Rethinking the European Polity:
Conceptual Approaches to European Integration

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Abstract

The polity of European Union (EU) has been characterized by different theories and concepts over time. At the beginning, IR theories such as Neofunctionalism and Intergovernmentalism were often referred to in explaining the process of European integration. The fierce competition in the global market since the mid 1980s gave rise to the new impetus of boosting further integration by adopting the Single European Act (SEA). This was a turning point that created a new image of the EU as a regulatory state. More complexity in decision-making procedure, which involves diverse actors, engendered the necessity of introducing new approaches in identifying the nature of the EU system. Multi-level Governance (MLG), for instance, explores the EU’s governance system by engaging, not only state actors and supranational actors, but sub-national actors as well. The EU is now undertaking a major transformation by adopting the Lisbon Treaty. How the changes brought by the Treaty will affect the ongoing integration process will be seen in time, especially when the EU encounters the hurdles of Euro crisis that are sure to come.

Keywords: EU Polity, European Integration, Neofunctionalism, Intergovernmentalism, Spill-over, Regulatory State, Lisbon Treaty

I. Introduction

As the Eurozone crisis that erupted in Greece in 2010 spreads to the entire EU region, the EU is facing reassessment of the validity and sustainability of this ‘unique’ polity. The European polity has been characterized by complexity and ambiguity. Not a few scholars have attempted to apply different theories and approaches to explain the dynamism of European integration, but the latter still remains an ‘identity conundrum.’ There are, in general, two different ways to identify the EU polity: On the one hand, the EU has been examined by ‘integration process,’ and on the other hand, the particular

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nature of the EU’s ‘internal system’ has gained academic attention. Certainly, such different approaches are not unrelated to the fact that, as the integration continued, traditional theories that focused on the process were challenged by new conceptual approaches that looked into the EU governance, including the internal complexity of its decision-making structure. In the end, they are not divergent, but complementary approaches that better define the EU.

This paper rethinks the EU polity in various conceptual approaches. Basically, the 50-year European integration is full of the process of making and revising treaties, in accordance with changing circumstances. Treaty amendments have been devised to provide new competence to different actors, while influencing the interactions between these actors in policy-making procedure. There are many important treaties in the evolutionary process of the EU – the Treaty of Rome, the SEA, the Maastricht Treaty, and, more recently, the Lisbon Treaty – and they represent the EU’s reaction to respective global situations it has faced over time, which has reinforced its visibility around the world. To examine the EU polity from various theoretical perspectives, in this respect, is not only essential in order to identify the nature of the EU polity, but also sheds light on matters that will help predict the future direction of European integration.

II. Two Classical Integration Theories in the Early Period: Neofunctionalism vs. Intergovernmentalism

Two integration theories-Neofunctionalism and Intergovernmentalism-are often referred to in explaining the dynamism of European integration. Neofunctionalism1 was proposed by Ernst Haas. According to Haas, integration is “the process whereby political actors in several distinct national settings are persuaded to shift loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdictions over pre-existing national states” (Haas, 1958: 16). This citation implicates two important features of Neofunctionalism. The first feature concerns the definition of ‘actors.’2 The actors in Neofunctionalism are politically-driven elites who are involved in decision-making processes (Haas, 2004: 17). Integration takes place when the elites perceive that they share particular interests in common and that they would benefit from the integration process (Haas, 2004).

The second feature concerns ‘spill-over effect.’ It implies that a successful cooperation in one sector would encourage further cooperation in another sector. When the political actors at the national level perceive overlapping interests across boundaries, they are persuaded to transfer their loyalty from national authority to supranational authority. In

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1 As can be noted literally, Neofunctionalism came in as opposed to Functionalism. The latter was proposed by David Mitrany (1966), who campaigned for international cooperation in order to bring peace in international political environment. His argument became the basis of modern integration theory. But his focus on political neutrality was criticized as being idealistic, and this weakness was later modified by Haas.

