEMOS), + 4 MEMBERS, ALL APPOINTED BY COMMON ACCORD OF HEADS OF EURO ZONE GOVTS

-- IMPLEMENTS GOVERNING COUNCIL'S MONETARY POLICY; INSTRUCTS NATIONAL CENTRAL BANKS; DAY-TO-DAY MANAGEMENT

*GENERAL COUNCIL* -- PRES & VP OF ECB AND GOVERNORS OF CENTRAL BANKS OF EU-15

-- PROVIDES ADVICE & COORDINATION

- PREPARES FUTURE ENLARGEMENT OF EURO ZONE

LISBON TREATY (2009) MAKES ECB AN OFFICIAL INSTITUTION OF THE EU

## THE EURO

JAN 1999: EURO INTRODUCED IN NATIONAL & INT'L BANKING TRANSACTIONS; VALUE SET AT \$1.18

2) 11 INITIAL MEMBERS OF EURO-ZONE (OR "EUROLAND":) AUSTRIA, BENELUX, GERMANY, FINLAND, FRANCE, ITALY, IRELAND, PORTUGAL, SPAIN; GREECE, 2001; SLOVENIA, 2007

28 SEPT 2000: IN DENMARK, 53.2% VOTE AGAINST EURO (87.6% TURNOUT) – EVEN THOUGH GOVT FAVORED IT

JAN 2002: EURO NOTES AND COINS INTRODUCED

JUNE 2003: GORDON BROWN, UK CHANCELLOR OF THE EXCHEQUER, POSTPONES DECISION ON EURO, SAYING THAT 4 OF HIS 5 "TESTS" HAVE NOT BEEN MET; UK CONTINUES TO BALK

14 SEPT 2003: IN SWEDEN, 55.9% VOTE AGAINST EURO (82.6% TURNOUT), THOUGH GOVT FAVORED IT

2003-04: EURO RISES STRONGLY VS DOLLAR (> \$1.25); 2007: \$1.50

2009: LISBON TREATY MAKES EURO THE EU'S OFFICIAL CURRENCY, EVEN THOUGH NOT ALL EU MEMBER STATES USE IT

-- ALL M.S. MUST ADOPT IT WHEN QUALIFIED UNLESS GRANTED AN OPT-OUT

2010: EUROZONE HAS 16 EU MEMBERS; EURO IS USED IN 6 SMALL NON-EU STATES (SEE LIST ABOVE)

## LISBON STRATEGY

PROMPTED BY FEARS THAT LOW GROWTH, AGING POP. & INT'L COMPETITION COULD DECREASE GROWTH BY 1% PER YEAR OR MORE AND MAKE EU SOCIAL & ENVIRONMENTAL MODEL "UNAFFORDABLE"

OCT 2000 IN LISBON: EURO. COUNCIL LAUNCHES REFORMS AT NATIONAL AND EU LEVELS TO IMPROVE INTERNAL MARKET, BOOST RESEARCH & INNOVATION AND IMPROVE EDUCATION SO AS TO MAKE THE EU 'the most dynamic and competitive knowledge-based economy' IN THE WORLD BY 2010

2005: EU SELF-EVALUATION SAYS "results are not very satisfactory"; IMPLEMENTATION BY MEMBER STATES IS "scarce"

28 MAIN OBJECTIVES, 120 SUB-OBJECTIVES, 117 INDICATORS, 300 ANNUAL REPORTS ("Nobody reads all of them")

WILL NOW NARROW FOCUS TO PRODUCTIVITY & EMPLOYMENT; NEED 1 NATIONAL GROWTH PROGRAM AND 1 EU GROWTH STRATEGY

## TREATY ON EU CONSTITUTION

- 1) CONVENTION IN 2002-03 TO CONSIDER CODIFYING AND SIMPLIFYING MAIN EU INSTITUTIONS, RULES AND GOALS
- 2) 102 DELEGATES; CHAIRED BY FORMER FRENCH PRES. VALERY GISCARD D'ESTAING
- 3) FOLLOWING CONVENTION, FIRST DRAFT PRESENTED AT SALONIKA SUMMIT, JUNE 2003
- 4) AFTER IGC AND OTHER NEGOTIATIONS, REVISED DRAFT PRESENTED AT BRUSSELS SUMMIT, JUNE 2004
- 5) SIGNED IN ROME, 29 OCT 2004 BY 25 + 3 CANDIDATES; LATER APPROVED BY EP
- 6) HAD TO BE RATIFIED BY ALL 25 MEMBERS TO TAKE EFFECT
- 7) BY NATIONAL LAW, DEN & IRELAND HAD TO HOLD BINDING REFERENDUMS

2004-06: PARLIAMENTS OF 16 STATES RATIFIED CONSTITUTION

### RATIFICATION BY PARL. AFTER CONSULTATIVE REF.

- |        |   |
|--------|---|
| *SPAIN | REF., FEB 05: 76.7% YES (TURNOUT: 42.3%); PASSED BOTH HOUSES, APRIL & MAY |
| *LUXEM | REF., JULY 05: 56.5% YES; PASSED IN PARLIAMENT, OCT 2005                  |
| NETH   | REF., JUNE 05: 61.7% VOTE NO (TURNOUT: 63%); VOTE IN PARLIAMENT POSTPONED |

REFERENDUM ONLY: FRANCE, MAY 05: 54.7% VOTE NO  
(TURNOUT: 69.3%)

- 18 STATES HAD RATIFIED (OR NEARLY RATIFIED) THE CONSTITUTION BY MID-2007; 7 STATES POSTPONED RATIFICATION AFTER THE DUTCH AND FRENCH VOTES

