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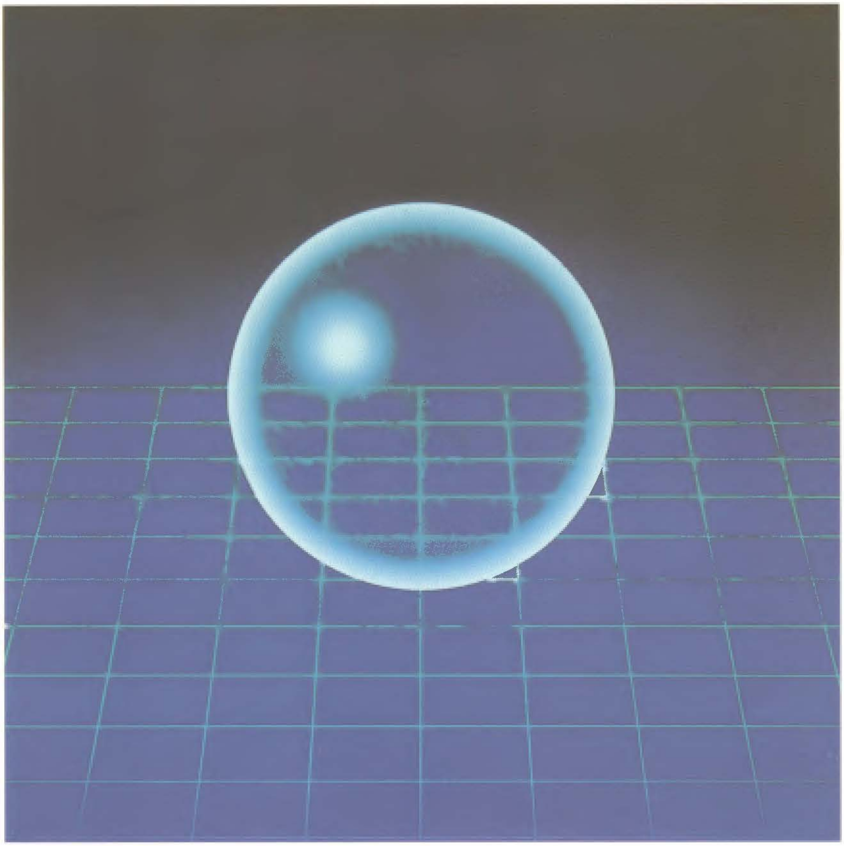
EUROPE IN TEN LESSONS

by Pascal Fontaine



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EUROPE IN TEN LESSONS

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A BRIEF HISTORY OF EUROPEAN INTEGRATION

Until it crystallized into a political concept and became the long-term goal of the Member States of the European Community, the European ideal was unknown to all but philosophers and visionaries. The notion of a United States of Europe was part of a humanist-pacifist dream which was shattered by the conflicts which brought so much destruction to the European continent in the first half of this century. The vision of a new Europe which would transcend national antagonism finally emerged from the resistance movements which had sprung up to resist totalitarianism during the Second World War. Altiero Spinelli, the Italian federalist, and Jean Monnet, the man who provided the inspiration for the Schuman Plan which led to the European Coal and Steel Community in 1951, were the main proponents of two approaches, the federalist and the functionalist, which were to provide the impetus for European integration. Central to the federalist approach is the idea that local, regional, national and European authorities should cooperate and complement each other. The functionalist approach, on the other hand, favours a gradual transfer of sovereignty from national to Community level. Today, the two approaches have merged in a conviction that national and regional authorities need to be matched by independent, democratic European institutions with responsibility for areas in which joint action is more effective than action by individual States: the single market, monetary policy, economic and social cohesion, foreign and security policy.

The Community as we know it today is a monument to the dedication of the early pioneers. The Community is an advanced form of multisectoral integration, its competence extending to the economy, industry, politics, citizens' rights and foreign policy. The Treaty of Paris establishing the European Coal and Steel Community (1951), the Treaties of Rome establishing the European Economic Community and the European Atomic Energy Community (1957), the Single European Act (1986) and the Maastricht European Union Treaty (1992) form the constitutional basis of the Community, binding its Member States more firmly than any conventional agreement between sovereign States. The Community itself generates directly applicable legislation and creates specific rights which can be invoked by its citizens.

Initially the Community's activities were confined to the creation of a common market in coal and steel between the six founder members (Belgium, France, Germany, Italy, Luxembourg and the Netherlands). In that post-war period, the Community was primarily seen as a way of securing peace by bringing victors and vanquished together within an institutional structure which would allow them to cooperate as equals.

In 1957, three years after the French National Assembly had rejected a European Defence Community, the Six decided to create an economic community, built around the free movement of workers, goods and services. Customs duties on manufactured goods were duly abolished on 1 June 1968 and common policies, notably an agricultural policy and a commercial policy, were in place by the end of the decade.

The success of the Six led Denmark, Ireland and the United Kingdom to apply for Community membership. They were finally admitted in 1972 following difficult negotiations during which France, under General de Gaulle, used its veto twice, once in 1961 and again in 1967. This first enlargement, which increased the number of Member States from six to nine, was matched by further deepening, the Community being given responsibility for social, regional and environmental matters.

The need for economic convergence and monetary union became apparent in the early 1970s when the United States suspended the convertibility of the US dollar. This marked the beginning of a period of world wide monetary instability, aggravated by the two oil crises of 1973 and 1979. The launch of a European Monetary System in 1979 did much to stabilize exchange rates and encourage Member States to pursue strict economic policies, enabling them to give each other mutual support and benefit from the discipline imposed by an open economic area.

The Community expanded southwards with the accession of Greece in 1981 and Spain and Portugal in 1986. These enlargements made it even more imperative to implement structural programmes designed to reduce the disparities between the Twelve in terms of economic development. During this period the Community began to play a more important role internationally, signing new agreements with the countries in the southern Mediterranean and countries in Africa, the Caribbean and the Pacific, which were linked to the Community by three successive Lomé Conventions (covering the period 1975 to 1989). The Community also took part in GATT negotiations on tariff reductions with its main industrialized partners.

Despite its position as the world's major trading power, the Community has been slow to develop structures which would increase its diplomatic influence. European Political Cooperation (EPC) is little more than an intergovernmental forum for coordinating foreign policy positions, although the Twelve do speak with a single voice on specific issues from time to time.

World recession and internal wrangling on the Community's finances in general and the United Kingdom's contribution in particular led to a wave of 'Europessimism' in the early 1980s. This gave way, from 1984 onwards, to a more hopeful view of the prospects for revitalizing the Community. On the basis of a White Paper drawn up in 1985 by the Commission chaired by Jacques Delors, the Community set itself the task of creating a single market by 1 January 1993. The Single Act, signed on 18 February 1986, confirmed this ambitious target and introduced new procedures for adopting associated legislation. It came into force on 1 July 1987.

The boost that this new target gave to the integration process led to applications for Community membership from Turkey (1987), Austria (1989), Sweden (1991), Finland (1992) and Switzerland (1992). In the early 1990s, the collapse of the Berlin Wall, followed by German unification, liberation from Soviet control and subsequent democratization of the countries of Central and Eastern Europe and disintegration of the Soviet Union transformed the political structure of Europe. The Twelve determined to strengthen their political and monetary ties and negotiated a new Treaty, the main features of which were agreed at the Maastricht European Council in December 1991.

With so many applications for membership on the table or expected in the near future, the Community has no choice but to move further along the road to a union based on the federalist philosophy. Unless it can strengthen its structures and rationalize decision-making to combine efficiency with democracy, the Community cannot hope to develop into a genuine Union. On the contrary, it will be faced with the prospect of dilution or paralysis. A 'Greater Europe', stretching from the Atlantic to the Urals, will only develop into an organized power if it is built around a stable nucleus capable of speaking and acting as one.

Four decades of European integration have had a profound effect on the development of the continent and the attitudes of its inhabitants. They have also changed the balance of power. All governments, regardless of political complexion, now recognize that the era of absolute national sovereignty is gone. Only by joining forces and working towards a 'destiny henceforward shared', to quote the ECSC Treaty, can Europe's old nations continue to enjoy economic and social progress and maintain their influence in the world.

The Community method, which involves constant balancing of national and common interests, respect for the diversity of national traditions and the forging of a separate identity, is as valid as ever today. Devised as a way of overcoming deep-rooted hostilities, superiority complexes and the warring tendencies, so characteristic of relations between States, it kept the democratic nations of Europe united in their commitment to freedom throughout the Cold War. The disappearance of East-West antagonism is a triumph for the European spirit, which Europeans need now more than ever as they embark on building a new continent.

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2

THE COMMUNITY'S INSTITUTIONS

What sets the Community apart from more traditional international organizations is its unique institutional structure. In accepting the Treaties of Paris and Rome, Member States relinquish a measure of sovereignty to independent institutions representing national and shared interests. The institutions complement one another, each having a part to play in the decision-making process.

The **Council** is the main decision-making institution. It is made up of Ministers from each Member State with responsibility for the policy area under discussion at a given meeting: foreign affairs, agriculture, industry, transport, the environment...

The Presidency of the Council rotates, changing hands every six months. The ground for the Council's discussions is prepared by Coreper, a committee of Member States' permanent representatives to the Community, which is assisted in turn by committees of civil servants from the appropriate national ministries. There is also a General-Secretariat, based in Brussels.

