



Société Générale and the Puzzle of French Protectionism

by Colin Dietch

Société Générale, one of the oldest banks in France, recently revealed the loss of almost 5 billion euros in fraudulent trades executed by a futures trader. The news of the fraud led major credit rating agencies to reduce Société Générale's debt ratings and raised speculation about the possibility of a takeover bid. Rumors by commentators have named two possible buyers in France: industry behemoth BNP Paribas and Crédit Agricole, the country's largest bank. The vulnerability of Société Générale could attract takeover bids from a host of non-French European firms, including UK-based HSBC and the Spanish Grupo BBVA. The magnitude of the loss and the prominence of Société Générale has reignited a perennial debate on French protectionism within the European common market, a discussion that inevitably ends in a confrontation between the European ideal of open markets and the Elysée's tendency towards statist interventionism to keep French firms French.

The 1957 Treaty of Rome, which established the European Economic Community, calls for the abolition of barriers restricting the movement of capital between member states. The process of EU integration has made business across national borders easier than ever. Deals such as the 1999 Vodafone-Mannesman merger and the pending purchase of ABN AMRO by a consortium of European banks show that international consolidation is a significant force within the EU. But how do governments reconcile national interests with international consolidation?

Mergers and acquisitions are a politically sensitive matter in France, especially when it comes to CAC 40 firms. Despite the common market, foreign buyers of French companies frequently face more regulatory obstacles from Paris than from Brussels. The French government has been proactive in protecting major French multinationals from foreign takeover. For example, then-finance minister Nicolas Sarkozy weighed in to protect engineering giant Alstom from Berlin-based Siemens in 2004. He also facilitated a merger between two major pharmaceutical companies to prevent takeover by Swiss-based Novartis. The politically charged 2006 merger between state-controlled Gaz de France and Suez, the Paris-based utilities provider, set off a raucous political debate that eventually required new legislation. The French state took on the substantial debt of scandal-ridden Crédit Lyonnais before Crédit Agricole swallowed up the troubled bank.

The Treaty of Rome allows signatories to take "protective measures" should cross-border movement of capital negatively impact domestic capital markets. The French prefer a broad interpretation of this provision, and the European Un-

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Injecting Democracy into the EU: The Effects of Local and Regional Interest

by Milena Neshkova

Whether democracy is possible at the supranational level is a question with no clear answer yet. Political scientists are even divided on whether democracy—at least in the form we know it—should be pursued at the international level. Some believe that international organizations should strive to become more democratic, while others claim that they were created in order to circumvent the cumbersome democratic processes in nation states.

What is clear though is that nations gradually delegate power to international organizations and that these organizations function in a way that hardly fits the established perception of what democratically legitimate institutions are. Because they are non-elected and operate with delegated powers, these organizations are seen by scholars as essentially bureaucratic institutions. Similar to national bureaucracies, supranational organizations are technocratically-oriented and trusted to regulate increasingly complex matters. Although they pose problems regarding the democratic control of administration, in the case of supranational bureaucracies, the problems are even more pronounced. At the national level the administrations are subject to the control of popularly elected legislatures; at the supranational level the organizations operate without such an oversight.

As Yale professor Robert Dahl phrases it, the internationalization of these organizations comes with a huge trade-off. It increases system effectiveness, as larger political structures allow for accomplishing tasks beyond the capacity of individual nation states. However, it poses a threat to democracy because it decreases citizens' ability to participate in and control the decisions affecting their everyday lives.

There is little question that the existence of the European Union has led to greater system effectiveness and that the economic gains alone are enough to hold the 27 member states together. Being a union of developed democracies, however, the EU has been long concerned with its lack of democratic legitimacy. So, the problem is how to increase democracy in decision making without losing

system effectiveness. Various solutions have been proposed -- ranging from the empowerment of the European Parliament to the creation of representative political bodies.