8) FOLLOWING THE CONSTITUTION'S REJECTION BY FRENCH AND DUTCH VOTERS, THE EUROPEAN COUNCIL ISSUED A DECLARATION AT ITS SUMMIT OF 16-17 JUNE 2005 STATING THAT "we do not feel that the date initially planned for a report on ratification of the Treaty, 1 November 2006, is still tenable" BECAUSE COUNTRIES THAT HAVE NOT YET RATIFIED IT "will be unable to furnish a clear reply before mid-2007"

9) EU ENTERED A "PERIOD OF REFLECTION" AND DISCUSSION

REFORM TREATY (TREATY OF LISBON)

JULY 2007: EU NEGOTIATES SOME REVISIONS OF THE CONSTITUTIONAL TREATY

13 DEC 2007: REVISIONS INCORPORATED INTO A NEW TREATY, SIGNED AT LISBON SUMMIT

LISBON TREATY REPLACES THE CONSTITUTIONAL TREATY, AMENDS EARLIER TREATIES

-- IN ABOLISHING THE 3 PILLARS, IT RENAMES EEC TREATY OF ROME (1957), WHICH MAASTRICHT (1993) RE-NAMED THE *TREATY ON THE EUROPEAN COMMUNITY (TEC*; 1<sup>ST</sup> PILLAR); AMENDED TREATY OF ROME IS NOW CALLED THE *TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION (TFEU)*

-- MAASTRICHT'S 3<sup>RD</sup> PILLAR (*JUSTICE & HOME AFFAIRS*) IS FOLDED INTO THE NEW *TFEU* AND IS RENAMED THE *AREA OF FREEDOM, SECURITY & JUSTICE*

-- IT NOW COMES UNDER JURISDICTION OF EU SUPRANATIONAL BODIES & PROCEDURES (COMMISSION, QMV, EUROPEAN COURT OF JUSTICE, ETC.) - RATHER THAN UNDER INTERGOVERNMENTAL UNANIMITY RULE

-- MAASTRICHT'S 2<sup>ND</sup> PILLAR (*COMMON FOREIGN & SECURITY POLICY* ) IS UNCHANGED: REMAINS IN MAASTRICHT'S *TEU* AND IS NOT INCLUDED IN *TFEU* - THEREBY REMAINING INTERGOVERNMENTAL; PROTOCOL REAFFIRMS INDEPENDENCE OF MEMBER STATES IN CFSP



THE TERM *COMMUNITY* IS REPLACED BY *UNION* IN ALL TREATIES

*VALUES & OBJECTIVES*

-- EU IS FOUNDED ON VALUES OF DIGNITY, DEMOCRACY, EQUALITY, ETC. ; SEEKS PEACE; FREEDOM, JUSTICE & SECURITY; INTERNAL MARKET AIMED AT FULL EMPLOYMENT, ETC.

EU HAS A LEGAL PERSONALITY IN INT'L LAW

INSTITUTIONAL & PROCEDURAL CHANGES AS DESCRIBED BELOW

**RATIFICATION**

2007-08: RATIFIED BY 25 PARLIAMENTS; SIGNED BY HEADS OF STATE WHERE NECESSARY

IRELAND: 53.4% REJECT TREATY IN REFERENDUM, 12 JUNE 2008; JUNE 2009 – EU ASSURES IRELAND THAT TREATY WON'T AFFECT TAXATION, NEUTRALITY, ABORTION, ETC.; 2 OCT 2009 – IRISH VOTE YES (67.1%)

10 OCT 2009: POLAND'S PRES. KACZYNSKI SIGNS RATIFICATION

CZECH REPUBLIC: RATIFIED IN CHAMBER OF DEPUTIES IN FEB 2009, SENATE IN MAY; PRES. KLAUS DELAYS SIGNATURE UNTIL 3 NOV 2009

1 DEC 2009 – LISBON TREATY TAKES EFFECT

## MAJOR CHANGES INSTITUTED BY LISBON TREATY

*EU INSTITUTIONS:* SIGNIFICANT CHANGES REGARDING THE COMMISSION, COUNCIL OF MINISTERS, EUROPEAN COUNCIL, EUROPEAN PARLIAMENT AND THE COURT OF JUSTICE (SEE BELOW); QMV EXTENDED TO > 40 ISSUES

*NEW CHALLENGES:* TREATY MAKES SPECIFIC REFERENCES TO POLICY AREAS REQUIRING EU ACTION, SUCH AS CLIMATE CHANGE AND ENERGY SOLIDARITY

-- THANKS TO POLAND & LITHUANIA, IT REFERS TO PROBLEM OF ENERGY DEPENDENCE ON RUSSIA

- REFERS TO NEED FOR EU ACTION ON THE ENERGY MARKET, SUPPLY AND EFFICIENCY

*HORIZONTAL SOCIAL CLAUSE:* HIGHLIGHTS NEED TO PROMOTE EMPLOYMENT, PUBLIC TRANSPORT, POSTAL SERVICES, GAS AND ELECTRICITY SUPPLY, ETC.

*HEALTH AND SECURITY:* CALLS FOR EU ACTION TO ENSURE CIVIL PROTECTION, PUBLIC HEALTH AND HUMANITARIAN ASSISTANCE; MEMBER STATES SHOULD HELP ONE ANOTHER AFTER TERRORIST ATTACK

*EXIT CLAUSE:* A MEMBER MAY WITHDRAW AFTER INFORMING EUROPEAN COUNCIL (i.e., EU HEADS OF GOVT)

*ABANDONMENT OF CONTROVERSIAL PARTS OF CONSTITUTIONAL TREATY:*

- THE TERM "CONSTITUTION" IS DROPPED
- NO REFERENCE TO EU SYMBOLS (FLAG, ANTHEM)
  - AT SARKOZY'S REQUEST, REFERENCE TO "FREE AND UNDISTORTED COMPETITION" IS DROPPED