Under Article 145 of the EEC Treaty, the Council is responsible for coordinating the general economic policies of the Member States. But as the Community's competence increases, so does the range of Council activities. The Council, which represents the Member States, adopts Community legislation (regulations, directives and decisions). It is the Community's legislature as it were, although in certain areas specified by the Single Act and the Maastricht Treaty it shares this function with the European Parliament. The Council and Parliament also have joint control over the Community's budget. Finally, the Council adopts international agreements negotiated by the Commission.

Article 148 of the EEC Treaty distinguishes between decisions adopted unanimously, by a simple majority and by a qualified majority (54 votes out of a total of 76).

Where a qualified majority is required, votes are distributed as follows: France, Germany, Italy and the United Kingdom have 10 votes each; Spain has eight; Belgium, Greece, the Netherlands and Portugal five; Denmark and Ireland three; and Luxembourg two.

Most decisions are taken by a qualified majority. Unanimity is only required on issues of fundamental importance such as the accession of a new Member State, amendments to the Treaties or the launching of a new common policy.

The **European Council** evolved from the practice, dating back to 1974, of organizing regular meetings of Heads of State or Government and their Foreign Ministers. The arrangement was formalized by the Single Act in 1986. Since then, the European Council meets at least twice a year and the President of the Commission now attends in his own right.

Initially the idea was to formalize the summit meetings which had been called periodically by one Member State or another since 1961. But as European affairs became more and more important in the political life of the Member States, it became clear that there was a need for national leaders to meet to discuss the important issues being examined by the Community. As a launch pad for major political initiatives and a forum for settling controversial issues blocked at ministerial level, the European Council soon hit the headlines, thanks to its high-profile membership and its dramatic debates. The European Council also deals with current international issues through European Political Cooperation (EPC), a mechanism devised to allow Member States to align their diplomatic positions and present a united front.

The **European Parliament** provides a democratic forum for debate. It has a watchdog function and also plays a part in the legislative process.

Elections for the European Parliament are held every five years (the first were held in June 1979). Parliament has 518 seats. The four most populous countries (France, Germany, Italy and the United Kingdom) each have 81 seats, Spain has 60, the Netherlands 25, Belgium, Greece and Portugal 24, Denmark 16, Ireland 15 and Luxembourg 6. Since German unification, 18 observers from the eastern *Länder* have been taking part in Parliament's proceedings.

Parliament meets in plenary session in Strasbourg. Brussels is the usual venue for meetings of its 19 committees, which prepare the ground for meetings in plenary session, and its political groups. Parliament's Secretariat-General is located in Luxembourg.

Parliament shares the legislative function with the Council: it has a hand in the drafting of directives and regulations, proposing amendments which it invites the Commission to take into account. The Single Act, which amended the Treaties, established a procedure with two readings in Parliament and two in the Council. Known as the cooperation procedure, it gives Parliament a bigger say in a wide range of policy areas, notably the single market.

The Maastricht Treaty strengthens Parliament's hand even further by granting it powers of co-decision in specific areas: the free movement of workers, the single market, education, research, the environment, trans-European networks, health, culture and consumer protection. Parliament may now reject the Council's common position and halt the legislative process provided that an absolute majority of MEPs are in favour and the conciliation procedure has failed.

Finally, the Single Act made international cooperation and association agreements and all subsequent enlargements of the Community subject to Parliament's assent. In Maastricht it was decided that Parliament's assent would also be required for a uniform electoral procedure and Union citizenship.

☐ Parliament also shares budgetary powers with the Council. It can adopt the budget or reject it, as it has on two occasions in the past. In this case the whole procedure begins again from scratch.

The budget is prepared by the Commission. It then passes backwards and forwards between the Council and Parliament, the two arms of the budgetary authority. While the Council's opinion prevails on 'compulsory', largely agricultural, expenditure, Parliament has the last word on 'non-compulsory', expenditure, which it can alter within the limits set by the Treaty.

Parliament makes full use of its budgetary powers to try to influence policy.

One of Parliament's essential functions is, of course, to provide political impetus. It is, after all, the European forum *par excellence*, a melting pot of political and national sensibilities representing 342 million people. It frequently calls for new policies to be launched and for existing ones to be developed or altered. Its draft Treaty on European Union, adopted in 1984, was the catalyst which finally set the Member States on the road to the Single Act. And it was Parliament which successfully called for the convening of the Intergovernmental Conferences on economic and monetary union and political union.

Lastly, Parliament provides democratic control. It can dismiss the Commission by a vote of censure supported by a two-thirds majority of its members — a power it has yet to use. It also comments and votes on the Commission's programme each year. Parliament monitors implementation of the common policies, relying for its information on reports produced by the Court of Auditors. It also monitors the day-to-day management of these policies by means of oral and written questions to the Commission and the Council.

Foreign Ministers, who are responsible for European Political Cooperation, also answer MEPs questions, giving them an account of their stewardship and briefing them on action taken in response to Parliament's resolutions on international relations and human rights.

Parliament is briefed on the conclusions of each European Council by the President of the European Council.

Egon Klepsch, the German Christian Democrat, was elected President of Parliament in January 1992.

The **Commission** is another key Community institution. A single Commission for all three Communities (the ECSC, the EEC and Euratom) was created when the Treaty merging the executives entered into force on 1 July 1967. The number of Commissioners was increased to 17 on 1 January 1986 (two each for France, Germany, Italy, Spain and the United Kingdom, and one each for the remaining seven countries). Commissioners are appointed by the Member States 'by common accord'. Under the Maastricht Treaty their term of office will increase to five years and their appointment will have to be approved by Parliament. The Commission enjoys a great deal of independence in performing its duties. It represents the Community interest and takes no instructions from individual Member States. As the guardian of the Treaties, it ensures that regulations and directives adopted by the Council are properly implemented. It can bring a case before the Court of Justice to ensure that this is done. The Commission has sole right of initiative and can intervene at any stage in the legislative process to facilitate agreement within the Council or between the Council and Parliament. It also has a executive function in that it implements decisions taken by the Council, in relation to the common agricultural policy for instance. And it has significant powers in relation to the conduct of common policies in areas such as research and technology, development aid and regional cohesion. The Commission can be forced to resign *en bloc* by a vote of censure in Parliament supported by a two-thirds majority, but this has yet to happen.

The 17-member Commission is backed by a civil service, provisionally headquartered in Brussels and Luxembourg. It comprises 23 departments, called Directorates-General, each responsible for implementation of common policies and general administration in a specific area. In contrast to the secretariats of conventional international organizations, the Commission enjoys financial autonomy and can spend its budget as it sees fit. Federalists see the Commission as the embryo of a European government, accountable to a bicameral Parliament comprising a European Parliament and a Senate of the Member States, to replace the Council we know today. Jacques Delors has been President of the Commission since 1985.

The **Court of Justice,** based in Luxembourg, comprises 13 judges assisted by six advocates-general, all appointed for a six-year term by common agreement between the Member States. Their independence is beyond doubt.

The Court has two main functions:

☐ to check the laws enacted by the Community institutions for compatibility with the Treaties (a matter may be brought before the Court by one of the institutions, by a Member State or by members of the public if they consider that their rights have been violated);

☐ to give its opinion on the correct interpretation or the validity of Community provisions when requested to do so by a national court. If a question of this kind is raised in a case before a court or tribunal against whose decision there is no appeal, the Court of Justice must be asked to give a preliminary ruling.

The Court's judgments and interpretations are gradually helping to create a body of European law applicable Community-wide.

In the area of Community law, its rulings take precedence over those of national courts. It has therefore played a decisive role in shaping the Community as we know it today.

In 1987 a Court of First Instance was set up to deal with administrative disputes within the institutions and disputes between the Commission and businesses over the Community's competition rules.

The **Court of Auditors,** set up by Treaty on 22 July 1975, has nine members — to be increased to 12 under the Maastricht Treaty — who are appointed by the Council for a six-year term. Its role is to check that revenue is received, that expenditure is incurred 'in a lawful and regular manner' and that the Community's financial affairs are properly managed. Its findings are set out in annual reports, drawn up at the end of each financial year. The Maastricht Treaty gives the Court of Auditors the status of a Community institution, making it the fifth.

In EEC and Euratom matters, the Council and the Commission are assisted by the **Economic and Social Committee.** This consists of 189 members, representing various sectors of economic and social life. It must be consulted before decisions are taken on a large number of subjects, and is also free to submit opinions on its own initiative.

In ECSC matters, the Commission is assisted by a **Consultative Committee,** which has 96 members representing producers, workers, consumers and dealers in the coal and steel industries. It too must be consulted before decisions are taken on a large number of subjects and it can also submit opinions on its own initiative.

Through the Economic and Social Committee and the Consultative Committee, the various interest groups concerned are actively involved in the development of the Community.

■ ■ ■

3

THE SINGLE MARKET

Article 2 of the EEC Treaty set the Community the task of promoting the harmonious development of economic activities, continuous and balanced expansion, increased stability, a rapid rise in living standards and closer relations between its Member States. This was to be accomplished by opening up borders to facilitate the free movement of individuals, goods and services and by promoting solidarity through common policies and common financial instruments.

With the advent of 1 January 1993 and the single market the Community has almost achieved this goal. But why has it taken more than 40 years, when internal customs duties and quotas were abolished as long ago as July 1968, 18 months ahead of schedule? The simple answer is that it is easier to harmonize customs duties than taxes, that the regulations governing the professions differ from one country to the next, that stubborn protectionist attitudes combined with the proliferation of technical standards only served to exacerbate the partitioning of markets in the early 1980s.

Some Member States that were particularly badly hit by the recession which followed the oil crises of 1973 and 1979 took steps to protect their markets from growing international competition.

