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EUROPE IN TEN POINTS

by Pascal Fontaine

EUROPEAN DOCUMENTATION

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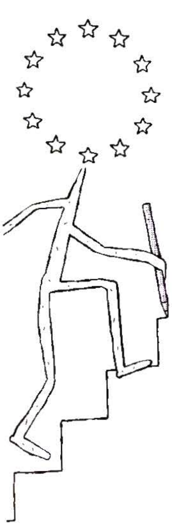
1

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.



In 1995 the European Union is a monument to the dedication of the early pioneers. The Union 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 (ECSC) (1951), the Treaties of Rome establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) (1957), the Single European Act (1986) and the Maastricht Treaty on European Union (1992) form the constitutional basis of the Union, binding its Member States more firmly than any conventional agreement between sovereign States. The European Union generates directly applicable legislation and creates specific rights which can be relied upon 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 July 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 1973 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 in 1973, 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 of America suspended the convertibility of the dollar. This marked the beginning of a period of worldwide monetary instability, aggravated by the two oil-price crises of 1973 and 1979. The launch of a European Monetary System in 1979 helped 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 four successive Lomé Conventions (1975, 1979, 1984 and 1989).

With the agreement signed in Marrakesh on 14 April 1994, between all the members of GATT, world trade has embarked on a new phase of its development. The European Union, negotiating as a bloc, endeavoured throughout to put its stamp on the negotiations and to have its interests prevail.

On 1 January 1995 three new countries joined the European Union. Austria, Finland and Sweden endow the Union with their distinctive contributions and create new dimensions for it in the heart of central Europe and in northern Europe.

Already the world's major trading power, the Union is now working on developing structures which would give it a higher profile on the international stage, the aim being to introduce a common foreign and security policy.

World recession and internal wrangling on the distribution of the financial burden led to a wave of 'Europessimism' in the early 1980s. This gave way, from 1985 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 European Act, signed in February 1986, confirmed this ambitious target and introduced new procedures for adopting associated legislation. It came into force on 1 July 1987.

The collapse of the Berlin Wall, followed by German unification on 3 October 1990, liberation from Soviet control and subsequent democratization of the countries of Central and Eastern Europe and the disintegration of the Soviet Union in December 1991, transformed the political structure of Europe. The Member States determined to strengthen their ties and negotiated a new Treaty, the main features of which were agreed at the Maastricht European Council on 9 and 10 December 1991.

The Treaty on European Union, which entered into force on 1 November 1993, sets the Member States an ambitious programme: monetary union by 1999, new common policies, European citizenship, a common foreign and security policy and internal security. In June 1994, to enable Europe to meet world competition and to reduce unemployment, the European Council on the basis of a White Paper from the Commission entitled 'Growth, competitiveness, employment', decided to launch major transcontinental infrastructure and communications works.

Henceforth, the Union has no choice but to progress still further along the road towards an organization both efficient and democratic, capable of making decisions and taking action while preserving the identity of its constituent States. Unless it can strengthen its structures and rationalize decision-making the Union 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. The stakes are high in the institutional review planned for 1996: adjust the structures of a Union of 15 members to enable it to face up to its new tasks; prepare the Union for a further enlargement in order to bring stability to the entire continent without limiting the scope and undermining the resources of the great political project of the founding fathers.

Almost a half century of European integration has had a profound effect on the development of the continent and the attitudes of its inhabitants. It has 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 eclipsing of East-West antagonism and the political and economic reunification of the continent are a triumph for the European spirit, which Europeans need now more than ever as they look to the future.

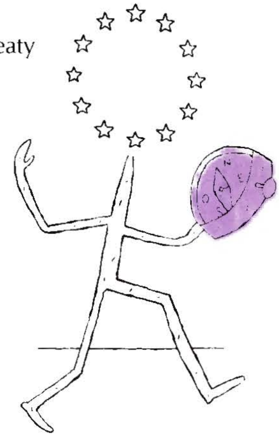
2

THE INSTITUTIONS OF THE EUROPEAN UNION

What sets the European Union apart from more traditional international organizations is its unique institutional structure. In accepting the Treaties of Paris, Rome and Maastricht, 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 of the European Union** is the main decision-making institution. It is made up of Ministers from the 15 Member States with responsibility for the policy area under discussion at a given meeting: foreign affairs, agriculture, industry, transport, the environment, etc.