My interest in these issues has led me to question how effective these solutions have been. Without taking a side in the debate of democratic vs. technocratic decision making, I seek to understand if the particular institutional arrangements pursued by the EU have had any real effects. More specifically, my attention has been drawn to an institution that was created in 1994 with the sole purpose of enhancing democratic representation in the Community. The Committee of the Regions was designed to allow subnational interest to be represented at supranational level. It consists of elected officials from local and regional governments within the members states and has the task of consulting with the non-elected European Commission. Nearly 15 years after it was created, the time has come to consider what difference this Committee has made. My approach to this question is to ask how much this highly representative body influences the legislative output of the Commission. I seek to answer two linked questions: 1) how often public preferences expressed in the Committee's opinions are acted upon through incorporation

into EU legislation, and 2) under what conditions the likelihood for incorporation is maximized. To answer these questions I decided to track 60 legislative proposals taken from four different policy areas between 1995 and 2005 and measure the changes made by the Commission in response to the requests made by the Committee.

The Committee of the Regions offers an excellent case for studying the potential to facilitate democratic representation while maintaining technocratic effectiveness. The fact that all members hold electoral mandates make them responsive to voters' wants. Thus, the positions taken by the Committee can be used as a proxy for voters' preferences. Based on the expectations that democratic represen-



Milena Neshkova in front of the European Commission's main building, Berlyamont, in Brussels. Photo: Courtesy of author

Generational Memories of World War II: An International Perspective

by David L. Ransel

The Russian and East European Institute and the Center for the Study of History and Memory (CSHM) cooperated in conducting an international workshop from November 8 to 10 on the reconstruction of memories of World War II in the minds of successive generations. The analysis of memory and its construction over time, its inflection by media, family stories, scholarly discourse and other factors is intellectually challenging. While Indiana University had great resources in this field, we also needed to call on the assistance of specialists from around the world to tackle the subject effectively. The workshop included experts on Russia, Ukraine, Romania, the Jews of Eastern Europe, the Holocaust, Germany, France and the Netherlands, the United States of America, Japan, China, and Taiwan.

David Ransel of the REEI and John Bodnar of the CSHM obtained a large grant through the IU Frontiers of Knowledge in the Arts and Humanities to support the workshop, and they directed the program, with the assistance of Dr. Barbara Truesdell, assistant director of the CSHM. Specialists from Eastern and Central Europe included Tatiana Voronina, director of the oral history program at the European University in St. Petersburg, Russia, who presented material on the 900-day Siege of Leningrad and the memories of it constructed in societies of survivors of the Siege. Gelinada Grinchenko from the V. N. Karazin National University in Kharkiv, Ukraine reported on researches into the fate and the memory of the Ostarbeiters, citizens of Ukraine who were conscripted into forced labor in German-held territories. Alexander von Plato from the Institut für Geschichte und Biographie der Fernuniversität, in Hagen, Germany, raised a series of important questions about what is going to happen to the culture of commemoration now that the living witnesses to the era of National Socialism in Germany are passing from the scene.

Other presentations on East and Central Europe were made by some of Indiana University's large number of

specialists. Maria Bucur, associate professor of history, spoke about the ethical problems raised by the highly selective accounts that younger relatives were now producing about the participation of their family members from the wartime generation, family members whose involvement in atrocities seems likely. Mark Roseman, professor of history and Jewish studies, took up the issue of the "inability to mourn" supposedly forced on post-war generations in Germany, and he made a strong case for the lack of difference between generations, bringing into question the entire premise of the workshop. Jeffrey Veidlinger, associate professor of history and Jewish studies, reported on the fascinating results of oral interviews he and his colleague Dov-Ber Kerler had conducted among surviving Jews still resident in the towns of Ukraine and other countries of East Central Europe. Veidlinger found that the framing and labeling that resident survivors of the war and the mass killings placed on their memories contrasted significantly from the construction of these events in the memories of Jews who lived elsewhere and who had been exposed to the concept of the Holocaust.

The western side of Europe was covered in a contribution by Ido de Haan of the University of Utrecht. De Haan works on France, Belgium, and the Netherlands. He spoke about a possible hidden complicity between the silent and vocal generations, which manifested itself in the Netherlands in particular. In post-war remembrances everyone was allowed to be included in the resistance, even though many had made moral compromises, especially people who worked in public service. This glossing of memory diminished the sacrifices of the real fighters and real victims. De Haan also pointed out, like Roseman, that many "generations" could be found within a single age cohort.