In 1985 the new Commission chaired by Jacques Delors made a dramatic move. It published a White Paper which made it clear that there had been far too many delays, that too many barriers still stood in the way of the creation of a growth area that a market of 300 million consumers could represent. The 'cost of non-Europe', that is to say the cost of border delays, technical barriers, and protectionism in the field of public procurement, was put at almost ECU 200 billion.[1] A single market, on the other hand, would add five percentage points to economic growth rates and create 5 million new jobs.

It is this that prompted the Twelve to sign the Single Act in February 1986, containing a blueprint and a time-table for adopting the 270-odd measures that would be needed to create a single market. In so doing, they embarked on a new adventure which is already bearing fruit. The business community, the self-employed and the trade unions all reacted spontaneously, in advance of the 1993 deadline, by adapting their strategies to the new order which will give everyone more freedom of choice.

The hope is that the process set in train will create a virtuous circle of more freedom, wider competition and higher growth. The process is already irreversible. Physical, fiscal and technical barriers are falling one by one, although the record is less impressive in sensitive areas such as the harmonization of VAT rates and right of residence.

■ PROGRESS TO DATE

On the whole, though, progress has been satisfactory. By the end of September 1991 about 75% of the measures needed had been adopted, the Commission having made full use of its right of initiative and tabled all the proposals required.

The measures already adopted relate in the main to:

☐ the liberalization of public procurement, which involved making the rules on works and supplies contracts more transparent, stepping up checks and extending the rules to important new areas such as transport, energy and telecommunications;

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1 *ECU 1 (European currency unit) = about UKL 0.70, IRL 0.77 and USD 1.26 (at exchange rates current on 30.6.1992).*

☐ the harmonization of taxation, which meant aligning national provisions on indirect taxes, VAT and excise duties;

☐ the liberalization of capital markets and financial services;

☐ standardization, thanks to a new approach to certification and testing, recognition of the equivalence of national standards, and some harmonization of safety and environmental standards;

☐ the abolition of technical barriers (freedom to exercise an activity and recognition of the equivalence of training qualifications) and physical barriers (elimination of border checks) to the free movement of individuals;

☐ the creation of an environment which encourages business cooperation by harmonizing company law and approximating legislation on intellectual and industrial property (trade marks and patents).

In the last analysis decisions on politically sensitive issues have to be taken by the Member States and often require unanimity. There is still some way to go in areas such as the abolition of border checks (immigration policy, the fight against organized crime and drug trafficking, livestock and plant inspections...), freedom of establishment (recognition of qualifications for all regulated professions; right of entry for workers and their families), services (extension of freedom to provide services to investment services and transport by sea, inland waterway and road) and business cooperation (information and consultation of workers in the European company, consolidation of company losses, and mergers between companies in different Member States).

The Maastricht Treaty extends Community competence in a number of areas in which decisions will be taken by qualified majority: research and technological development, environmental protection and social policy (the United Kingdom did not sign the agreement on social policy reached by 11 Member States). The Treaty also strengthens the powers of the European Parliament, introducing a co-decision procedure in a number of areas. These provisions will allow further progress to be made on a number of sensitive issues and speed the decision-making process.

The new provisions on cooperation in the areas of justice and home affairs should deal with the obstacles which prevent people moving freely. For example, the measures already applied by the signatories to the Schengen Agreement (see inset below) will eventually be extended to all Member States.

3

SCHENGEN:
THE BEGINNINGS OF A FRONTIER-FREE AREA

■ Key dates

June 1984: the Fontainebleau European Council agrees in principle to abolish customs and police formalities at the Community's internal borders.

July 1984: the Saarbrücken Agreement between France and Germany marks a first step towards attaining this objective.

14 June 1985: Belgium, France, Germany, Luxembourg and the Netherlands sign the Schengen Agreement, committing themselves to the gradual abolition of checks at shared borders and free passage for everyone crossing these borders, whether they are nationals of a signatory country, another Community country or a non-member country.

19 June 1990: the same five States — Belgium, France, Germany, Luxembourg and the Netherlands — sign a further agreement spelling out conditions and guarantees for implementation of the free-movement arrangements. This Agreement, comprising 142 articles, amends national laws and is subject to ratification by national Parliaments.

27 November 1990: Italy joins the first five States

18 November 1991: Spain and Portugal join too.

■ The Schengen area

Free movement

Free movement applies to all, regardless of nationality.

☐ For Community nationals, the principle has largely been put into practice in the area covered by the Schengen Agreement.

☐ Arrangements for tourists, asylum seekers and legal immigrants from non-member countries are included in the Agreement, the main aim of which is to standardize procedures throughout the Schengen area.

Law and order and security

☐ Police will continue to operate on their own national territory, in ports and airports, but they will adopt a different approach. Closer cooperation will make controls at external borders more effective.

☐ There are common rules on measures to combat terrorism, smuggling and organized crime. The Agreement also makes provision for cooperation between courts, police forces and government departments. Once this new form of cooperation has been tried and tested in the Schengen area, it should be possible to move gradually to the complete abolition of internal borders.

4

THE COMMON POLICIES

We have already seen that Article 2 of the EEC Treaty set the Community the task of promoting the harmonious development of economic activities, continuous and balanced expansion, increased stability, a rapid rise in living standards and closer relations between its Member States 'by establishing a common market and progressively approximating the economic policies of Member States'.

Solidarity

This general objective was to be achieved by introducing freedom of movement for individuals, goods, services and capital and pursuing a competition policy designed to monitor the behaviour of firms and protect the interests of consumers. However, if a large market was to benefit every sector and every region, it had to be matched by effective structural policies, managed and financed by the Community. It soon became apparent that stronger economic and social cohesion was a *sine qua non* for solidarity between the Member States. This is why a regional policy and a social policy were introduced, growing in importance as new members joined the Community.

Regional policy

The wealthiest region in the Community is approximately six times as prosperous as the poorest. The accession of Spain and Portugal in 1986, followed by the unification of Germany in 1990, had the effect of doubling the number of people living in regions where per capita income is less than 75% of the Community average.

Since the Single Act, increased economic and social cohesion has come to be seen as a corollary to a frontier-free area.

In February 1988 the Twelve decided to double expenditure on structural policies. This meant setting aside ECU 14 billion a year over the period 1989 to 1993 for measures aimed at developing regions whose development is lagging behind, promoting new activities in industrial areas in decline, helping the long-term unemployed, making it easier for young people to find employment, modernizing agriculture and assisting poor rural areas. The money is channelled through existing but radically reformed funds — the European Development Fund (EDF), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF) — and is intended to supplement or stimulate efforts by governments, regions or private investors.

Social policy

An active social policy sets out to correct the most glaring imbalances. The European Social Fund (ESF) was set up in 1961 to help create jobs and promote vocational and geographical mobility in industries not covered by the ECSC. The ECSC itself took similar action, mainly in the 1960s, to help redeploy the thousands of miners affected by pit closures. One million jobs were lost, representing 62% of the workforce. Between 1954 and 1988, the Community spent ECU 3 billion, enabling tens of thousands of miners to take early retirement and creating 180 000 new jobs.

But the Community does more than provide financial assistance. This would not be enough to solve the problems caused by recession and underdevelopment. The dynamism generated by economic growth, encouraged by appropriate policies at national and Community level, must be harnessed first and foremost to social progress. But social progress is matched, indeed stimulated, by legislation guaranteeing Community-wide rights. These stem from principles enshrined in the Treaties, such as equal pay for equal work, recent directives on health and safety, and the recognition of basic safety standards.

In Maastricht in December 1991 the Member States (with the exception of the United Kingdom) adopted a protocol on social policy following on from the Charter of the Fundamental Social Rights of Workers. This set out the rights to be enjoyed by workers throughout the Community: free movement, fair pay, better working conditions, social protection, freedom of association and collective bargaining, vocational training, equal treatment for men and women, industrial democracy, health protection and safety at the workplace, and protection of children, the elderly and the disabled.

The 'Delors II' package

The Commission, which was due to present proposals for financing the Community from 1993 onwards, decided to seize the opportunity presented by the decisions taken in Maastricht. In February 1992 it published a document entitled 'From the Single Act to Maastricht and beyond: the means to match our ambitions' (commonly known as the 'Delors II' package) setting out its priorities. In effect, this document proposed increasing the Community's budget by ECU 21 billion in real terms, bringing it to ECU 87.5 billion in terms of commitments by 1997.

It also called for a modest increase in the Community's own-resources ceiling (expressed as a percentage of Community GNP), from its present level of 1.2 % to 1.37 %. The additional funds would be concentrated on three key objectives: expanding external action in line with the Community's new responsibilities in world affairs; strengthening economic and social cohesion — an essential element of the single market and economic and monetary union — and improving the competitiveness of European business.

The Commission's new initiatives are designed to put the decisions taken in Maastricht into practice. They include: the creation of a cohesion fund by 31 December 1993 to help certain Member States, a new approach to competition policy, the introduction of a common industrial policy, the promotion of research and technological development, steps to strengthen social policy and promote vocational training, and the development of infrastructure networks.

All the Commission's proposals are based on two principles: **subsidiarity,** whereby Community action is confined to areas where it is most effective, and **solidarity,** which is reflected in the objective of promoting economic and social cohesion.

The difficulty will be to reconcile these two principles and reduce regional disparities — which will require additional expenditure — in the context of strict budgetary discipline and Member States' limited room for manoeuvre if economic and monetary union is to be a success.

Reform of the common agricultural policy

Side by side with these priorities, the Commission has made plans for the future financing of the agricultural policy. These are linked to the proposals in the paper known as the 'Mac Sharry memorandum', presented in July 1991.