The Council, which represents the Member States, enacts Union legislation (regulations, directives and decisions). It is the Union'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 Union's budget. The Council adopts international agreements negotiated by the Commission. And lastly, under Article 145 of the EC Treaty, the Council is responsible for coordinating the general economic policies of the Member States.



Article 148 of the EC Treaty distinguishes between decisions adopted unanimously, by a simple majority and by a qualified majority (at least 62 votes out of a total of 87).

Where a qualified majority (at least 62 votes) 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; Austria and Sweden four; Denmark, Finland and Ireland three; and Luxembourg two.

Most legislative decisions are taken by 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 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 Union, which is assisted in turn by working parties of civil servants from the appropriate national ministries. There is also a General Secretariat, based in Brussels.

The **European Council** evolved from the practice, started in 1974, of organizing regular meetings of Heads of Government of the Community (the Head of State in the case of France). The arrangement was formalized by the Single European Act in 1987. 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 held from time to time since 1961. 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 Union. 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 the common foreign and security policy (CFSP), a mechanism devised to allow the 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 by direct universal suffrage every five years (the first were held in June 1979). Parliament currently has 626 seats. Germany has 99 seats, France, Italy and the United Kingdom 87 seats each, Spain 64, the Netherlands 31, Belgium, Greece and Portugal 25 each, Sweden 22, Austria 21, Denmark and Finland 16 each, Ireland 15 and Luxembourg 6.

Parliament normally meets in plenary session in Strasbourg. Brussels is the usual venue for meetings of its 20 committees, which prepare the ground for meetings in plenary, and its political groups. Parliament's Secretariat is located in Luxembourg.

Parliament shares the legislative function with the Council: it has a hand in the drafting of directives and regulations, putting forward amendments which it invites the Commission to incorporate into its proposals. 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 for 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, although there is a conciliation procedure provided for in the Treaty.

The Single Act has 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, Union citizenship and the Structural Funds (see Chapter 4).

Parliament also shares budgetary powers with the Council. It can adopt the budget or reject it, as it has on several 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 370 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 is the body which exercises democratic control. It can dismiss the Commission by a vote of censure supported by a two-thirds majority of its members. 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.

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

Klaus Hänsch has been President of the European Parliament since July 1994.

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 20 on 5 January 1995 (two each for France, Germany, Italy, Spain and the United Kingdom, and one each for the remaining countries). Commissioners are appointed by the Member States 'by common accord'. Under the Maastricht Treaty their term of office was extended to five years and their appointment has 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 Community law is enforced. 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 an executive function in that it implements decisions taken by the Council — under 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, but this has yet to happen.

The Commission is backed by a civil service, mainly located in Brussels and Luxembourg. It comprises 26 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 has complete independence in exercising its prerogatives. Federalists see the Commission as the embryo of a European government, accountable to a bicameral Parliament comprising the present European Parliament and a second House of the Member States to replace the Council we know today. Jacques Santer took office as President of the Commission in January 1995.

The Court of Justice, which sits in Luxembourg, comprises 15 judges and nine advocates-general appointed for a renewable six-year term by agreement between the Member States, which select them 'from persons whose independence is beyond doubt'. The Court's role is to ensure that Community law is interpreted and implemented in line with the Treaties.

For example, the Court may rule that a Member State has failed to act on an obligation under the Treaties; check the instruments enacted by the Community institutions for compatibility with the Treaties when an action for annulment is brought; and censure the European Parliament, Council or Commission for failure to act.

The Court of Justice is also the only body with the power to give an opinion on the correct interpretation of the Treaties or the validity and interpretation of instruments enacted by the Community institutions when requested to do so by a national court. If a question of this kind is raised in a case before a national court the Court of Justice may, and in certain cases must, be asked to give a preliminary ruling. This system is a pledge of the uniform interpretation and application of Community law Community-wide.

The Court of First Instance, which was set up in 1989 and has 15 judges, has jurisdiction, subject to further appeal to the Court of Justice on points of law, to deal with disputes between the Commission and individuals or businesses as well as disputes against the Commission under the ECSC Treaty and administrative disputes within the institutions between the Community and its staff.