Interesting contributions about Asian remembrances and evolving constructions of the war came from Aaron William Moore of the University of Virginia and from Franziska Seraphim of Boston College. Moore addressed



Photo: www.wikipedia.com

Media and Migration: Workshop Gives Insights into

by Christine McGinley

As a master's degree student in West European studies, I have become increasingly interested in issues facing Muslim immigrants in Western Europe today. I took an *International Communication* class with EUCE affiliated faculty member Christine Ogan last fall and was able to attend a workshop entitled "Media, Hybridity and Migration," which Professor Ogan helped coordinate. Organized in conjunction with the schools of Journalism and Informatics, the workshop focused on media and communications in Western Europe and the Middle East. Throughout our semester, we had read a number of articles written by the three scholars who presented that day. Marwan Kraidy spoke about a reality television show in Saudi Arabia and the interesting ways in which the show gives voice to topics that are not usually permitted on highly government-censored Saudi television. The second speaker at the workshop was Leen d'Haenens, a professor at the Catholic University of Leuven, Belgium, and Radboud University Nijmegen in the Netherlands. D'Haenens discussed her research in the area of Moroccan and Turkish immigrant viewing of television news. According to d'Haenens, economic success within these immigrant groups in Western

Europe is positively correlated with a tendency to watch local news in the host country instead of news from their home country. Denise Gokturk of the University of California-Berkeley's German Department then spoke about two films (previously viewed for the class) entitled "Head On," and "Crossing the Bridge." Both movies were directed by Turkish-German Fatih Akin and address issues concerning Turkish immigrants living in Germany today. Deniz Gokturk also spoke on the issue of music in "Sound Bridges and Traveling Tunes: Transnational Mobility as Ironic Melodrama." The workshop ended with a very informative panel discussion that included students, faculty, and the speakers. I was honored to be a part of both Professor Ogan's class and the workshop, which provided me with insight into the communications aspect of this topic.



Christine McGinley is a joint MA/MPA student in West European Studies and the School of Public and Environmental Affairs, where her concentration is Comparative and International Affairs. Her current research interests include regionalism and nongovernmental organizations within the EU, as well as Muslim-EU related issues in Western Europe.

Midwest Model EU: April 17-19, 2008

Every April, more than 160 college and university students meet together in Indianapolis to decide the future of the European Union. Playing the roles of prime ministers and presidents, ambassadors and Commissioners, ministers and diplomats, they spend two days haggling over policy, resolving disputes, building compromises, and charting the course of European unity.

Founded in 1993, the Midwest Model European Union (EU-Midwest) is the second oldest intercollegiate simulation of the EU in North America. Hosted by Indiana University Purdue University Indianapolis (IUPUI), it gives college students the chance to learn about the workings of the European Union through a hands-on simulation. Colleges send delegations of 7 members each, representing the 27 EU member states. Over a period of 48 hours, they meet in formal and informal sessions as the European Council, the European Commission, and several different councils of ministers.



Scene from the 2007 Midwest Model EU.

From Thursday afternoon through Saturday afternoon, students introduce, discuss, and reach decisions on EU policy. National leaders provide overall direction, ministers huddle to work out the details of policy, Commissioners and their directors-general try to give new direction to foreign and security policy, the single market, eastward enlargement, and the development of the euro, and emergency joint meetings are held to break impasses.

While the real EU equivocates, past meetings of EU-Midwest have reformed the institutional structure of the EU, expanded EU membership to Eastern Europe, taken decisive action over the Balkans, and made major reforms to the Common Agricultural Policy.

*Société Générale**continued from page 1*

ion frequently admonishes Paris over its perceived protectionist practices. The French reaction to the merger of the Arcelor and Rotterdam-based Mittal Steel, for example, was widely criticized as contrary to European regulations. The French government has asserted its right to intervene in order to protect French enterprises in ten “strategic” sectors: casinos (to prevent money laundering), security, biotechnology, antidote production, communications interception equipment, information security, military/civilian dual-use technologies, cryptography, classified/top secret industries, and armaments.

French reluctance to allow foreign competitors to purchase French firms extends beyond these key sectors. Rumors that Wal-Mart would make a bid for Carrefour, the second largest retail group in the world, provoked an outcry in France and subsequent recriminations of protectionism against Anglo-American firms. Murmurings that PepsiCo would seek to acquire food conglomerate Danone led to the adoption of “l’amendement Danone” (“the Danone amendment,” attached to a law on initial public offerings”), which makes it more difficult for non-European firms to buy French companies. EU regulators have had only limited success in moderating what they perceive as France’s protectionism.

