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Do Markets Punish EU Backsliders?

by Julia C. Gray, Assistant Professor

Department of Political Science, University of Pittsburgh

Scholars of international institutions have long praised the ability of international organizations such as the European Union (EU) to promote cooperative behavior, stability, and the rule of law. In practice, however, the EU rarely enforces its own rules, restricting itself for the most part to issuing strongly worded statements, taking states to court for non-compliance with directives, and only occasionally punishing them.

This raises an empirical question: how important is enforcement of rules for countries’ credibility within the EU? Do the reputational benefits of EU membership mean that markets overlook the occasional bending of EU rules? Or do markets take rule-breaking in the EU seriously and use those instances as indicators for how countries might behave in the future?

Some would argue that markets take their cues from the institutions that organize countries’ behavior and that institutions can act as important distillers of information in a world of uncertainty. Hence, if we thought that market signals converged around signals from institutions and not from countries themselves, we might predict three different levels of market reaction to three different categories of offense. For countries that visibly break EU rules but go unpunished, we would expect no market reaction. Second, countries that break EU rules but are only reprimanded verbally should generate minimal market reaction. The strongest reaction should come from a third category: when countries are actually punished by the EU for rule-breaking.

Simple regression analysis can test the first proposition by examining whether markets respond to volatility in excess of Stability and Growth Pact (SGP) conditions. The SGP was originally designed to ensure that countries in the eurozone maintain a pre-established level of economic soundness and to prevent any persistent structural economic difficulties that would damage the health of the eurozone as a whole. Among other conditions, the SGP mandates that no country’s budget deficit exceed three percent of gross domestic product (GDP) and that public debt should stay below 60 percent of GDP. These valiant targets did not last; in 2006, German public debt clocked in at 66.8 percent of GDP, France’s at 64.7 percent, and Greece and Italy’s were over 100 percent of total output. Similarly, Hungary’s budget deficit in 2005 was well over 13 percent of GDP. Though the SGP contained provision for a fine to be imposed upon members found in breach – and these breaks with EU policy were public and widely reported in the media – the European Commission confined itself instead to informal expressions of disappointment.

What were those informal rebukes worth? Even holding constant other possible confounding factors – such as the level of foreign currency and other reserves in a country’s coffers, which can be drawn upon in case of emergency; the level of inflation, which has an impact on a currency’s worth; and the exchange rate of the country’s currency to the

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Thursday, December 4
Lecture: “Georgia’s Place in a Changing World”
Vasil Sikharulidze, Ambassador of Georgia to the United States, Canada, and Mexico, will give this free public lecture. 2:30 p.m.-3:30 p.m., 4130 Posvar Hall. Reception to follow. For more information, please contact Karen Lautanen at kal70@pitt.edu.

Thursday, December 4
Lecture: “Recovering ‘Jewish Spain’: Sephardic Studies in the Spanish Political and Cultural Landscape, 1848-1940”
Michal Fiedman, PhD Candidate at Columbia University, will present this lecture sponsored by the European Studies Center and the European Union Center of Excellence. 3:00 p.m.-5:00 p.m., 3703 Posvar Hall. For more information, please contact Karen Lautanen at kal70@pitt.edu.

Friday, January 30
Spring 2009 International Fair
Exhibits representing study abroad programs, international certificate programs, and campus student groups will be on display, in addition to international food and music. 11:00 a.m.-3:00 p.m., William Pitt Union. For more information, please contact Ben Pilcher at bjp10@pitt.edu.

Spotlight on Georgian Ambassador Vasil Sikharulidze:

Vasil Sikharulidze was appointed ambassador in March 2006. Prior to this assignment, he served as Georgia’s First Deputy Minister of Defense, responsible for policy and planning, international relations, and legal affairs. He also served as Undersecretary of the National Security Council of Georgia and Head of the NATO Division at the Ministry of Foreign Affairs of Georgia. Ambassador Sikharulidze graduated from Tbilisi State Medical University, Faculty of Physicians, and worked as a physician and psychiatrist prior to his career in public service.

UPCOMING EUCE/ESC GRANT DEADLINES:
ESC Faculty European Grant Competition
Deadline: Friday, December 5
The European Studies Center (ESC) reminds faculty that the deadline for the submission of applications for the 2008-2009 Faculty European Grant Competition is December 5, 2008. The competition is open to full-time faculty affiliated with the EUCE/ESC. Grants will be awarded for research-related activities to be carried out during the academic year. For more information and the application form, please visit www.ucis.pitt.edu/euce/faculty/funding/EuropeanGrant.html. Please contact Timothy Thompson, Associate Director, at tst@pitt.edu or 412-624-3503 with any questions.