The Court of Auditors, set up by Treaty on 22 July 1975, has 15 members appointed for a six-year term by agreement between the Member States after consultation with the European Parliament. Its role is to check that revenue is received and expenditure 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 year. The Maastricht Treaty gave the Court of Auditors the status of a Community institution, making it the fifth.

In EC and Euratom matters, the Council and Commission are assisted by the **Economic and Social Committee**. This consists of 222 members, representing the various categories of economic and social activity. 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.

Through the Economic and Social Committee, trade and industry and the unions are actively involved in the development of the Community.

The **Committee of the Regions**, set up by the Maastricht Treaty, consists of 222 representatives of regional and local authorities appointed for four years by the Council on proposals from the Member States. It is consulted by the Council or the Commission in the cases specified by the Treaty, and it meets in Brussels.

3

THE SINGLE MARKET

Article 2 of the EC 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.

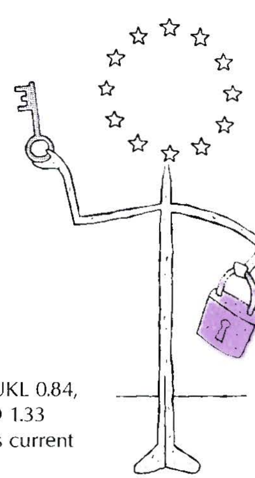
Some Member States that were particularly badly hit by the recession which followed the oil crises of 1973 and 1980 took steps to protect their markets from growing international competition.

In 1985 the 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 the growth area which a market of over 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]

It is this that prompted the Twelve to sign the Single Act in February 1986, containing a blueprint and a timetable for adopting the 270 or so 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 interns of consumption, movement and work.

The hope is that the process set in motion will create a virtuous circle of more freedom, wider competition and higher growth. The process is already irreversible. Physical, tax and technical barriers are falling one by one, although in some sensitive areas such as the harmonization of taxation on savings, agreement has not yet been reached.



[1] ECU 1 = about UKL 0.84, IRL 0.81 and USD 1.33 (at exchange rates current in July 1995).

Progress to date

On the whole, though, progress has been satisfactory.

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;

• 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 removal 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).

Cooperation in the field of home affairs and justice (Title VI of the Treaty on European Union) covers four main areas:

• harmonization of the law relating to asylum;

• introduction, at Union level, of rules on immigration applicable to nationals of non-member States;

• police cooperation to combat cross-border crime effectively;

• the drafting of cooperation agreements in the fields of civil and criminal law.

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

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 box) will eventually be extended to all Member States.

SCHENGEN: THE BEGINNINGS OF A FRONTIER-FREE AREA

1. Key dates

June 1984: the Fontainebleau European Council agrees in principle to remove 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 removal 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, will entail the amendment of national laws; it is subject to ratification by national Parliaments.

27 November 1990: Italy joins the first five States.

18 November 1991: Spain and Portugal join.

6 November 1992: Greece joins.

26 March 1995: The Schengen Agreement comes into force between Belgium, Germany, France, Luxembourg, the Netherlands, Spain and Portugal with plans for the other countries to follow once the appropriate border arrangements are in place.

21 April 1995: Austria joins.

16 June 1995: Negotiation framework set up with Finland and Sweden.

2. The Schengen area

Free movement applies to all, regardless of nationality:

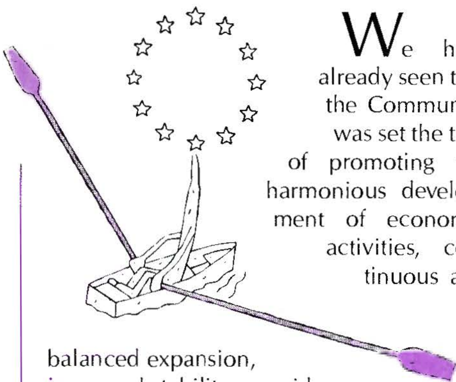
- For Union nationals, the principle has largely been put into practice already in the area covered by the Schengen Agreement.
- Arrangements for tourists, asylum-seekers and legal immigrants from non-member countries are included in the Agreement, the main aim of which is to standardize procedures throughout 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 dismantling of internal borders.