French policymakers promoting protectionist policies are not motivated solely by a sense of economic patriotism; rather, they must contend with a variety of pressures and constraints. The tradition of state interventionism in key enterprises runs deep. Jean-Baptiste Colbert, finance minister to Louis XIV, undertook a program of tariffs, public works, and state regulation to salvage a foundering economy. De Gaulle’s policy of *dirigisme* nationalized and consolidated key industries after World War II. Société Générale was nationalized in 1945 (along with the Banque de France and several other leading retail banks) and was not privatized again until 1987. Foreign ownership, like privatization, injects uncertainty into the stable – and quite successful – French model of tight economic controls. Paris has adopted successful strategies for fighting off foreign takeovers short of outright state bailout: the state may broker a merger between two French companies in order to create *un champion national* capable of competing in a global market.

Mergers and acquisitions (*les fusions-acquisitions* or *les fusacs*) can also push politicians onto the third rail of French politics: unemployment. Multinational mergers usually lead to some level of redundancy and necessitate layoffs. The French government has long struggled with a high unemployment rate, and elected officials are understandably reluctant to approve deals that could leave French workers out of a job. Powerful unions and economically-minded voters provide a powerful incentive for politicians to intercede in favor of keeping French companies in French hands.

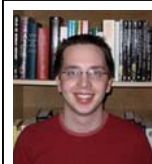
Any merger or buyout involving Société Générale will likely be decided in the Elysée Palace as well as in the boardroom. A takeover bid from another French firm, such as Paribas, could pacify political players and gain approval from Brussels – EU regulators have generally not interfered with mergers between firms operating within a single national market. A takeover bid from outside of France, on the other hand, will likely be met with official hostility and public outcry.

But reports on the death of liberalism in France are exaggerated, and the prevailing international trend of consolidation in the financial sector may yet penetrate *la Défense*, the modernist skyscraper district on the outskirts of Paris that hosts the headquarters of leading French firms. In addition to the multitude of highly competitive French multinationals that have been expanding their European holdings, several enterprises have emerged to demonstrate the sustainability of cross-border cooperation. EADS/Airbus and the Paris-based Euronext stock exchange, to name just two, show that French firms are capable of joining cross-national European businesses.



The Société Générale towers in la Défense, Paris.

Photo courtesy of www.socgen.com



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Local & Regional Interests
continued from page 2

tation is stronger at the local and regional level, the opinion of this body is an even better proxy for public preferences than traditional measurements associated with the Parliament or interest groups.

The formal legislative procedure requires the Commission to consult the Committee of the Regions on all proposals that have effects at the local and regional level. The Maastricht and Amsterdam treaties specify the “mandatory” areas: economic and social cohesion, trans-European infrastructure networks, employment policy, social policy, health, education, environment, and culture. Upon obtaining the Committee’s opinion, the Commission might change its proposal, which becomes law after the approval of the Union’s two houses of legislature: the European Parliament and the Council. The Committee of the Regions may influence only the first part of the legislative process – the proposal. However, this can be viewed as the most important stage. Given the way the EU legislative process works, it is difficult for the Council or Parliament to amend the Commission’s proposal without the Commission’s consent. In case of disagreement with the Commission, the Council has the final say, but only if it votes unanimously. Hence, whatever the Commission adopts in the legislative proposal is most likely what the law itself will be.

But the question then surfaces, why should the Commission listen to this Committee? One answer is that the body might not only provide the Commission with information about the consequences of its policy proposals but also increase the likelihood of acceptance of the proposals in the Council. In addition, because the subnational governments are the primary implementers of EU legislation, their input should be valuable to the Commission. In fact, the Commission itself was the major advocate of the creation of this Committee of the Regions during the Maastricht negotiations, as it aimed to improve its own legitimacy through the legitimacy of the Committee’s members.

Thanks to the support of the Na- able to go to Brussels and investigate accomplished two main purposes. needed for my dissertation research. holders from the European Commis- sions, who provided the context to tive changes and the politics behind not only for my dissertation, but also for a future project that extends the dissertation analysis to include more players and issues. I stay in close contact with the people I met during my time in the EU, both officials and researchers, and we are considering further collaboration.