2 This is the difference with Functionalism. According to the functionalist point of view, the actors are politically neutral and carry out functional/sectoral tasks that are not affected by political interests. While Functionalism claimed for idealistic integration mechanism, Neofunctionalism considered political motivation of the participating actors in the integration process.
this way, political competence and legitimacy is ceded to the supranational authority, allowing the latter to replace the existing national authority. This entails what is known as ‘loyalty-shifting.’ But, spill-over does not occur automatically. The spill-over process involves conflicts of interest.3

Neofunctionalism was developed in the late 1950s and prevailed, as the applicable theory, until the 1960s. The concept of spill-over was commonly referred to in explaining the integration process then. Neofunctionalism identified three types of spill-over – ‘political spill-over,’ ‘functional/sectoral spill-over’ and ‘geographical spill-over.’ ‘Political spill-over’ occurs in situations “where national political elites or interest groups argue that supranational cooperation is needed in order to solve specific problems” (Jensen, 2010: 76). The Common Agricultural Policy (CAP) is a good example of this. Traditionally, CAP has been a very significant component of European integration. The Member States who are directly involved in the CAP budget negotiation receive significant pressure from domestic farmers. While expecting to receive a maximum benefit in return, the Member States agree to the increase of financial compensation for agricultural products of their neighboring countries (Fouilleux, 2010: 343). In this way, political elites cooperate at the supranational level in order to fulfill the goals of maximizing their own benefits.

Neofunctionalism does not recognize the importance of political spill-over alone. ‘Functional/sectoral spill-over,’ the second type of spill-over, implies that when spill-over takes place in one area, this would entail cooperative activities in other areas in the end. The signing of the Treaties of Rome in 1957 is an appropriate example of functional/sectoral spill-over. The Treaties provided an impetus to accelerate the process by creating two sectoral organizations – the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM) – in addition to the existing European Coal and Steel Community (ECSC). The supranational communities were later developed in order to create a customs union. Apparently unrelated sectors can be linked together as a result of spill-over. The subsequent process of establishing Economic and Monetary Union is also an example of functional/sectoral spill-over.

‘Geographical spill-over’ indicates that cooperation between groups of member states is very likely to affect non-member states, inclining the latter to develop a positive attitude toward the cooperative activities. In the 1960s, the member countries of the European Free Trade Association (EFTA), such as Great Britain, began to apply for membership in the EEC. This is an example of geographical spill-over.

The neofunctional approach was highly applauded during the initial period of European integration, because it provided the most influential theoretical framework to explain the integration process. Post-war Europe was entirely devastated. To promote regional peace and recover from economic devastation was the essence of the ‘European project’ envisaged by a few Eurofederalists, including Jean Monnet and Robert Schuman. Jean Monnet, notably, made the rather challenging suggestion to pool the production and management of coal and steel between France and Germany, controversial, of course, because they were essential resources for armament. The agreement was later developed into the initial stage of economic integration. The so-called ‘Monnet method,’ which was characterized by the decision-making process of supranational officials,

3 Haas (1958) redefined the notion of functionalist ‘technical self-determination’ in explaining this.
proved to be quite effective in providing the motivation. The gradual and technocratic approach worked well, as the scope and scale of integration was quite limited in this period (Weiler, 1999).

The premise of neofunctionalism, extremely influential for more than a decade since the Treaty of Rome, started to be undermined shortly afterwards. The spill-over effect, which was expected to exist forever, guiding integration, was at stake. The ‘Empty Chair Crisis’ in 1965 was a significant turning point, during which, political spill-over began to decelerate. The consecutive Oil Crises in the 1970s hampered the European economy in a way that lessened the benefits of functional spill-over (Cram, 1997: 18). In this rendering, explanations from other theoretic paradigms were sought, and Intergovernmentalism gained attention in that explanatory vacuum.4

Unlike Neofunctionalism, which emphasised technocratic supranational elites as the main actors, Intergovernmentalism considered national government as the principal agent. The theoretical framework was proposed by Stanley Hoffmann. He argued against the limitations of the ‘functional method’ (Hoffmann, 1966). In Hoffman’s view, different nation-states have different cultures and capabilities, so they should be regarded as separate entities that have different interests and concerns. In this vision, they would not integrate in the recognized sense, rather, they would co-exist in diversity, under the supranational umbrella. The successful integration has been possible thus far for two reasons. First, the sectors available for integration were very few in number and, second, the integrated sectors were relatively free of conflict of interest. The nation-states, therefore, would not feel irritated or disturbed by the integrative process. Before integration could occur, the main concern would be the ‘possibility’ of integration itself. However, once the process occurs, the member states would then be more concerned about the ‘reason’ of the integration (Hoffman, 2004: 886). Moreover, once the supranational institution is set up through member states’ consensus, it becomes more likely that the institution becomes a viable actor on its own that struggles to survive and expand, often at the expense of the member states. In this rendering, nation-states would be very likely to attempt to tighten their control over decision-making processes, rather than allow for the empowerment of the supranational institutions (Hoffman, 2004: 888). Thus, integration is, as Milward (2000: 18) argued, “the creation of the European nation-states themselves for their own purposes, an act of national will.”