The objectives assigned to the common agricultural policy by Article 39 of the EEC Treaty have largely been achieved. These are: to ensure a fair standard of living for the agricultural community; to stabilize markets; to ensure reasonable prices for consumers; and to modernize agricultural structures. The principles of market unity, Community preference and financial solidarity served the industry well when it was less healthy than it is today. Consumers could be sure of secure supplies at stable prices, protected from dramatic fluctuations on world markets. The flight from the land and the modernization of farming has reduced the proportion of the labour force working in agriculture from 20% to 8% and encouraged the development of a competitive agricultural industry.

Today the common agricultural policy is a victim of its own success. A new approach is needed to contain production which is outstripping consumption — production rose by 2% a year between 1973 and 1988, consumption by no more than 0.5%. Surplus production is now a drain on Community resources, hindering the development of other policies. The main aim of the reform is to break the link between subsidies and quantities produced and shift the emphasis to quality, to bring production more into line with demand, and to discourage intensive production which is so damaging to the environment.

Policies for progress

During the 1980s the Community became actively involved in new areas, developing policies to flank the single market. The Community now has a direct bearing on the lives of individuals, dealing as it does with real social issues such as environmental protection, health, consumer rights, competition and safety in the transport industry, education and culture. This raises two questions. Is this extension of the Community's sphere of influence justified? Indeed, is it legitimate, since every Member State has its own democratic system which ensures that the needs and expectations of its citizens are met? The simple answer to both questions is that there is no choice. The sheer scale of some problems means that they transcend borders and call for concerted action. In many cases only the Community is in a position to regulate and provide the necessary funding. In some instances, the Community's response has opened the way to progress, inspired others to act, and created potential which is still not being exploited to the full.

Interaction between the general public and the Community's institutions has been most striking on the **environment.** Growing public awareness of the need to conserve the planet's scarce resources and to do more to protect the consumer and the quality of life has prompted the Community to act in specific areas: air pollution standards, the use of chlorofluorocarbons (CFCs) which damage the ozone layer, the treatment of urban sewage, the control of chemicals, waste management, noise levels of vehicles...

Protecting the environment is not merely a question of stricter standards and tougher regulations. The Community also funds specific projects and promotes compliance with Community legislation. For example, ECU 1.2 billion has been allocated to environment-protection projects in less-developed regions over the period 1989-93.

The Community is convinced that Europe's future depends on its ability to keep in the **technology race.** From the outset it recognized the dynamic effect of joint research and its potential as an investment in the future. Euratom, established in 1958 at the same time as the EEC, was devoted to cooperation on the peaceful uses of nuclear energy. The Community has its own research centre, the Joint Research Centre (JRC), comprising nine institutes spread over four sites — Ispra in Italy, Karlsruhe in Germany, Petten in the Netherlands, and Geel in Belgium. However, as the pace of international innovation quickened, the Community was forced to do more and bring as many scientists as possible together to cooperate on research projects, concentrate on industrial applications, and overcome administrative and financial constraints.

Action by the Community is designed to complement action taken at national level by promoting projects involving laboratories from several Member States. It promotes fundamental research in areas such as nuclear fusion — a potentially inexhaustible source of energy for the 21st century (the JET or Joint European Torus programme) — and in vulnerable strategic industries such as electronics and computers. Under its framework programme for 1990-94 the Commission, with a budget of ECU 5.7 billion, will finance a wide and varied range of programmes linking tens of thousands of researchers around the Community.

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5

ECONOMIC AND MONETARY UNION

Economic and monetary union is a logical accompaniment to the single market and a major political milestone on the road to a united Europe. A single European currency will replace national currencies by the end of the century, which should help to make the man in the street more aware of belonging to a new entity.

As far back as 1969 the Community's Heads of State or Government, meeting in The Hague, decided to draw up a phased plan for achieving economic and monetary union. In 1970 the Werner Report came out in favour of creating an economic and monetary union in three stages over a period of ten years. A monetary union would have meant making currencies fully and irreversibly convertible doing away with bands within which exchange rates could fluctuate, fixing parities irrevocably and removing all restrictions on capital movements. But the political will to press ahead was weakened by the first oil crisis and the project ran out of steam.

However, a European exchange-rate system, popularly known as the 'snake', was introduced in 1972; and in April 1973 the constitution of the European Monetary Cooperation Fund (EMCF) was signed. In 1974 the Council adopted a decision designed to bring about a high degree of convergence between national economies and a directive on stability, growth and full employment. However, growing economic instability gradually eroded the foundations of the system and the French franc, the pound sterling and the Italian lira left the snake.

■ THE EUROPEAN MONETARY SYSTEM (EMS)

In July 1978, at the Bremen European Council, the Heads of State or Government decided to establish the European Monetary System (EMS), which came into force in March 1979. The EMS is a compromise mechanism based on parallelism between two linked factors: the maintenance of parity between currencies and the attainment of economic convergence.

The EMS has created a zone of monetary stability in Europe, encouraging growth and investment.

The EMS has three main components.

The ecu

This is the key element in the system. It is a basket of Member States' currencies with four basic functions:

- ☐ a unit of account *(numéraire)* in the exchange-rate mechanism;
- ☐ a base for determining divergence indicators;
- ☐ a unit of account for operations under the intervention and credit mechanisms;
- ☐ a means of settlement between the monetary authorities of the Member States.

The exchange-rate and intervention mechanisms

Each currency has a central exchange rate linked to the ecu. This is used to determine central rates for each pair of currencies. Bilateral exchange rates are allowed to fluctuate within a band of 2.25% (or up to 6% in some cases) around the central rate.

A divergence threshold for each currency is set at 75% of the maximum permissible divergence. As soon as a currency crosses this threshold, the authorities are required to intervene to remedy the situation.

The credit mechanisms

☐ The existing credit mechanisms were retained, but the amounts involved were increased.

☐ In the final stage of the EMS; the credit mechanisms will be consolidated into a single fund.

The EMS has succeeded in creating a zone of increasing monetary stability. But it has still to achieve its true potential. Several currencies remain outside the exchange-rate mechanism or are allowed to fluctuate within wider bands. Insufficient convergence of national budgetary policies has created tensions and the planned transition to the second stage is still awaited. Be that as it may, although the ecu has not played a major role in the EMS, it has become very popular on the markets.

■ THE LAST LAP ON THE ROAD TO EMU

In June 1988 the Hanover European Council set a committee of experts, chaired by Jacques Delors, the task of studying and proposing 'concrete stages' leading to economic and monetary union. Considerable progress has been made since then on the basis of the committee's report.

In June 1989 the Madrid European Council defined the objectives in broad terms: the Community was to embark on a process comprising several stages, the first of which was to begin on 1 July 1990, and culminating in the introduction of a single currency. Monetary and economic progress would go hand in hand. During the first stage the Member States would draw up convergence programmes aimed at converging and improving economic performance thereby making it possible to establish fixed exchange rates.

In October 1990, at the Rome European Council, 11 of the Member States agreed on a date for transition to Stage II and the general conditions to be met for the launching of Stage III and endorsed the principle of a single currency, the ecu.

■ MAASTRICHT

In December 1991 the Maastricht European Council took a decisive step, making progress towards a single currency irreversible. The main elements of the Treaty are as follows:

☐ Stage II of economic and monetary union will begin on 1 January 1994. It will be a transitional stage during which a determined effort will be made to achieve economic convergence. A European Monetary Institute (EMI) will be set up to strengthen the coordination of Member States' monetary policies, promote the use of the ecu and prepare the ground for the creation of a European Central Bank in Stage III.

☐ Stage III will begin on 1 January 1997 at the earliest and 1 January 1999 at the latest. In 1996 the Member States' Finance Ministers will decide, on the basis of reports from the Commission and the EMI, which Member States meet the conditions for adoption of a single currency. If seven or more States qualify, the European Council may decide by a qualified majority to allow them to proceed to Stage III. If no decision is taken the countries meeting the convergence criteria, irrespective of the number, will automatically progress to Stage III on 1 January 1999. A European Central Bank will be set up at the beginning of Stage III, six months ahead of the introduction of the single currency and by July 1998 at the latest. It will be independent of national governments and will manage the monetary policies of the Member States that have progressed to Stage III. Member States outside the currency union will join as soon as their economic performance permits. Under a protocol to the Treaty, the United Kingdom reserves the right to opt out of Stage III even if it meets the economic performance criteria. In another protocol, Denmark reserves the right to hold a referendum on the matter, as required by its constitution.

The criteria for moving to Stage III are as follows:

☐ the inflation rate must be within 1.5 percentage points of the average rate of the three States with the lowest inflation;

☐ the long-term interest rate must be within 2 percentage points of the average rate of the three States with the lowest interest rates;

☐ the national budget deficit must be below 3% of GNP;

☐ the national debt must not exceed 60% of GNP;

☐ the national currency must not have been devalued for two years and must have remained within the 2.25% fluctuation margin provided for by the EMS.

The introduction of a single currency by the end of the century is the Community's most ambitious goal as yet. There are bound to be setbacks along the way which will test the political will of the Member States. We have seen that the Commission produced a document entitled 'From the Single Act to Maastricht and beyond: the means to match our ambitions' in February 1992 on the Community's finances from 1993 onwards, and in particular the financial resources needed to promote economic and social cohesion, a precondition for economic and monetary union.

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6

POLITICAL UNION AND DEFENCE

Peace and reconciliation are central to the process of European integration. Not once since the end ot the Second World War has Europe sought to impose its ideas on the rest of the world, other than by setting an example of how to solve problems by negotiation. However, with its emergence as an important economic and trading power, the Community is increasingly called upon to act as a mediator and a stabilizing force in world affairs.