4

THE COMMON POLICIES



We have already seen that the Community was set 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

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 Member States decided to double expenditure on structural policies. This meant setting aside ECU 14 billion a year over the period 1989-93 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 Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG) — and is intended to supplement or stimulate efforts by governments, regions or private investors. For the period 1994-99 the Funds were allocated ECU 141 billion, or a third of the total Union budget, making them the key instrument of economic and social policy which gives expression to intra-Community solidarity.

SOCIAL POLICY

An active social policy sets out to correct the most glaring imbalances. The 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.

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 Fundamental Social Rights. This set out the rights to be enjoyed by workers throughout the Community: free movement, fair pay, better working conditions, social security 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.

FINANCING THE COMMON POLICIES

The Commission, which was due to present new proposals for financing the Community, decided to seize the opportunity presented by the decisions taken in Maastricht. In January 1992 it published a document entitled 'The means to match our ambitions' setting out its priorities.

On 12 December 1992 the Edinburgh European Council adopted the financial perspective for 1993-99. It increases the Community budget from ECU 69 billion (commitment appropriations) in 1993 to 84 billion in 1999. The own-resources ceiling will be raised slightly: to 1.27% of the Union's GNP as against 1.2% over the same period.

The additional funds are 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 feature of the single market and economic and monetary union — and improving the competitiveness of European business.

The Commission's new initiatives have put the decisions taken in Maastricht into practice. They include the creation of a cohesion fund to help Greece, Ireland, Portugal and Spain, new measures to promote competition, the introduction of an industrial policy, the promotion of research and technological development, steps to strengthen social policy and promote vocational training, and the development of infrastructure networks.

The innovative policies implemented by the Union are based on two principles: subsidiarity, whereby Community action (outside areas where it has sole jurisdiction) 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, in June 1992 the Council adopted the reform of the common agricultural policy designed to reduce costs while maintaining competitiveness.

The objectives assigned to the common agricultural policy by Article 39 of the EC 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 below 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 would be 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

Gradually the Community has become 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 Union'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 Union 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, and so on.

Protecting the environment is not merely a question of stricter standards and tougher regulations. The Union 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 Union is convinced that Europe's future depends on its ability to keep up 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 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 together as possible to cooperate on research projects, concentrate on industrial applications, and overcome administrative and financial constraints.

Action by the Union is designed to complement action taken at national level by promoting projects involving laboratories in several Member States. It promotes fundamental research in areas such as controlled thermonuclear 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 1994-98 the Community, with a budget of ECU 12 billion, will finance a wide and varied range of programmes linking thousands of researchers around the Community.

THE BIG EUROPEAN NETWORKS

On 25 June 1994, on the basis of proposals presented by the Commission in its White Paper on *Growth, competitiveness, employment,* the European Council adopted a list of 11 major projects in transport — in particular, the building of a high-speed train to link major cities in several Member States. In addition to this job-creating work, other projects are designed both to promote the recovery of economic growth and to create jobs, and to generate infrastructure in the field of information ('information highways') and energy which the European continent needs.

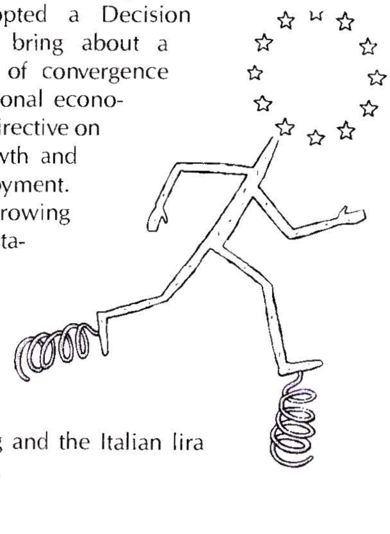
5

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 should replace national currencies by the end of the century, helping 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 10 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-price 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, sterling and the Italian lira left the snake.



THE EUROPEAN MONETARY SYSTEM

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. After a difficult beginning, the EMS has provided a base for stable exchange rates and better-informed economic and monetary policy.

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

The EMS has the following three main components.

The ecu

This is seen as the key element in the system. It is a basket of the currencies of the Member States, except the new Members who joined in 1995, 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. Until August 1993 bilateral exchange rates were allowed to fluctuate within a band of 2.25%, or up to 6% in exceptional cases, around the central rate. Since then the band has been increased to 15% following serious upsets on the currency markets.