Neofunctionalism and Intergovernmentalism offer different views on the speculation of European integration, yet these theories have a couple of things in common. First, both of them regarded the territorially-based state as the unit of analysis (Risse-Kappen, 1996: 37). Second, they do not provide any explicit assumption on the end-state. They

4 This incident was instigated by de Gaulle in July 1965. In order to introduce a new financial arrangement of CAP, the Commission proposed that the Council meeting should employ more qualified majority voting (QMV). But de Gaulle feared that the introduction of QMV in the Council meeting would entail detrimental effects to agricultural policy, which France traditionally had a strong voice on. In the midst of strong tension between de Gaulle and Hallstein, the then President of the Commission, the French delegation abruptly boycotted attendance of the Council meeting on 1 July. This crisis lasted until January 1966, when France made a compromise with other member states on the condition that they would withdraw QMV from the Council meeting. As a result, the Commission’s power curtailed until it regained its competence in the mid 1980s (Dinan, 2004: 104-106).
focus on the continuing process rather than the final product the integration would produce (Schmitter, 1996). It is, thus, difficult to determine which theory better accounts for EU integration, because neither of them captures the entire distinctiveness of the EU by its own theoretical paradigm alone. Since the integration theories have some inherent limitations, it is necessary to keep an eye on other possible theoretical alternatives when exploring the dynamics of open-ended integration.

III. Changing Environment and Re-account of Integration Theories

The sluggish momentum of the integrative process, lasting until the mid 1980s, improved drastically with the launch of the SEA and the implementation of the Maastricht Treaty. Both events were impressive enough to invoke renewed attention to European Studies, not to mention the re-emergence of grand integration theories. Both Neofunctionalism and Intergovernmentalism reappeared as more scholars paid attention to events. With regard to Neofunctionalism, Sandholtz and Zysman (1989) emphasised the importance of supranational institutions and transnational elites. By arguing that the Neofunctional approach relied too heavily on the internal logic of integration, they pointed out two reasons that explain some limitations in the integration process in earlier times.

First, internal dynamism, by itself, cannot explain when, why, and how the integration process runs smoothly or does not. As the Community tends to forget the initial objectives once some of them are attained, it is quite difficult to understand why the integration process was resuscitated suddenly in the mid 1980s after having attracted attention from the national governments and business sectors. Second, when there exists a conflict of interest between the Community and the member states, national leaders are likely to opt for their national interests, rather than for more integration. As a prime example, the EEC failed to establish a common transport policy in the 1960s due to lack of support from the Member States (Sandholtz and Zysman, 1989: 99). Thus Sandholtz and Zysman (1989) added an international factor to the existing Neofunctionalist explanation, arguing that both domestic and international conditions provided either opportunity or obstacle to the integration process. There are both domestic and international conditions that affect the resuscitation of European integration. On the one hand, national governments were unable to recover from the economic recession that prevailed in the 1970s, due to their failures in policy. On the other hand, the international economic environment changed. While the existing power of the United States slightly declined, Japan emerged as a highly potent competitor. Against this background, the member states and business groups reached a consensus to improve their socio-economic conditions in Europe. This triggered the 1992 project. Sandholtz and Zysman (1989: 100) posited that the 1992 process resulted from the ‘hierarchy of bargaining’ between elites in relation to domestic and international settings.

But Moravcsik (1991) argued that it was not simply the alliance between European officials or industrial elites that gave rise to the SEA. From the perspective of ‘Liberal Intergovernmentalism,’ he explained the bargaining process that led to the launch of the 1992 process. At first, he proposed a two-level analysis of integration—the ‘national
preference formation’ process and the ‘interstate bargaining’ process (Moravcsik, 1993). A variety of actors (especially interest groups) influence the domestic policy process, which affects the shaping of national preferences. But for them, economic interests are of prime importance. The interstate bargaining process, which is the next stage of analysis, is influenced by the preferences and bargaining power of the states. But often the outcome of the bargaining is the result of asymmetrical interdependence. The member states are likely to have used the EC/EU institutions to increase their autonomy in relation to their domestic interests. It should be noted that “[p]articularly where domestic interests are weak or divided, EC institutions have been deliberately designed to assist national governments in overcoming domestic opposition” (Moravcsik, 1993: 515). In this way, the nation-states can enhance their authority in policy-making vis-à-vis their domestic societal forces.