When the plans for a European Defence Community (EDC) failed in 1954, the Federal Republic of Germany and Italy decided to join the Western European Union (WEU), established by Belgium, France, Luxembourg, the Netherlands and the United Kingdom in 1948 for the purposes of mutual assistance and political consultation on military matters. For more than 40 years, however, it was through NATO, in close alliance with the United States and Canada, that Western Europe guaranteed its own security.

It was not until the Single Act that European Political Cooperation (EPC), was given formal recognition. EPC was seen essentially as a forum for mutual consultation and coordination at intergovernmental level and was therefore the responsibility of the European Council and the Council of Foreign Ministers, the Community institutions such as the Commission and Parliament being only indirectly involved. Nevertheless, EPC has often made it possible for the Member States to adopt a common position within international organizations, such as the United Nations, and has proved useful in ensuring a consistent approach to foreign policy.

Given the geopolitical changes that have shaken Europe since 1989 — the collapse of the Warsaw Pact, the unification of Germany and the disintegration of the Soviet Union, combined with the resurgence of nationalist tensions, civil war and the break-up of Yugoslavia — the Twelve decided to make a major move on political cooperation.Their conclusions, adopted in Maastricht in December 1991, form the basis of a genuine political union built around a common foreign and security policy. The objectives, to quote the Treaty, are as follows:

- ☐ to safeguard the common values, fundamental interests and independence of the Union;
- ☐ to strengthen the security of the Union and its Member States in all ways;
- ☐ to preserve peace and strengthen international security;
- ☐ to promote international cooperation;
- ☐ to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms.

Article A of the Maastricht Treaty establishes a Union 'founded on the European Communities, supplemented by the policies and forms of cooperation established by this Treaty'. This means that Community and intergovernmental procedures will exist side by side in a single institutional framework. During a transitional period most decisions on foreign and defence policy will be intergovernmental. The details of what was agreed are as follows:

- ☐ the European Council retains its ultimate authority and will continue to determine the general thrust of foreign policy. But provision is made for **joint action** by the Twelve, which would commit each Member State. The procedures for implementing joint action could be adopted by a qualified majority;
- ☐ the common foreign and security policy could lead in time to **common defence.** The cautious wording used in the Treaty represents a compromise between Member States who consider that the Community

needs to develop its own defence policy and Member States that are keen to preserve the bonds established within the Atlantic Alliance. But the notion of 'common defence' does point to a desire to create a full-blown Union with a strategic and military dimension;

☐ by requesting the Western European Union, seen as an integral part of the future Union, to 'elaborate and implement decisions and actions of the Union which have defence implications', the Twelve are forging links with the only European organization with a defence role. The WEU, which Spain and Portugal joined in 1990, has a 108-member Assembly based in Paris and a Council of Ministers, whose secretariat is to be transferred from London to Brussels.

The Twelve also reserve the right to strengthen their links with the WEU in 1996, in the run-up to 1998, when the Brussels Treaty establishing the WEU expires. At that point the WEU might become the military arm of the Union or, alternatively, the 'European pillar' of the Atlantic Alliance.

Many questions remain to be answered about arrangements for diplomatic and military cooperation. These are being studied by the Member States of the Union brought into being in Maastricht. Faced with the urgent task of creating a political order which will guarantee peace and security for a continent more threatened by resurgent nationalism than ideological conflict, the Union must consider what role it can play in writing the ground rules. Some thought needs to be given to redefining the functions of the Conference on Security and Cooperation in Europe (CSCE) — covering all European States, the newly-independent Soviet republics, the United States and Canada and described in the Paris Charter of 21 November 1991 as the 'central forum for political consultations' in the new Europe — the Atlantic Alliance as reformed at the Rome Summit in 1991, the Western European Union, and the new European Union.

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7

A PEOPLE'S EUROPE

What is the ultimate aim of integration? Is it to create a people's Europe or a businessmen's Europe? The main concern of the Founding Fathers, whose political vision launched the process, was to make it impossible for Europe to tear itself apart in yet another fratricidal war. But the pioneers who actually built the Community wanted to lay the foundations of a robust, effective institutional structure and therefore took a more pragmatic approach, concentrating on coal and steel, the common market, agriculture and competition. The result is a Community which is seen by some as technocratic, in the sense that it is run by civil servants, economists, lawyers and the like. But the truth is that the grand design would have come to nothing without the unfailing support and political will of the institutions.

Most of the goals set by the Treaties have been achieved: there are no longer any customs or tax barriers or regulations restricting the activities of individuals or the free movement of services and capital. We may not be aware of it, but we all benefit on a daily basis from the emergent single market: access to a wide range of goods; competition which helps to keep prices down; policies to protect the consumer and the environment; and standards usually harmonized at the highest level. People living on the periphery of the Community also benefit from the structural Funds (the European Regional Development Fund, integrated Mediterranean programmes). And the price support mechanisms financed for the last 20 years by the European Agricultural Guarantee and Guidance Fund have been of enormous benefit to Europe's farmers. Indeed, the current controversy about agriculture centres on the future of a policy which, as we have seen, is the victim of its own success. The problem now is costly over-production and pressure from international competition.

The vast bulk of expenditure in the Community's budget, which is in excess of ECU 65 billion (approximately UKL 45 billion), goes on measures which have a bearing on everyday life.

But being a European means more than being a consumer in Europe or contributing to Europe's economy. From now on it will mean being a citizen of the Union. Since the Treaties came into force in 1958, the Community has been legislating to flesh out the provisions on freedom of movement for the employed, freedom to provide services and right of establishment for members of the professions. The Community does not tolerate any discrimination based on nationality against Community citizens seeking employment outside their own Member State. Furthermore, migrant workers and their dependants are entitled to welfare benefits, vocational training and equal treatment in the matter of taxation and social rights under Article 51 of the EEC Treaty.

There have been a number of directives harmonizing the rules on access to regulated professions. Thanks to the Community's unremitting efforts to approximate national provisions, each Member State now recognizes the diplomas issued by the others to medical practitioners, nurses, veterinarians, pharmacists, architects, insurance brokers, ...

On 21 December 1988, because so many occupations were still covered by national rules, the Twelve adopted a comprehensive directive establishing a system of mutual recognition for higher education diplomas.

This covers all diplomas issued after a university course lasting three years or more and is based on the Member States' mutual trust in each other's educational systems. The first right enjoyed by European citizens, then, is the right to move, work and reside anywhere in the Community. Three directives adopted in 1990 extended the right of residence to students, pensioners and individuals, employed or not, with sufficient resources to support themselves. This right was written into the section of the Maastricht Treaty on citizenship of the Union.

These rights, resolutely upheld by the Court of Justice, would probably not have been enough on their own to turn a citizen of a Member State into a citizen of the Community. More formal rights, involving transfers of sovereignty, had to be added. With the exception of areas regarded as an intrinsic part of the State (for instance, the police force, the army, and the diplomatic corps), public sector jobs, such as jobs in the health service, education and public corporations, could be opened up to all Community nationals. It would make perfect sense, after all, for children in Rome to be taught English by a British teacher or for a young French graduate to apply for a post in the Belgian civil service.

The process of constructing a people's Europe began in 1985 with publication of the Adonnino Report, commissioned by the Fontainebleau European Council. The decision taken in Maastricht to allow every citizen residing in a Member State other than his own to vote and stand in municipal and European elections marks the beginning of a new phase. This decision, the details of which will have to be worked out by 1994, has sparked a debate on the concepts of national identity and national sovereignty. The argument that European citizenship complements and enhances national citizenship is a novel one and raises questions which politicians will have to address. A people's Europe is merely a foretaste of political union. It remains to be seen what common values and collective ambitions the people of Europe will share in a Union which may well number more than 20 members by the end of the century.

The feeling of belonging to a single entity, of sharing a common destiny, cannot be created artificially. The time has come for integration in the arts to make some headway and contribute to the emergence of a shared consciousness.

Education and training programmes have a part to play here. They are encouraged by the Community and include Erasmus (exchanges between universities), Comett (cooperation between universities and industry) and Lingua (promotion of modern language training). Thanks to these programmes almost 60 000 young people receive grants each year to study in another Community country. The target is to enable 10% of any year's intake to spend one academic year at a university in another Member State. If this target is to be reached, more Community funds will have to be made available.

A people's Europe has a long way to go. We have a European passport (in use since 1985), a European anthem (Beethoven's 'Ode to joy') and a flag (a circle of 12 gold stars on a blue background), which already flies outside many a town hall. But we need more than this. Progress on a European driving licence is rather slow. And talk of European Olympic teams or military or community service in multinational units is pure speculation at this stage.

One development that could have a major psychological impact is the Maastricht decision to introduce a single currency by 1999 at the latest. This would be in the shape of bank notes denominated in ecus on one side and in the national currency on the other. And the abolition of border checks in the Schengen area (which will eventually include all 12 Member States) in 1993 will strengthen the feeling amongst Europeans that they share a common home.

'We are not forming coalitions between States, but union among people', said Jean Monnet in a speech in Washington in 1952. Today, promoting popular support for European integration is a major challenge for the Community's institutions.

The introduction of direct elections to the European Parliament in 1979 helped to legitimize the integration process by creating a direct link with the will of the people. The Community lacks democratic accountability. Parliament must be given a greater role to play; individuals must be more closely involved through associations and political organizations; and, genuinely European parties must be formed. This list alone makes it quite clear that, while Europe may be a reality, European citizenship is still in its infancy.