The support I received from the EU Center during the academic year allowed me to focus on my dissertation without competing obligations such as teaching or a research assistantship. My work so far has primarily involved reading three types of documents: the original Commission proposal, the opinion of the Committee of the Regions on it, and the corresponding report by the Commission. Each change requested by the Commission was recorded and coded as one if it was granted by the Commission and zero otherwise. In addition, I coded whether the change was major or minor, specific or general, and I noted the number of arguments supporting each change as well as the most frequent type of requests. Having done most of the data coding, I ran some initial analyses. The data I have coded by now show that the Commission acts consistently with the Committee’s preferences roughly 35 percent of the time. Although there are more data to be coded, the preliminary results reveal that the amount of legislative change granted by the Commission varies systematically upon the salience and complexity of the policy issues, the public support for integration, and other contextual and organization specific factors.

The creation and building of the European Union is a unique historic experiment. For citizens of the Old Continent its results are measured in terms of economic prosperity and guaranteed expression of their political will. For the rest of the globe, it is a pilot test for the effectiveness of a new form of supranational governance that may be democratic as well.

EUROPEAN UNION



Committee of the Regions

tional Science Foundation, I was my questions at the source. The trip First, I collected all the documents Second, I met with relevant stake- sion and the Committee of the Re- understand the meaning of legisla- them. While there, I gathered data



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*WWII Memories**continued from page 3*

the question of political limits to the public expression of wartime memories and how the loosening of restrictions was being followed by a remarkable outpouring of diary and memoir literature now that veterans were approaching the end of their lives in China, Taiwan, and Japan. Seraphim spoke of the role of organizations of the war bereaved in Japan in transmitting and shaping memories in the postwar decades.

Papers on the experience of American soldiers and changes in the public remembrance of the war in the United States came from John Bodnar of Indiana University and Fritz Hamer of the South Carolina State Museum. Hamer explained how the memory of World War II in South Carolina was inflected by the framing of memories of the American Civil War, which is still a living force in the

Deep South. Bodnar gave a fascinating interpretation of the changing attitudes of the public in the United States to the war and even more so the attitudes of the veterans. When they returned, they claimed that they just wanted to return to the normal lives they had lived before doing their job in the war. The survivors seem now to have accepted the much different narratives of Tom Brokaw and Ken Burns, which construe them as unequalled heroes and the best generation.

The papers and discussions at the workshop were intellectually rich, emotionally powerful and invigorating. The participants plan to continue their cooperation and to develop further intellectual analyses of the understanding of the war in the many societies that it affected.



David Ransel is Co-Director of the European Union Center of Excellence, Director of the Russian and East European Institute, and Robert F. Byrnes Professor of History at Indiana University. He specializes in the history of politics and society in Russia.

Upcoming EUCE Events

Conference on Representation, Immigration, and the 2009 Election to the European Parliament

April 1, 2008

Woodburn Hall, 8:45am-5:30pm

2008 Midwest Model European Union

April 17-19, 2008

Indiana University Purdue University Indianapolis

(for more information, see page 4)



2007 IU Participants at the Midwest Model European Union



Workshop: Ethnicity and Migration in the Baltic Region

May 30-31, 2008

W.W. Wright Education Building, Room TBD

(for more information, see page 8)

Ethnicity and Migration in the Baltic Region Workshop

May 30-31, 2008

W.W. Wright Education Building, Room TBD



Latvia's capital city, Riga.

The European Union celebrates the fiftieth anniversary of the establishment of the European Economic Community (January 1958) with both anticipation and anxiety. One of the reasons for the dual nature of this celebration has been the expansion of the EU to twenty-seven member states which includes two more former "Eastern bloc" countries. While the inclusion of former socialist countries may be celebrated as the most powerful symbol of the collapse of Cold War divisions and the return of democracy, the expansion has also raised fears that open borders may in fact threaten the very stability of the EU. A key fear is the anticipated rise of immigration, in particular from the "East," and its economic, political, and cultural repercussions.

By focusing on Estonia, Latvia, and Lithuania and their neighbors and by drawing connections to the European and global context, the workshop "Ethnicity and Migration in the Baltic Region" aims to consider the origins of these fears of immigration and the challenges of European integration.

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