This two-level analysis was later reformulated, adding a third stage, which is ‘institutional choice’ (Moravcsik, 1998). When someone gains at the negotiation table, the other party must ‘give in.’ The latter, then, expects to gain some benefit next time around, in return for their initial sacrifice. Such ‘give-and-take’ process can take place effectively at the supranational level. In this way, the Member States are actually in favor of the EU institutions, which would not only guarantee the representation of the Member States’ interests, but also reinforce their authority in the end (Archer, 2008). This stage indicated why nation-states choose to delegate or pool decision-making in supranational institutions. Therefore, agreement was driven toward the ‘lowest common denominator’ in a way that does not affect the transfer of national sovereignty (Moravcsik, 1993: 301). The SEA and Maastricht (and later Amsterdam as well) Treaty negotiations were the outcome of bargaining the ‘bottom lines’ between big member states such as France, Germany and Britain.

Liberal Intergovernmentalism supplemented the weakness of Neofunctionalism in that the former analysed the 1985-1991 negotiating process by combining the different interests of the Member States. But if Neofunctionalism underestimated the importance of domestic politics, Intergovernmentalism did not fully explain the role of supranational institution, which implemented the ‘1992 project.’ More specifically, it did not provide an appropriate explanation as to how the Delors Commission was able to accomplish the challenging task to introduce a single market within the Community from the mid 1980s to the early 1990s (Dinan, 1994; Laursen, 1996). Nor did it account for the ‘lobbying’ of the domestic interest groups toward the transnational elites in Brussels, which became the most sought after lobbying target in the mid 1980s (Andersen and Eliassen, 2001). This is quite a remarkable phenomenon. The channel of interest representation became diversified and policy-making process became complicated. It became necessary to look at the polity and governance of the EU from a variety of perspectives.

Governance is generally understood as “being about the exercise of authority with or without the formal institutions of government” (Rosamond, 2000: 109). More

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5 Despite some discrepancy in calculating the exact number of interest groups in Brussels, there are approximately 1,400 interest groups that are actively representing their interests in the EU policy-making process (Greenwood, 2003). This is a dramatic increase compared to 1980, when there were 439 groups that were registered (Andersen and Eliassen, 2001).
specifically, it embraces various sorts of patterns of governing in a given area of responsibility in order to coordinate diverse activities by diverse actors into a unitary action (Kohler-Koch, 1999: 14). Traditionally, the discussions on governance did not go beyond the nation-state, but European integration in the post-SEA and Maastricht period turned academic attention to the new concepts of governance, which had been overlooked before. Recent literature on governance indicates that despite some differences in the theoretical traditions and their emphases, the focal point of governance literature has shifted from the traditional unit of government to the non-territorially based societal structure (Jachtenfuchs, 1997; Rosamond, 2000).

This common thread is in fact shared by earlier integration theories. Neofunctionalism was an attempt to explore the possibilities of governance beyond the nation states in the EU context (Jachtenfuchs, 1997: 43). The recognition of the supranational institutions and representation of private interests is the common rationale with EU governance. And the basic assumption that European integration is derived from the rational choice of the national government is shared by the intergovernmental perspective as well (Pierson, 1998). But the new concept of EU governance went on further to emphasize that diverse actors began to be embedded into the new institutional framework, and no single actor is allowed to dominate entirely the supranational decision-making process (Yuzurihara, 2004).

Instead of allowing a particular interest group to represent the policy process, the EC/EU system embraces various actors from differentiated territorial levels and functional groups. What is driven from the incorporation is the ‘fusion process’ where all sectoral, functional and legal differentiations are merged into the supranational system (Wessels, 1997: 291). Therefore, loyalty would not be shifted to the supranational authority as the neofunctionalist explanation speculated. Instead, ‘multiple-loyalties’ would prevail in the EU political system in which “a European identity can be one of many identities held by people” (Laffan, 1996: 98). The complexity of the EU system cannot be explained either by the intergovernmental perspective, which is based on interstate bargaining, nor by the neofunctional perspective, which seeks for the creation of a super-state. Therefore, EU governance should not be understood by the binary opposition of levels of analysis between the nation-states and the EU. As Laffan goes on to clarify, the Union “gradually alters the exercise of national political authority by enmeshing the member states in a web of collaboration and co-operation” (Laffan, 1998: 243).