EUCE Faculty Research Grant Competition
Deadline: Friday, December 12
The European Union Center of Excellence (EUCE) reminds faculty that the deadline for submission of applications for the 2008-2009 EUCE Faculty Research Grant Competition is December 12, 2008. The EUCE offers grants for research related to post-World War II European integration for University of Pittsburgh faculty in any department or school. For more information and the application form, please visit www.ucis.pitt.edu/euce/faculty/funding/EUCEGrant.html. Please contact Timothy Thompson, Associate Director, at tst@pitt.edu or 412-624-3503 with any questions.

MARK YOUR CALENDARS:

Fourth Annual Graduate Student Conference on the EU
“The Future of the EU: External Challenges and Internal Debates”
University of Pittsburgh
March 21, 2009
The EU currently faces many challenges that affect its citizens, institutions, and policy-making capabilities. This conference wishes to highlight graduate student research that addresses some of these broad challenges. The conference will be open to students, faculty, and the public. For more information, please visit www.ucis.pitt.edu/euce/events/gradconf/index.html.
An Immersion in French Language and Culture from the Green Mountains of Vermont to the Vineyards of Burgundy

by Tamara Misner

PhD Candidate, Department of Geology and Planetary Sciences

Tamara Misner was a recipient of a Foreign Language Area Studies (FLAS) Fellowship for the summer of 2008.

Currently, I am a PhD student in the Department of Geology and Planetary Sciences at the University of Pittsburgh, which has research sites in Burgundy, France. My research focuses on the impacts of people and climate on the Burgundian landscape through time. This interdisciplinary project combines nearly 500 years of documented agricultural histories and almost a millennium of regional climate data (tree rings, grape harvest dates, and old meteorological measurements) with data recorded in sediments from several small mill and farm ponds. This unique data set provides an opportunity to develop methods for extracting information about human activities from sedimentary environments. For example, time periods of intensive agriculture or deforestation on the landscape can be reconstructed based on changes recorded in pond sediment. The data also provides the chance to refine modeling of past and future climates to potentially separate human-driven changes from those caused by regional climate variation. This type of study is important because Burgundy’s economy is largely agricultural, and future climatic variations resulting from global warming and changes in landscape use (intensification of agriculture, etc.) will likely have detrimental impacts on water quality and availability, crop yields, and natural ecosystems for the area. My study will contribute to this understanding by providing scientific data that policymakers and farmers can use to create sustainable land management policies and practices.

I pursued a Foreign Language and Area Studies (FLAS) fellowship this summer in order to master the French language. This was necessary both as a research tool to understand archival and scientific data published in French, as well as to communicate with local people and promote collaboration with French scientists. I began by spending seven intense weeks studying French language and culture in Middlebury, Vermont. I chose the Middlebury program because it emphasizes language proficiency through total immersion, requiring a complete commitment to speak only the target language. Upon my arrival, I signed the Language Pledge® stating I would speak only French for seven weeks. From that moment on, I lived, ate, breathed, and even dreamed in French. During the program, I stayed in a dormitory that housed only French students. Three out of my four classes were taught by native speakers. Each professor was from a different province in France, which was fortunate for me because I was able to hear regional variations in pronunciation and vocabulary. There were approximately 30 intermediate level students, and we were divided into three groups. This provided a very personalized and comfortable learning environment in which I came to know my instructors and fellow classmates extremely well. Formal coursework included lessons in grammar, vocabulary, phonetics, and literature.

Being a geology student, I was especially intrigued by the literature class. This was the first time in my college career that I was required to memorize, recite, and write poetry. I came to know and enjoy many famous poets and authors such as Jacques Prévert, Paul Verlaine, Arthur Rimbaud, and Charles Baudelaire. I enjoyed learning about French culture and history through the words of these famous and formidable artists. There were also many extracurricular activities, such as sports and cultural events. I learned to bake madeleines, cross-stitch, cycle, and even contra dance—all of the calling was done in French, of course! One of my favorite learning experiences was a daytrip to a vineyard in Quebec, where I sampled local wines and cheese. After the sampling, the vigneron (wine grower) gave all of the students a personal tour of his winery. C’était vraiment fantastique! I will never forget my experiences or the friendships that I forged during those seven intense weeks in the French School at Middlebury College.