The credit mechanisms

In the event of bilateral exchange rates approaching the 15% threshold, central banks have unlimited liability to intervene to ensure that the threshold is not crossed.

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.

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.

The Treaty of Maastricht

The Treaty signed in Maastricht on 7 February 1992 makes progress towards a single currency irreversible.

Stage II of economic and monetary union began on 1 January 1994. It is a transitional stage during which a determined effort will be made to achieve economic convergence. A European Monetary Institute (EMI) was set up in Frankfurt 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 eight 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.

At the beginning of Stage III a European Central Bank will be set up and several months later the exchange rates between the participating currencies will be fixed once and for all. The Bank 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. According to the Treaty the single currency, the ecu, must be introduced as soon as possible after the exchange rates are fixed for good.

Under protocols to the Treaty, the United Kingdom and Denmark reserve the right to opt out of Stage III even if they meet the economic performance criteria. Following a referendum Denmark stated that it did not intend to take part.

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 be either already below 60% of GNP or heading for this level;
- 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 yet. There are bound to be setbacks along the way which will test the political will of the Member States.

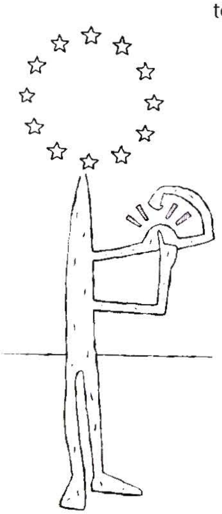
6

POLITICAL UNION AND DEFENCE

Peace and reconciliation are central to the process of European integration. Not once since the end of 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 European Union 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 were invited to join the Western European Union (WEU), established by Belgium, France, Luxembourg, the Netherlands and the United Kingdom in 1948 for purposes of collective self-defence. For more than 40 years, however, it was through NATO, in close alliance with the United States of America and Canada, that Western Europe guaranteed its own security.

It was not until the Single European 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 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 Member States decided to make a major move on political cooperation.

The Treaty on European Union forms the basis of a 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 Fifteen, 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 which 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 Fifteen 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, the secretariat of which is in Brussels.

The Fifteen 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.

On 9 May 1994 the WEU granted associate partner status to nine countries in Central and Eastern Europe, thus drawing the potential eastern borders of the European Union for the next century and establishing an immediate bond of solidarity between the Union and its near neighbours in the field of security.

Many questions remain to be answered about arrangements for diplomatic and military cooperation. These are being studied by the Member States of the Union. 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 Organization for Security and Cooperation in Europe (OSCE) — covering all European States, the newly independent ex-Soviet republics, the United States of America and Canada and described in the Paris Charter of 21 November 1990 as the 'central forum for political consultations' in the new Europe — the Atlantic Alliance as reformed at the Rome Summit in November 1991, the Western European Union and the new European Union.

The Pact on Stability in Europe, signed in Paris on 21 March 1995, is the first crucial contribution made by the European Union to the building of security in the new Europe.

7

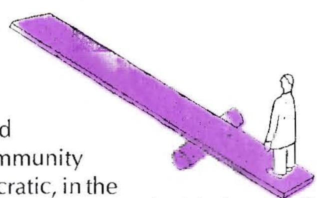
A PEOPLE'S EUROPE

What is the ultimate aim of integration? Is it to create a people's Europe or a businessman'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, in particular the European Regional Development Fund. And the price-support mechanisms financed for the last 20 years by the European Agricultural Guidance and Guarantee Fund have been of enormous benefit to Europe's farmers. Indeed, the current controversy about agriculture centres on the future of a policy which is faced with the problem of costly overproduction and pressure from international competition.

The vast bulk of expenditure in the Union's budget, which was in excess of ECU 80 billion in 1995, 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 Rome Treaties came into force in 1958, the Community has been legislating to flesh out the provisions on freedom of movement for workers, freedom to provide services and right of establishment for members of the professions. The Union does not tolerate any discrimination based on nationality against Union 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 Articles 48 and 51 of the EC 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 qualifications of medical practitioners, nurses, veterinarians, pharmacists, architects, insurance brokers, etc. gained in all the others. On 21 December 1988, because so many occupations were still covered by national rules, the Member States 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 Union. Three directives adopted in June 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 Union. 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 Union 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 the 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, which was implemented in the European elections on 9 and 12 June 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 have received grants 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. The new programmes, Socrates, Leonardo and Youth for Europe III, should help here.