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8

THE COMMUNITY AND ITS NEIGHBOURS

■ THE EUROPEAN ECONOMIC AREA (EEA)

In signing the Luxembourg Joint Declaration in April 1984, ministers representing the Member States of the Community and others representing the EFTA countries, that is to say, Austria, Finland, Iceland, Norway, Sweden, Switzerland and Liechtenstein, recognized for the first time that there was a need for a European Economic Area (EEA) encompassing the two organizations.

The objectives of the EEA are as follows:

☐ to involve the EFTA countries in the creation of a single European market with some 380 million inhabitants;

☐ to broaden the scope of Community policies (research and technological development, transport, agriculture and fisheries, energy, environment, training and education, intellectual property) to include the EFTA countries;

☐ to enable the two organizations to work together to support and consolidate economic recovery and reduce the abnormally high rate of unemployment; and

☐ to step up consultations between the two organizations on multilateral trade.

Preliminary studies were put in hand in 1989, with official negotiations getting under way in June of the following year. Five negotiating groups were set up to deal with free movement of goods, individuals, services and capital, and flanking (or 'horizontal') policies and joint institutions.

A drafting group was formed to produce the text of the agreement and a high-level group was given the task of coordinating negotiations and dealing with matters of fundamental importance to the parties.

The main difficulties centred on institutional issues (EFTA participation in Community decision-making) and matters of substance (EFTA requests for exemptions from the four freedoms and cohesion and transit arrangements). After a number of postponements, the Agreement was eventually concluded in October 1991. But a few months later the Court of Justice argued, in an opinion requested by the Commission, that the judicial review arrangements were incompatible with the Treaty of Rome. It felt, in particular, that the new court to be created could jeopardize its independence.

On 2 May 1992 the Council signed the Agreement which had been altered to take account of the Court's comments. The Agreement, which is subject to ratification by the Twelve and the EFTA countries and also requires Parliament's assent, should enter into force on 1 January 1993.

However, with the filing of formal applications for Community membership from Austria (1989), Sweden (1991), Finland (1992), and Switzerland (1992), the EEA looks increasingly like a transitional arrangement. It could serve as an ante-room for countries economically but not yet politically integrated into the Community and other European States seeking closer ties.

■ THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

At the Group of Seven Summit in Paris in July 1989, the leading industrialized nations asked the Commission to coordinate the planned programme of economic aid for Poland and Hungary (Phare). Other OECD members supported this decision and came together to form the Group of 24 (i.e. the 12 Community countries, the six EFTA countries, the United States, Canada, Japan, New Zealand, Australia and Turkey).

In July 1990 the Group of 24 decided to extend the programme to the GDR, Czechoslovakia, Bulgaria and Yugoslavia.

The Phare programme involves not only the 24 OECD countries and the Commission, but also the OECD itself, the IMF, the World Bank, the European Investment Bank, the Paris Club and the European Bank for Reconstruction and Development.

There are five priority areas: access to donor countries'markets for goods produced by the beneficiaries, agriculture and the food industry, investment promotion, training and the environment.

The basic philosophy underlying the programme is that aid should facilitate the process of economic and social change in the countries of Central and Eastern Europe and enable them to participate in the process of European integration.

The Community tends to finance programmes rather than individual projects. Management and implementation is decentralized and an effort is always made to involve a variety of organizations to develop a broader-based society. The 1990 action programme, for which a total of ECU 500 million was set aside in the budget, included:

- ☐ economic aid for Poland, Hungary, Czechoslovakia, Bulgaria and Yugoslavia;
- ☐ humanitarian aid for Romania;
- ☐ two special programmes (one environmental, one regional) for the GDR.

The budget for 1991 broke down as follows:

- ☐ Poland: ECU 192 to 212 million;
- ☐ Hungary: ECU 100 to 137 million;
- ☐ Czechoslovakia: ECU 88 to 105 million;
- ☐ Bulgaria: ECU 143 to 160 million;
- ☐ Romania: ECU 80 to 110 million.

The budget for 1992 totals ECU 1 000 million.

Europe Agreements

Europe Agreements, which are based on Article 238 of the EEC Treaty, are more far-reaching than existing trade and cooperation agreements. Agreements of this type are planned for all countries of Central and Eastern Europe to complement action taken by the Community under the Phare programme. In November 1991 the Commission initialled agreements with Poland, Hungary and Czechoslovakia, reflecting a significant *rapprochement.* Although the Agreements do not commit the Twelve to admitting the three countries to the Community, they do in fact represent a step on the road to membership. The preamble recognizes that Community membership is the ultimate aim of the countries concerned and that this form of association will help them to achieve it.

The Agreements straddle areas of national and Community competence. They are preferential and valid for an indefinite period. The main areas covered are:

- ☐ political dialogue;
- ☐ free trade and freedom of movement;
- ☐ economic cooperation;
- ☐ financial cooperation;
- ☐ cultural cooperation.

The following basic principles are incorporated into the Agreements:

- ☐ liberalization;
- ☐ conditionality (for transition to the second stage);
- ☐ asymmetry (more generous trade arrangements for the associated countries);
- ☐ product classification.

The Agreements are subject to ratification by the Parliaments of Poland, Hungary and Czechoslovakia and the Parliaments of the Twelve. The assent of the European Parliament is also required (Article 238 of the EEC Treaty). Since all this will take some time, interim agreements, involving less complicated procedures, are planned for sections of the Agreements covering areas of exclusive Community competence.

■ THE MEDITERRANEAN COUNTRIES

The Community's Mediterranean neighbours were among the first countries to establish special economic and trade relations with it.

They are very important to the Community, many of them having historical or cultural links with individual Member States, France in the case of Algeria, Morocco, Tunisia, Lebanon and Syria, the United Kingdom in the case of Cyprus, Egypt and Israel. The accession of Spain and Portugal had important implications for the Mediterranean, making the Community the region's major trading partner.

The Community has association or cooperation agreements with virtually all the Mediterranean countries (the exceptions being Albania and Libya).

Association agreements

Turkey, Cyprus and Malta have association agreements with the Community, aimed at the gradual creation of a customs union. All three have formally applied for Community membership (Turkey in 1987, Cyprus and Malta in 1990). In its opinion on Turkey's application, the Commission explained that no further enlargement of the Community would be appropriate until 1993.

Cooperation agreements

Algeria, Morocco and Tunisia (the Maghreb countries), Egypt, Jordan, Syria and Lebanon (the Mashrek countries), Israel and Yugoslavia have cooperation agreements with the Community covering trade, industrial cooperation, technical and financial assistance.

Towards a new Mediterranean policy

Although it has been relatively successful, the Community's policy is in need of overhaul. The European Parliament has called for a more structured, comprehensive policy. There is no denying that a number of challenges lie ahead: potential conflicts and instability, a population explosion, high levels of unemployment (over 20%), balance of payments deficits, foreign debt, poor economic growth and massive food imports. The Community should do more to promote the development of an enterprise economy. Areas needing priority attention include the environment, transport, energy and regional cooperation.

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9

THE COMMUNITY AND THE WORLD

A major political power or a regional economic grouping? An open trading partner or a protectionist bloc? The Community means different things to different countries, depending on whether their links with it are economic, diplomatic, cultural or strategic.

The United States of America sees Europe as an ally that shares its values but also as a commercial and technological rival. The Transatlantic Declaration, signed in November 1990 between the United States, the European Community and its Member States, confirms the political support that Washington has traditionally given to the development of a stable, democratic European partner. The President of the United States, the President of the Commission and the President of the Council meet regularly for discussions. The political and strategic alliance between the United States and virtually all the Member States by virtue of NATO membership has helped to take the heat out of trade disputes about steel, agriculture and civil aircraft.

The Community's relations with Japan, its other main industrialized partner, are of a different order. Its main concern is to persuade Japan to open up its markets to offset the flood of Japanese products into Europe.

The developing countries see the Community as their main market, not merely because of its size but because the bulk of their industrial and agricultural products have unrestricted access. Europe has woven a web of solidarity with Africa, based on historical links between the two continents and the responsibilities assumed by the old colonial powers.

Finally, the eastern half of the continent of Europe, free at last from totalitarianism, is seeking to develop closer links with the Community and aspires to membership once the necessary conditions are met.

Will the Community, the world's leading trade power, develop into a political giant as it moves towards European Union? The Maastricht Treaty gives the go-ahead on two requisites for power — a single currency and a common defence policy. It remains to be seen whether the Twelve, and any new Member States, will have the political will to pool sovereignty in these key areas.

The approach advocated by the Founding Fathers has gone a long way towards establishing a European identity on the international scene. In 1968, for example, the Community introduced a common customs tariff, an external corollary to the internal abolition of customs duties and quotas. Since Europe's economy is based primarily on the processing of imported raw materials into manufactured goods with a high value added, the Community has worked to promote an open trading system. Within the GATT, to which the individual Member States are contracting parties but whose major agreements are signed by the Community in its own right, it has played a leading role in the major rounds of trade negotiations. Under the Treaty of Rome, the Community's institutions have sole responsibility for negotiating customs duties, implementing safeguard and anti-dumping measures and drawing up rules on public procurement.

The weighted average rate of customs duty applied to industrial goods imported into the Community is now less than 5%. Since 1986 the Community has been engaged in negotiations for new rules on trade in services and agricultural products with its trading partners. The current debate on agriculture highlights the differences between farmers on either side of the Atlantic. It is because the Community presents a united front that it is so effective in defending the viewpoints of each of its Member States, who would cut less ice if they were to negotiate on their own. The advent of the single market in 1993 will strengthen the common commercial policy still further: the remaining import restrictions which Member States have been allowed to retain will be abolished, as will restrictions on the internal distribution of sensitive products (for example, cars and electronic goods from Japan, textiles and steel).