Then, what kind of context brought the member states to this new governance system? In fact, there is little literature that verifies the direct causes of the emergence of new governance patterns (Yuzurihara, 2004). It is simplistically assumed that some major changes in the domestic and international environment may have affected the EU governance system.

Domestically, European national governments have been changing their policy direction since the 1970s. Instead of intervening in the market mechanism and distributing public goods to the people, the governments retracted from the public sphere and directed their policy orientation in a passive way. This led to the emergence of non-state actors who wished to make their voices heard in the policy-making process in the midst of state passivity (Wallace, 2000b: 7-9).

Internationally, the trend of globalization influenced the structural changes in the
international arena. Globalization enhances the free movement of goods and services, as well as human and financial resources. This has enhanced the mobility of non-state actors, such as multinational companies. They were able to develop their cross-border activities, often free from government restrictions. In this way, non-state actors played an important role in diversifying the power structure. As Axtmann (1998: 10) claimed, “centralisation and hierarchization of power within states and through states in the international system are steadily replaced by the pluralisation of power among political, economic, cultural and social groups, and communities within states, between states and across states.” It is not clear whether or not the emergence of non-state actors has undermined the power of state authority. Certainly, however, the diversification of the power structure influenced the reconfiguration of governance in the EU.

IV. The Regulatory State of the European Union

The integrative steps from the mid 1980s manifested recognition that further theories should be added in order to explain the structural change of international political economy and domestic politics (Sandholtz and Zysman, 1989). The academic focus has shifted accordingly, from the ‘integration’ process to the ‘governance’ structure (Rosamon, 2000: 109). One of the major contributions with regard to EU literature on governance was made by Giandomenico Majone. By focusing on the policymaking functions of the EU, he labeled the EU ‘a regulatory state’ (Majone, 1996a; 1996b). A regulatory state is more like “a web of networks of national and supranational regulatory institutions held together by shared values and objectives, and by a common style of policy-making” rather than “a state in the traditional sense” (Majone, 1996a: 276).

The EU as a regulatory state can be understood more clearly in comparison with the functions of state. Both Majone (1996b) and Rosamon (2000) illustrated that there are three important functions of state—'redistribution,' 'stabilization' and 'regulation.' First, redistribution implies 'income redistribution.' This includes all transfers of resources from one social group to another, as well as welfare provision. Second, stabilization indicates the use of macroeconomic instruments in order to achieve satisfactory levels in economic growth, employment and price stability. The key policy areas relative to that are fiscal and monetary policy, labour market policy and industrial policy. Third, regulation is defined as a measure to enhance the allocative efficiency of the market by addressing any problems of market mechanism (i.e. monopolization, unfair or insufficient welfare provision). When compared to the EU context, it is noted that the EU made substantial progress in the regulatory function, whilst producing little achievement in the other areas (Majone, 1996a). In the process of operating the single market, the EU felt it necessary to develop its regulatory capacity and actions by harmonizing different policies and regulations among the Member States. Accordingly, the asymmetrical development between the regulatory function and redistribution and stabilization, portrays the distinctiveness of the EU, as opposed to the traditional model of European state (Rosamon, 2000: 108).

Basically, the driving force of the regulatory model originated from the changes in the international economy. And in the context of the EU, this was realized by developing ‘a regulatory model of policy-making’ (Wallace, 2000b: 29). The regulatory
mode of governance is closely linked with the development of the Single Market. Until the mid 1980s, the dominant policy paradigm was ‘Monnet method’ or ‘Community method,’ based on neofunctionalist logic. And from the mid 1980s, when the market creation became an overwhelming issue, the neofunctionalist rationale started to be eclipsed, though not entirely, by regulatory instruments.