Shortly after finishing the Middlebury Intensive Summer Language Program, I traveled to France to complete some fieldwork for my dissertation project. My newly enhanced language skills proved an invaluable tool during my field expedition. I was able to connect with geoscientists at the University of Dijon and converse with local farmers and landowners about my project. Most importantly, I was able to explain to the Travel Security Agents who detained me at Charles de Gaulle International Airport who I was, what I was studying, and why I was bringing suitcases full of specialized equipment and samples back to the United States! I would never have been able to reach this level of proficiency without the help of the FLAS fellowship, and I plan to continue to improve my language skills through future collaborations with French scientists, international meetings, and participation in an exchange program such as the Fulbright.
Fellowships, Grants, and Opportunities

Mid-Atlantic Slavic Conference Call for Papers

The American Association for the Advancement of Slavic Studies invites proposals for an individual paper or for a complete panel for the 32nd Annual Meeting of the Mid-Atlantic Slavic Conference to be held in New York City on April 4, 2009. Panels or papers are welcome on any appropriate scholarly aspect of Slavic and East European Studies. Proposals should be emailed to theis@kutztown.edu and should include the paper's title, a very brief abstract, any request for technical support, the postal and email addresses of the presenter, and the presenter's institutional affiliation. The deadline for proposals is December 15, 2008. Please contact Dr. Mary E. Theis at theis@kutztown.edu with any questions.

2009 EUSA Prize for Best Dissertation

The European Union Studies Association (EUSA) Prize for Best Dissertation in EU studies will be awarded in 2009 for a dissertation written in English on any aspect of European integration submitted in completion of the PhD at any university between September 1, 2006 and August 31, 2008. Department chairs (not the dissertation committee chair) should submit an electronic copy in Microsoft Word of the dissertation with a short cover letter (letter of transmittal) from the chair to the EUSA Administrative Office at eusa@pitt.edu. Please write “2009 Best Dissertation prize” in the subject line. Dissertations not submitted by the department chair will be disqualified. The deadline for submissions is January 5, 2009. For more information, please visit the EUSA website at www.eustudies.org.

Anglo-German “State of the State” Postdoctoral Fellowships

Applications are invited for two-year postdoctoral Fellowships to work mainly at the University of Oxford. Fellows will study the transformation of the modern state with a focus on Western Europe (including Germany) and/or European integration, be it in political science, law, history, or economics. The program welcomes international comparative perspectives extending to all parts of Europe, as well as comparisons between the EU and other regional blocs. Fellowships will start in September 2009. The program aims to enable outstanding scholars to spend time in an intellectually stimulating environment and to turn their finished doctoral theses into English-language manuscripts suitable for publication with a university press. The deadline is January 12, 2009. For an application and more information, please visit www.politics.ox.ac.uk/about/vacancies.

European Spring Institute 2009

“THE FUTURE OF EUROPE: LOBBYING IN BRUSSELS”

Hosted by Prague’s Center for Public Policy and the Institute for European and National Strategies, the European Spring Institute 2009 is a seven-day academic program from March 28-April 4, 2009 designed to bring together 30 undergraduate and graduate students of various nationalities and academic backgrounds to enjoy their spring holidays in a unique academic and cultural environment. The program combines intensive academic courses with cultural, social, and recreational opportunities and provides students with an exciting opportunity to deepen their knowledge of current EU politics through the exchange of ideas with academics, policy practitioners, and fellow students from different ethnicities. The early bird application deadline is January 30, 2009, and the final deadline is February 15, 2009. For more information, please visit www.esi.cpvp.cz. Contact esi@cpvp.cz with any questions.

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Using Area Studies to Connect International Education and Human Security

by Danielle Samek

MPIA Candidate, Graduate School of Public and International Affairs

Danielle Samek was a recipient of a Foreign Language Area Studies (FLAS) Fellowship for the 2008-2009 academic year.

After spending two consecutive semesters studying in Rennes, France and Seville, Spain as an undergraduate, I came to realize the value of international education and decided I would like to someday help others achieve their own dreams of studying abroad. I also witnessed firsthand the impact that foreigners can have on host societies, from increasing understanding between cultures to the less desirable effects of changing or diluting the host culture. Integrating into certain societies is difficult enough, but some places like Seville have become so accustomed to their *guiris*, or foreigners, that some locals are reluctant to develop friendships they know will not last. On the other hand, study abroad has the ability to break down barriers between cultures and to promote understanding in a profound way for both students and those with whom they come in contact.

My story is not an unusual one in the field of international affairs: student studies abroad, graduates from college, and goes on to graduate school. Even my wide range of interests—foreign languages, international education, and immigration—is not all that peculiar. I have been lucky enough to find a place where all of my interests converge and where I am free to pursue them all simultaneously at the Graduate School of Public and International Affairs. After visiting Morocco and living in places with large Arabic-speaking immigrant populations, I developed an interest in Arabic. I jumped at the chance to apply for a Foreign Language Area Studies Fellowship from the European Studies Center.