The question now is whether the single market will turn the Community into a protectionist fortress, or whether it will become an open dumping ground, exposed to competition from all sides and unable to protect its own manufacturers. The prospect of a market of 340 million consumers, in which income levels are high and standards harmonized, makes the Community particularly attractive to the world's exporters. But the Community is now capable of persuading its partners to abide by rules designed to ensure healthy competition and reciprocal market access.

It remains to be seen what the impact of economic and monetary union will be and how the role of the European currency will evolve within the international monetary system. The stability offered by a currency area will be very attractive to investors both inside and outside the Community. The costs involved in changing money from one Community currency to another will be a thing of the past. Other countries and major companies will begin to keep a growing proportion of their reserves in ecus, as protection against fluctuations of the dollar and the yen.

The Community has already established itself as an economic and trading power. It now has the potential to become a political power too, if it is prepared to exploit all the opportunities created by the Maastricht Treaty. By now there is little distinction in practice between the Community's economic and diplomatic activities on the world stage. It is true that political decisions can be taken by the Twelve using an intergovernmental procedure, but Community legislation is then needed to implement them. The decisions to impose sanctions on Argentina during the Falklands War, and again on Iraq in the lead-up to the Gulf War, were taken and implemented in the Community framework. When the Twelve defend common positions within, say, the Conference on Security and Cooperation in Europe, the United Nations or the Euro-Arab Dialogue, it is impossible to separate economic and political issues when it comes to implementing measures that guarantee the Community's credibility. The Community enjoys observer status at the United Nations and is represented by a permanent Commission delegation and the Presidency of the Council.

It has signed some 50 UN conventions and agreements in its own right.

At home or abroad the Community is true to its basic mission: to encourage the formation of groupings and joint action. The countries of the southern Mediterranean are extremely important partners because of their proximity, their historical and cultural ties with Community countries, and current and potential migration patterns. Here the Community has traditionally pursued a policy of regional integration, known as the 'overall Mediterranean approach', and it is taking a keen interest in the development of the Arab Maghreb Union.

Relations between the Community and sub-Saharan Africa date back to 1957 when the Treaty of Rome gave the overseas territories of certain Member States associate status. The process of decolonization which began in the early 1960s transformed this link into a new form of association between sovereign countries based on Article 238 of the EEC Treaty. Today 69 countries in Africa, the Caribbean and the Pacific enjoy special relations with the Community under the fourth Lomé Convention (1990-2000). It provides ECU 12 billion in subsidies and low-interest loans from the European Development

Fund (EDF), which are to be used to finance economic and social investment programmes. Provision is also made for industrial and agricultural cooperation.

Under the Convention 99% of the ACP countries' industrial goods have duty-free access to the Community, and there are no reciprocal concessions for Community goods. The innovative Stabex mechanism, covering 48 agricultural products, helps to stabilize the ACP countries' export earnings. Sysmin fulfils the same function for mining products. The Lomé Convention also institutionalizes political relations through an ACP-EEC Council of Ministers, a Committee of Ambassadors and a Joint ACP-EEC Assembly, where the Community is represented by Members of the European Parliament.

Cooperation between the Community and the developing countries of Asia and Latin America is less structured. They benefit from the Generalized System of Preferences, which gives their exports preferential treatment and provides some financial assistance. The Community has concluded framework cooperation agreements with Argentina, Brazil, Uruguay, Mexico and the Andean Pact countries (Bolivia, Columbia, Ecuador, Peru and Venezuela) with the aim of supporting regional economic integration. Similar agreements were concluded with the Gulf Cooperation Council in 1988 and with Asean (the Association of South-East Asian Nations) in 1990.

The Twelve, individually and collectively, are the developing countries' most important partners. The Community accounts for 21.5% of their exports and 36% of the official aid they receive (of which 63% goes to sub-Saharan Africa, 12% to Asia and 11% to Latin America and the Caribbean). Two-thirds of this aid is for development projects, the remaining third for food aid. But this is not enough. The Community has to find a way of responding to the challenge of the widening prosperity and population gap between itself and the newly-independent Soviet republics, the countries of southern Mediterranean and Africa, areas that are so close geographically yet light years away in terms of development.

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EUROPE IN THE 21ST CENTURY: THE SHAPE OF THINGS TO COME

The integration process set in motion when the Six set up the Community — which grew into a Community of Nine in 1972 and Twelve in 1986 — is still a vital force. The challenges of the post-war period were such that an attempt had to be made to reconcile nations and rebuild the economies of western Europe. Half a century later the challenges facing Europe are no less significant. The new democracies emerging from the ruins of the Communist bloc expect support from their neighbours and a willingness to work with them to create a new Europe. Even neutral countries like Sweden and Austria realize what the Community has to offer and want to be part of it. As the 21st century dawns, the Community may well number more than 25 democratic States.

The Union for which the foundations were laid in Maastricht wants its door do be open to the whole of Europe. This means that two problems will have to be tackled by existing and prospective members. First, how is the Community, whose institutions were designed for a handful of Member States, to expand without undermining its decision-making mechanisms or its political identity? Second, how are people from so many different backgrounds and cultures to develop the will to live together, an *affectio societatis* as Jacques Delors put it, so that they will be prepared to pool a part of their sovereignty?

It would be ironic indeed if the arrival of new members were to threaten the traditional Community approach to integration just when it has proved its worth by uniting the Twelve into a strong, homogenous whole. But the danger of this must not be exaggerated and on no account must the Community react by turning in on itself. One of the conditions for accession is that new members must accept existing Community legislation in its entirety and subscribe to the common policies. No exceptions can be allowed other than those agreed upon for a transitional period. The ambitious targets set in Maastricht — namely an economic and monetary union by 1999 at the latest and a political union including a common foreign and security policy — must be accepted by prospective members too. There is no room for any ambiguity in the attitude of countries wishing to join the Union now or at a later date. The Union will continue to draw its strength from adhering to the rules and honouring the traditions which have set the Community apart from conventional international organizations from the outset. Lying mid-way between intergovernmental cooperation and a federation, the Union subscribes to the principle of subsidiarity but is at the same time committed to joint action. Its long-term goal is to bring all the democracies of Europe together. This process will have to be gradual and allow for different levels of political and economic development.

It is impossible to predict what the future shape of Europe will be. But it is possible to make some intelligent guesses.

- ☐ The Twelve will press ahead with economic, monetary and political integration on the basis of commitments made in Maastricht. Interinstitutional agreements will provide 'bridges' between Community institutions and procedures and diplomatic cooperation arrangements. The European Parliament will make full use of its new powers of co-decision.

- ☐ In 1993 Agreement between the Community and the EFTA States on a European Economic Area will enter into force, the single market will come into being, and accession negotiations will begin with a first group of applicants — Austria, Finland, Sweden and perhaps other countries on whose applications the Commission gives a favourable opinion. In parallel, the Twelve will adopt the institutional reforms needed to ensure that the enlarged Community will function properly.

☐ In 1995 a new Commission will be appointed. It will be subject to the approval of the new Parliament elected in June 1994. As agreed in Maastricht, the new Commission will serve for five years. Its composition will be determined by an intergovernmental agreement, supplementing the Maastricht Treaty, which will also make changes to the number of seats allocated to each Member State in the European Parliament.

☐ In 1996 the Union, which may have expanded by then, will start the process of revising the Treaties, taking Parliament's draft European Constitution as a starting point. Plans will be laid for a federal system, centred on a European executive and a bicameral Parliament — one chamber representing the people, the other the Member States — by the year 2000. They will include a merger between the European Union and the Western European Union (WEU), whose Treaty expires in 1998.

☐ The Europe Agreements signed in 1991 with Poland, Czechoslovakia and Hungary will be broadened as they develop market economies with the Community's help. Other former Comecon countries which have joined the Council of Europe and demonstrated that they belong to the family of parliamentary democracies will be associated with the Community. Those capable of integrating will apply for membership of the Union, paving the way for a second round of accession negotiations.

☐ The Union — the European Community after political union — will establish its own political identity in the CSCE and NATO, the two main transatlantic forums for discussing the security of the northern hemisphere. It will play a leading role in bringing North and South together thanks to the Lomé Convention and its influence in multilateral organizations (United Nations, Unctad). This vision of Europe at the beginning of the 21st century is of necessity speculative and incomplete. It assumes that the existing Member States will be prepared to allow the Community to act as a federalizing force for the entire continent and that prospective members will commit themselves unreservedly to the political objectives set in Maastricht. The only way to achieve these ambitions is to continue, without a backward glance, along the route mapped out for the Community from the beginning.

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KEY DATES IN THE HISTORY OF EUROPEAN INTEGRATION

1950

9 May
In a speech inspired by Jean Monnet, Robert Schuman, the French Foreign Minister, proposes that France, the Federal Republic of Germany and any other European country wishing to join them should pool their coal and steel resources.

1951

18 April
The Six sign the Treaty establishing the European Coal and Steel Community (ECSC) in Paris.

1952

27 May
The Treaty establishing the European Defence Community (EDC) is signed in Paris.

1954

30 August
The French Parliament rejects the EDC Treaty.

20-23 October
Following the London Conference, agreements on a modified Brussels Treaty are signed in Paris and the Western European Union (WEU) comes into being.

1955

1-2 June
The Foreign Ministers of the Six, meeting in Messina, decide to extend European integration to all branches of the economy.

1957

25 March
The Treaties establishing the European Economic Community and the European Atomic Energy Community are signed in Rome.

1958

1 January
The Treaties of Rome enter into force and the EEC and Euratom Commissions are set up in Brussels.

1960

4 January
The Stockholm Convention establishing the European Free Trade Association is signed on the initiative of the United Kingdom.