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 twelve gold stars on a blue background). A European driving licence is due to be issued in the Member States from 1996. And will it be long before we have European Olympic teams, or military or community service in multinational units?

One development that could have a major psychological impact is the Maastricht decision to introduce a single currency by 1999. And the abolition of border checks in the Schengen area (which will eventually include all Member States) will strengthen the feeling among 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 Union'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.

8
THE UNION AND ITS NEIGHBOURS

THE EUROPEAN ECONOMIC AREA

In signing the Luxembourg Joint Declaration in April 1984, ministers representing the Member States of the Community and others representing the EFTA countries, i.e. 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.

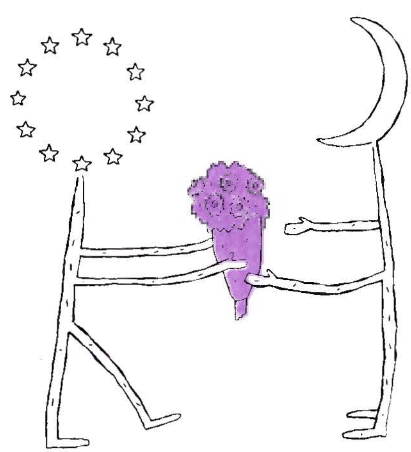
The objectives of the EEA are as follows:

• 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, energy, environment, training and education, intellectual property) to include the EFTA countries.

On 2 May 1992 the Agreement establishing the European Economic Area was signed in Oporto. Following assent by the European Parliament and ratification nationally, the Treaty came into force on 1 January 1994 (except in Switzerland, which rejected it in a referendum on 6 December 1992).

However, with Austria, Finland and Sweden becoming full members of the Union, the EEA looks increasingly like a transitional arrangement. It could serve as an anteroom for countries economically but not yet politically integrated into the Union and other European States seeking closer ties.



THE COUNTRIES OF CENTRAL AND EASTERN EUROPE AND THE FORMER SOVIET REPUBLICS

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). The 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).

The PHARE programme (Poland, Hungary, assistance to reconstruct the economy) was extended to the Czech Republic, Slovakia, Bulgaria, Romania, the three Baltic States, Albania and some States in the former Yugoslavia. At the same time the TACIS programme was set up for the States of the former Soviet Union and Mongolia.

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 European Union 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 appropriations allocated to these programmes in the Union budget for the period 1993-94 total ECU 4.5 billion.

EUROPE AGREEMENTS

(Legal basis: Article 238 of the EEC Treaty)

To encourage fuller integration across the continent, the Union has concluded specific association agreements with the countries of Central and Eastern Europe and the Baltic States, extending and broadening the PHARE programme. These 'Europe Agreements' straddle areas of national and Union 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.

On 22 June 1993 the Copenhagen European Council adopted the principle whereby associated countries in Central and Eastern Europe that so desire could become members of the European Union: 'Accession will take place as soon as an associated country is able to assume the obligations of membership by satisfying the economic and political conditions required'. These conditions include stable democratic institutions, respect for minorities, the existence of a market economy with the capacity to cope with competitive pressure within the Union and the ability to adhere to the aims of political, economic and monetary union.

The aim of the Partnership Agreements concluded in June 1994 between the European Union and Russia and Ukraine is to establish, by the end of the century, a free-trade area and to encourage these two important partners of the Union to develop a true market economy and to stabilize their currencies.

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 Union, many of them having historical or cultural links with individual Member States.

The accession of Spain and Portugal had a considerable impact on these relations, making the Community the major economic partner in the region.

The Union now has association or cooperation agreements with virtually all the Mediterranean countries.

ASSOCIATION

Turkey, Cyprus and Malta have Association Agreements with the Union, aimed at the gradual creation of a customs union. All three have formally applied for Union membership (Turkey in 1987, Cyprus and Malta in 1990).