Though study abroad has been well-established in Europe for decades, I do believe that programs in non-Western societies remain under-emphasized. Regions such as North Africa and Southwest Asia are less popular destinations for students, yet in many ways, studying there could be more rewarding and provide a richer experience. With fewer English-speakers and fewer cultural commonalities, those brave enough to take on such a challenge would be able to come away with a unique experience that would surely provide for personal growth as well as global awareness. For example, there is something fascinating about wandering through the cramped markets of Rabat, winding endlessly in all directions. Countless Americans have seen the Champs-Élysées in Paris, yet there is something to be said for taking a chance on a place where fewer people speak English and the cultural divides are greater.

Increased contact with locals in these places could also help break down the cultural misunderstandings that persist even in the face of a globalized world. I hope to be able to use my knowledge of Arabic to allow me to better understand other cultures myself. Not only will I be able to serve as an example for other students who may consider studying a less-commonly taught language but I will also be a more credible researcher because I will have a better understanding of the people about whom I write.

Beyond working with study abroad, I would like to research the connection between international education and human security on a broader scale. Our world today is a place where people can move about the globe quite easily, as evidenced by the border-free Schengen area of Europe and illegal immigration into the United States. These movements of people are intrinsically connected to human security in an interesting way: while some eliminate fear and want, others contribute to insecurity. Immigration, for example, encompasses both. The human security of immigrants can be improved as they achieve economic stability in their new state, yet if the host society reacts with xenophobia and discrimination, their security may very well deteriorate.

As complicated as the relationship between my interests appears to be, it is clear to me that the common thread is area studies. Europe serves as a microcosm for many problems experienced throughout the world, and although Arabic is not an official language of the European Union, knowledge of it greatly facilitates using immigration as an indicator of human security in Europe. By connecting all of my interests, I hope to add to my story: student completes graduate school, gets a job, and contributes to international cooperation and understanding, one way or another.
to the dollar—we find no statistically significant market reaction to budget or public debt volatility in excess of SGP conditions. This confirms our first hypothesis.

Similarly, in cases where the Commission brought offending countries to the European Court of Justice (ECJ), market reaction is mixed. Looking at 1,071 cases across 18 years—from 1990 to the present—in which the Commission brought suit against countries that were found to be in violation of EU rules, we observe that the ECJ found those countries in offense. In aggregate, markets in those countries suffered statistically significant losses on the order of a few percentage points, but the reaction varied depending on the country and on the case. Since ECJ cases usually deal with regulatory infractions, this relatively mild market reaction is perhaps not too surprising. Interestingly, however, markets did not react in a statistically or substantively significant manner to the initial filing of cases—a public moment when markets became aware that a country in question was alleged to be noncompliant with EU standards. This further suggests that markets look to signals from international institutions in formulating their expectations of countries’ behavior.

A further test could be made on cases where the EU actually punishes members who have broken their rules. We might consider two such cases: the case of Bulgaria’s fine in June 2008 for corruption and case of countries whose entry into the eurozone is delayed (perhaps the strongest form of conditionality that the EU can impose on states once they have already become members).

The Bulgarian case is of interest because Romania was rebuked at the same time and for the same reasons but went unpunished formally. The case was as follows: the EU imposed unprecedented penalties on Bulgaria in June 2008, freezing 500 million euros in aid because of Bulgaria’s failure to combat corruption, organized crime, and the misuse of EU funds. It also warned the country that 7 billion euros’ worth of structural funds over the following six years were in jeopardy and barred two Bulgarian payment agencies from receiving any money from Brussels. The Commission said, however, that payments would be resumed if the authorities introduced proper financial controls on farm subsidies. A report issued at the same time found Romania lacking in those exact areas as well and threatened to freeze 150 million euros worth of funding for Romania under the EU’s Sarapard program for helping the Danube neighbors improve their agricultural competitiveness. Romania had already faced a fine for failing to meet a June 30 deadline to disburse to farmers all funds available under the EU’s common agriculture policy. However, the fine went through for Bulgaria but not for Romania, which was let off the hook with a stern warning.