There are two-levels of decision-making in the EU context (Mazey and Richardson, 1995: 354). One level refers to the decision-making of ‘high politics.’ The issues concerned are directly related to European integration, such as monetary union, political integration and defence and foreign policies. They are addressed and discussed at the meetings of the Heads of State and the President of the Commission. The other, which has emerged from the regulatory instruments, is related to ‘low politics.’ It involves interest groups of various actors who wish to influence policy process in the EU. Interest groups and bureaucrats are key actors at this level. As the sectors are diverse, it is hard to identify their interests. But since the two levels of policy process are interrelated, key actors may influence what is political normative in the Union. In this way, the regulatory model reflects the structure of policy-making process, which has become all the more complicated by the rise of interest groups.

Regulation was regarded as a cost-effective resource for EU institutions (the Commission, in particular) when their financial budget was severely constrained and the Commission a very small structure. In order to manage a wide range of policy areas with a limited budget and manpower, the Commission had no alternative but to rely on the regulatory approach (Mazey and Richardson, 1995). Therefore, the regulatory policymaking was a very technocratic process wherein technical experts scrutinize the application and compliance of rules and regulations. The costs of the regulatory approach were in fact covered by the firms and individuals made to comply with them (Majone, 1996b).

Some consequences arose from the regulatory approach. First, it placed the Commission in a higher position than other major EU institutions (especially, the Council). The Commission became the primary target of EU lobbying because of its main task as a policy initiator. In fact, in practical terms it had some difficulties handling the task because of its work overload and understaffing. But the Commission was able to initiate policies efficiently for 300 millions of citizens across the 15 Member States, as it depended on technical expertise from external interest groups (Mazey and Richardson, 1993). Second, this model facilitated the shaping of relationships between nation-states and non-state actors. This emphasizes the emerging importance of interests groups, lobbyists and corporate actors (Wallace, 2000b: 30). Either in the form of networks, coalitions or alliances, they establish communication channels and influence EU policy-making. Third, the regulatory approach has widened the scope of policy areas it is applied to. Thus, the narrow boundary of the economic sphere has been expanded to include social and environmental policy, consumer protection, and health and safety (Majone, 1996a: 266), which had remained largely underdeveloped since the stipulation of the founding Treaties.6

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6 They were the areas that the neofunctional perspective failed to explain in terms of ‘sectoral spill-over’ (Majone, 1996b: 63).
However, we should not expect the EU to perform in the same way as the traditional nation-states do. There exist fundamental differences between the Member States and the EU. While the Member States focus on social and redistributional policy, the EU concentrates on enhancing its regulatory policy. In addition, the EU-regulated policy areas are related to the social dimension. In this context, it is doubtful whether the EU is able to handle the issue of ‘social exclusion’ that is caused by the integration process. Hence, it is impossible to predict if the future direction of integration will move seamlessly from intergovernmental relations to confederation, then again to federation. The division of labour between the Member States and the EU seems inevitable and the EU’s regulatory model would be beneficial under the cooperative relationship with the Member States.

V. Emergence of Multi-level Governance in the 1990s

As the integration process of the EU has evolved in a different way from that of nation-state building, there exist functional differences between the nation-states and the EU. The recognition of such dissimilarity is the essence of the multi-level governance which has emerged recently to conceptualize the dynamism of the EU policy process. So far, the key theoretical framework to explain the EU mechanism has been ‘state-centric’ (Marks et al., 1996: 41). According to the state-centric perspective, states commanded absolute political powers, which enabled them to manipulate the EU policy process by means of the intergovernmental institutions such as the Council of Ministers and the European Council. Meanwhile, the role of supranational institutions (i.e. the European Commission, the European Parliament and the European Court of Justice) remained symbolic because they participate in the process only to support the institutional competency of national governments (Moravcsik, 1993).

However, the adoption of SEA in 1986 and the subsequent process of supranational regulation changed said power structure and gave rise to unprecedented mobilization of subnational actors in the European arena. At the national level, domestic interest groups vie to influence the policy-making in the EU. Their interest representation started to be practiced in a direct manner by lobbying the EU officials/institutions. With regard to this structural alteration, the state-centric approach had little to say about the emergence of independent interest representation. In this rendering, the emergence of independent domestic actors in the EU should be explained by alternatives to extant theories. That is how the theory of multi-level governance was formulated.