1962

30 July
The common agricultural policy is introduced.

1963

14 January
General de Gaulle announces at a press conference that France will veto the United Kingdom's accession to the Community.

20 July
An association agreement is signed between the Community and 18 African countries in Yaoundé.

1965

8 April
A Treaty merging the executives of the three Communities is signed in Brussels. It enters into force on 1 July 1967.

1966

29 January
The 'Luxembourg compromise' is agreed, France resuming its seat in the Council in return for retention of the unanimity requirement where very important interests are at stake.

1968

1 July
Remaining customs duties in intra-Community trade in manufactured goods are abolished 18 months ahead of schedule and the Common External Tariff (CET) is introduced.

1969

1-2 December
At the Hague Summit the Community's Heads of State or Government decide to bring the transitional period to an end by adopting definitive arrangements for the common agricultural policy and agreeing in principle to give the Community its own resources.

1970

22 April
A Treaty providing for the gradual introduction of an own resources system is signed in Luxembourg. It also extends the budgetary powers of the European Parliament.

30 June
Negotiations with four prospective Member States (Denmark, Ireland, Norway and the United Kingdom) open in Luxembourg.

1972

22 January
The Treaty on the Accession of Denmark, Ireland, Norway and the United Kingdom is signed in Brussels.

24 April
The currency 'snake' is set up, the Six agreeing to limit the margin of fluctuation between their currencies to 2.25%.

25 September
Norway withdraws following a referendum.

1974

9-10 December
At the Paris Summit the Community's Heads of State or Government decide to meet three times a year as the European Council, give the go-ahead for direct elections to the European Parliament and agree to set up the European Regional Development Fund (ERDF).

1975

28 February
A first Convention between the Community and 46 States in Africa, the Caribbean and the Pacific is signed in Lomé.

22 July
A Treaty giving the European Parliament wider budgetary powers and establishing a Court of Auditors is signed. It enters into force on 1 June 1977.

1978

6-7 July
At the Bremen European Council, France and the Federal Republic of Germany present a scheme for closer monetary cooperation (the European Monetary System) to replace the currency 'snake'

1979

13 March
The EMS starts to operate.

28 May
The Treaty on the Accession of Greece is signed.

7-10 June
The first direct elections to the European Parliament are held.

31 October
A second Convention between the Community and 58 States in Africa, the Caribbean and the Pacific is signed in Lomé.

1984

28 February
The 'Esprit' programme for research and development in information technology is adopted.

14 and 17 June
Direct elections to the European Parliament are held for the second time.

25-26 June
At the Fontainebleau European Council, the Ten reach an agreement on the compensation to be granted to the United Kingdom to reduce its contribution to the Community budget.

8 December
A third Lomé Convention between the Ten and the ACP States, now numbering 66, is signed in Togo.

1985

2-4 December
At the Luxembourg European Council the Ten agree to amend the Treaty of Rome and to revitalize the process of European integration by drawing up a 'Single European Act'.

1986

1 January
Spain and Portugal join the Community.

17-18 February
The Single European Act is signed in Luxembourg.

1987

14 April
Turkey applies to join the Community.

1 July
The Single Act enters into force.

26 October
The WEU adopts a joint defence policy platform in The Hague.

1988

25 June
A Joint Declaration on the establishment of relations and future cooperation between the Community and Comecon is signed in Luxembourg.

1989

January
Jacques Delors is reappointed President of the Commission for a further four years.

18 June
Direct elections to the European Parliament are held for the third time.

17 July
Austria applies to join the Community.

9 November
The Berlin Wall collapses.

9 December
The Strasbourg European Council decides to convene an intergovernmental conference.

15 December
The fourth treaty (Lomé IV) between the European Community and 69 countries in Africa, the Caribbean and the Pacific (ACP) is signed in Lomé, Togo.

1990

29 May
The Agreement establishing the European Bank for Reconstruction and Development is signed in Paris.

19 June
The Schengen Agreement on the elimination of border checks is signed.

4 July
Cyprus applies to join the Community.

16 July
Malta applies to join the Community.

3 October
Germany is united once more.

14 December
Two Intergovernmental Conferences, one on Economic and Monetary Union, the other on Political Union, open in Rome.

1991

1 July
Sweden applies to join the Community.

21 October
The Agreement creating a European Economic Area (EEA) is signed by the Community and the EFTA countries.

9-10 December
Maastricht European Council.

1992

7 February
The Treaty on European Union is signed in Maastricht.

18 March
Finland applies to join the Community.

22 May
Switzerland applies to join the Community.

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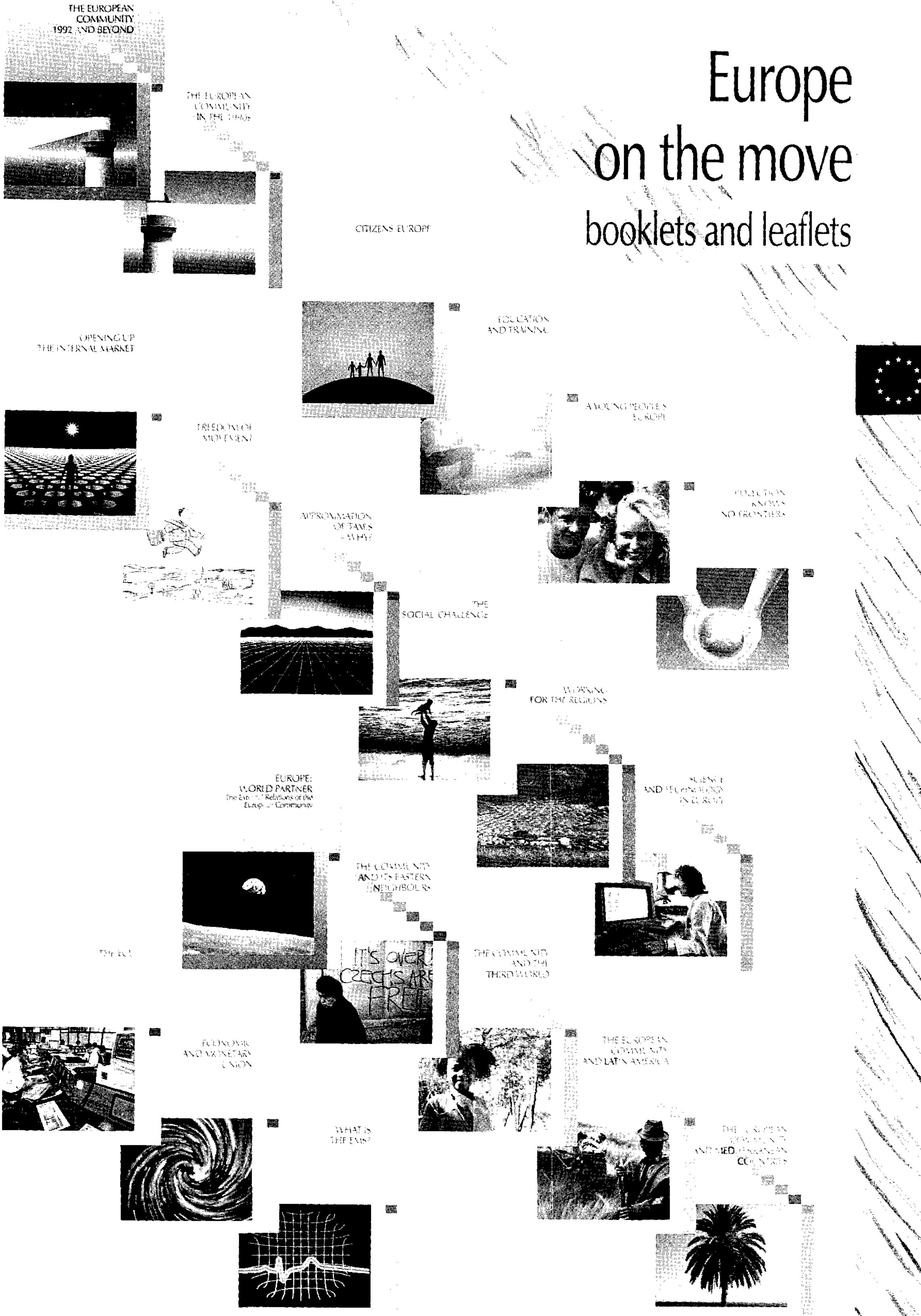

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by Pascal Fontaine, Professor at the Institute of Political Studies in Paris
Assisted by Brigitte DuVieusart

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The Community as we know it today is a monument to the dedication of the early pioneers. The Community is an advanced form of multisectoral integration, its competence extending to the economy, industry, politics, citizens' rights and foreign policy.

The Treaty of Paris establishing the European Coal and Steel Community (1951), the Treaties of Rome establishing the European Economic Community and the European Atomic Energy Community (1957), the Single European Act (1986) and the Maastricht European Union Treaty (1992) form the constitutional basis of the Community, binding its Member States more firmly than any conventional agreement between sovereign States. The Community itself generates directly applicable legislation and creates specific rights which can be invoked by its citizens.

The boost that this new target gave to the integration process led to applications for Community membership from Turkey (1987), Austria (1989), Sweden (1991), Finland (1992) and Switzerland (1992). In the early 1990s, the collapse of the Berlin Wall, followed by German unification, liberation from Soviet control and subsequent democratization of the countries of Central and Eastern Europe and disintegration of the Soviet Union, transformed the political structure of Europe. The Twelve determined to strengthen their political and monetary ties and negotiated a new Treaty, the main features of which were agreed at the Maastricht European Council in December 1991.

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