We find here that the Bulgarian bond index lost 95 percentage points in an event window around the announce-
**EUCE/ESC Newsletter:**

**Director:** Professor Alberta Sbragia  
**Associate Director:** Timothy Thompson  
**Editor:** Julie Draper

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**FACULTY, STUDENT, AND ALUMNI NEWS**

**NOTE TO EUCE/ESC AFFILIATED FACULTY, STUDENTS, & ALUMNI:**
Please keep us informed about your professional achievements pertaining to the study of the EU and Europe. Send news of awards offered, grants received, books recently published, job appointments accepted, etc., to the newsletter editor at eucnews@pitt.edu.

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**NEW INTERNATIONAL RELATIONS DATABASE ACCESS**

The International Relations and Security Network (ISN) has been added to the University Library System’s A-Z List of databases. The ISN is the world’s foremost open access information service for international relations and security professionals. ISN’s Digital Library includes over 20,000 full-text books, working papers, government reports, journal articles, historic and primary source materials, a directory of organizations active in international relations, and an annotated links library of the websites, blogs, and online research resources for international affairs.

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**িয়েটের প্রধান মন্ত্রী**

**নির্দেশনা:**

**FELLOWSHIPS, GRANTS, AND OPPORTUNITIES**

Continued from page 4

**MPIfG POSTDOCTORAL FELLOWSHIPS**

The Max Planck Institute for the Study of Societies (MPIfG) in Cologne offers several postdoctoral fellowships in economic sociology and political economy. The fellowships start in October 2009 and will be awarded for one year. The program is open to researchers from a variety of social science disciplines, particularly but not exclusively sociology and political science. **The deadline for applications is January 31, 2009.** For an application and more information, visit [www.mpifg.de/aktuelles/ausschreibungen_en.asp#Post-Doc](http://www.mpifg.de/aktuelles/ausschreibungen_en.asp#Post-Doc).

**CES PRE-DISSERTATION FELLOWSHIP IN EUROPEAN STUDIES**

The Council for European Studies (CES) at Columbia University invites graduate students to participate in the 2009 Pre-Dissertation Fellowship Program. The program serves as the leading source for pre-dissertation fellowships that fund students’ first major research projects in Europe. **The deadline for all materials is February 1, 2009.** For an application and more information, visit [www.ces.columbia.edu/awards/awards.html](http://www.ces.columbia.edu/awards/awards.html).

**FIFTH ECPR GENERAL CONFERENCE CALL FOR PAPERS**

The Fifth European Consortium for Political Research (ECPR) General Conference will be held from September 10-12, 2009 at Potsdam Universität. Papers can now be proposed to the sections and panels. A list of sections can be found at [www.ecpr.org.uk/potsdam/sections.asp](http://www.ecpr.org.uk/potsdam/sections.asp). The academic program is very broad, with over 50 sections covering all the main areas of political science, including environmental politics, political theory, European studies, and international relations. **The deadline for paper submissions is February 1, 2009.** Find more information at [www.ecpr.org.uk/potsdam/files/paper_proposals_guidelines_and_deadlines.pdf](http://www.ecpr.org.uk/potsdam/files/paper_proposals_guidelines_and_deadlines.pdf).

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**NOTEWORTHY SPRING VISITORS**

Visiting Italian Fulbright Professor Stephania Licini will be in residence January-April, including teaching the undergraduate course “Italian Modern History: Economy and Society in the 19th and 20th Centuries” (HIST 1108-1030). Professor Licini is a member of the faculty in the Dipartimento di Scienze economiche, Facoltà di Economia, Università degli studi di Bergamo in Italy.

Visiting Distinguished Professor Eric Remacle will be in residence during January and the first week in February. During his return visit, Professor Remacle will teach the graduate course “Europe, Human Security and the Security-Development Nexus” (PIA 2492; PS 2320). Professor Remacle is Professor of Political Science at the Free University of Brussels (ULB) and Director of the Pôle Bernheim for the Study of Peace and Citizenship at ULB.

Visiting Distinguished Practitioner Dr. Achilleas Mitsos will be in residence during the last three weeks of February and will teach the graduate course “Politics and Policy-making in the European Union” (PS 2309-1200; PIA 2390-1200). Dr. Mitsos is a former Director of DG Research in the EU Commission and this fall was designated a Legacy Laureate by the University of Pittsburgh in respect of his many significant professional accomplishments after earning a PhD in economics.
If you would like to be added to the EUCE/ESC newsletter’s electronic distribution list, please email the Center at euce@pitt.edu. Include the subject line “Newsletter” and your name, address, and affiliation. You can also call us at 412-648-7405 or send a fax to 412-648-2199. In addition, the latest edition of the newsletter and a complete, updated list of events can always be found at our website: www.ucis.pitt.edu/euce/euce.html.

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