In the end, the gist of MLG is that various actors at different levels should be recognized as equals, with none of them recognized as either dominant or exclusively competent in a particular area. This entails that powers be decentralized at the subnational level in a manner that provides more competence to subnational actors. It thus becomes possible for the latter-interest groups and regional governments-to deal directly with the supranational actor. According to Rosamond (2000: 110), “the EU has become a polity where authority is dispersed between levels of governance and amongst actors, and where there are significant sectoral variations in governance patterns.” However, this is not to infer that nation-states are no longer politically functional. They are still equally
important, but simply “are melded into the multi-level polity by their leaders and the actions of numerous subnational and supranational actors” (Marks et al., 1996: 371).

Notably, the MLG model explains the increased proportion of the EU budget directed toward cohesion policy as a result of drastic reform in 1988 (Wallace, 2000b). The 1988 reform not only doubled the budget of the structural funds, but also modified decision-making process in a manner that incorporates the three separate schemes (European Regional Development Fund, European Social Fund and European Agricultural Guidance and Guarantee Fund) under the same framework. The reform also widened the range of participants by providing more explicit competence to regional governments concerning the formulation and implementation of the funding programmes (Peterson and Bomberg, 1999). But whether or not the funds really helped to reduce regional disparities is controversial. The gap between the richer states and the poorer states (in terms of GDP) seems to have narrowed. But, interestingly, disparities arose within individual states (Peterson and Bomberg, 1999). However, it is important to note that cohesion funding affected the binding of the Member States to one another. Therefore, the development of cohesion policy should be understood as a political tool rather than a practical economic measure.

VI. Conclusion

So far, discussions on identifying the nature of EU polity have been made by reference to both IR and Comparative Political approaches. Integration is ongoing process and has become all the more complicated in recent years with the signing of the Treaty of Lisbon. The Lisbon Treaty, which took effect in December 2009, is a highly significant treaty in that it provided a drastic change to the existing EU system. By providing a number of institutional changes to the EU, this Treaty is envisaged as the vessel to achieve political integration based on the successful achievement of economic integration.

By amending and combining the Treaty on European Union (TEU, or the Maastricht Treaty) and the Treaty establishing the European Community (TEC, or the Rome Treaty), the Lisbon Treaty stressed two aspects—the enhancement of the EU’s competence in foreign policy and institutional changes. Regarding the first aspect, the EU created two permanent posts—the Presidency of the European Council and High Representative of the Union’s Foreign and Security Affairs (HR). European External Action Service (EEAS) was created as well, in order to provide functional support to HR. The competence

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7 Structural funds are the primary tools of cohesion policy, which is referred to as ‘a set of activities designed to reduce disparities and promote a more even pattern of economic development across the EU’ (Peterson and Bomberg, 1999: 146). Structural funds are especially aimed at helping regions suffering from low GDP, high unemployment, or industrial or agricultural decline (Peterson and Bomberg, 1999).

8 The full title of the treaty is ‘The Lisbon Treaty amending the Treaty on European Union and the Treaty establishing the European Community.’

9 There have been related posts in the past. Simply, Presidents of European Councils had been rotated every six months among the Member States. The position of HR is an upgrade of ‘Mr. CFSP,’ who, while in charge of Foreign Affairs Council, serves as a spokesperson for CFSP.
of foreign policy is thereby expanded, so international trade negotiation, which used to fall under the competence of European Commission, came to be considered as part of foreign policy. Thus, international trade issues are under the authority of EEAS and HR, as well as European Commission.

As for institutional changes, the Treaty attempted to resolve the ‘democratic deficit’ problem of the EU. The competence of the European Parliament became reinforced accordingly. After holding meetings, the President of the European Council should hold consultations with the Parliament, depending on issues. The EP should hold a forum at least twice a year to discuss issues on Common Foreign and Security Policy (CFSP) as well.

The EU is now undergoing huge transformation. It may be rather early at this stage to characterize the ongoing dynamism of European integration by referring to particular theories and concepts. Especially now, as the EU is confronted with a serious crisis—in this case the crisis of the Eurozone, and it is the focus of debate whether the new EU system will be able to overcome it by coordinating the different interests of the Member States. The point of observation should be how the changes the Lisbon Treaty brought contribute to further integration, while hopefully providing the guidance needed to overcome the crisis. The EU may end up being a more unified entity in the process of overcoming the crisis, and this would contribute greatly toward paving the way to the completion of political integration. Further discussions are essential to investigate the changing nature of EU polity. This must be done in conjunction with the crisis management mechanism of the Union, as the future direction of the current crisis will undoubtedly influence the further progress of European integration.

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