COOPERATION AGREEMENTS

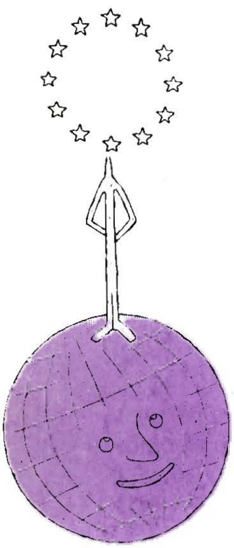
Algeria, Morocco and Tunisia (the Maghreb countries), Egypt, Jordan, Lebanon and Syria (the Mashreq countries) and Israel have Cooperation Agreements with the Union covering trade, industrial cooperation, technical and financial assistance.

TOWARDS A NEW MEDITERRANEAN POLICY

While considering it to be relatively successful, the European Parliament recently called for an overhaul of present Union policy. Parliament wants a balanced, 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 Union should do more to promote the development of an enterprise economy. Areas needing priority attention include the environment, transport, energy and regional cooperation. And this approach has already been supported by the Commission.

9

THE UNION AND THE WORLD



A major political power or a regional economic grouping? An open trading partner or a protectionist bloc? The European Union 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 many of the Member States under the NATO umbrella has helped to take the heat out of trade disputes about steel, agriculture and civil aircraft.

The Union's relations with Japan, its other main industrialized partner, are also of major importance. For a long time the main concern has been to persuade Japan to open up its markets to offset the flood of Japanese products into Europe.

The developing countries see the Union as their main market, not merely because of its size but because the Union has granted preferential access for the bulk of their industrial and agricultural products. Europe has woven a web of solidarity with 70 countries in Africa, the Caribbean and the Pacific, based on historical links between the two continents and the responsibilities assumed by the old colonial powers.

Will the Union, the world's leading trade power, develop into a political giant? 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 Fifteen 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 elimination 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 GATT, to which the individual Member States are contracting parties but whose major agreements are signed by the Union in its own right, it has played a leading role in the major rounds of trade negotiations. Under the Treaty of Rome, the Union'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 Union is now less than 5%. In 1994 the Union and its partners in the Uruguay Round concluded negotiations for new rules on trade in services and agricultural products. The debate on agriculture highlighted the differences between farmers on either side of the Atlantic. It is because the Union presented a united front that it was so effective in defending the viewpoints of each of its Member States. The advent of the single market in 1993 strengthened the common commercial policy still further: the remaining import restrictions which Member States have been allowed to retain will be removed, as will restrictions on the internal distribution of sensitive products (for example, cars and electronic goods from Japan, textiles and steel). The setting-up of a World Trade Organization is one of the more positive achievements of the Marrakesh agreements. At Europe's instigation, it will provide a permanent framework for settling multilateral trade disputes.

The question now is whether the single market will turn the Union 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 370 million consumers, in which income levels are high and standards harmonized, makes the Union particularly attractive to the world's exporters. But the Union 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 Union. The costs involved in changing money from one Union 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 Union 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 Union's economic and diplomatic activities on the world stage. It is true that political decisions can be taken 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 Union takes a common position within, say, the Organization for Security and Cooperation in Europe or the United Nations, it is impossible to separate economic and political issues when it comes to implementing measures that guarantee the Union's credibility. The Union 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 European Union 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 Union 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 Treaty. Today 70 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-EC Council of Ministers, a Committee of Ambassadors and a Joint ACP-EC Assembly, where the Community is represented by Members of the European Parliament.

Cooperation between the Union and the developing countries of Asia and Latin America is less structured. They benefit from the generalized system of preferences (GSP), which gives their exports preferential treatment and provides some financial assistance. The Union has concluded framework cooperation agreements with Argentina, Brazil, Mexico, Uruguay and the Andean Pact countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) with the aim of supporting regional economic integration. Similar agreements were concluded with the Association of South-East Asian Nations (ASEAN) in 1980 and with the Gulf Cooperation Council (GCC) in 1988.

The Union, individually and collectively, is the developing countries' most important partner. It 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 Union has to find a way of responding to the challenge of the widening prosperity and population gap between itself and the newly independent ex-Soviet republics, the countries of the southern Mediterranean and Africa, areas that are so close geographically yet light-years away in terms of development.

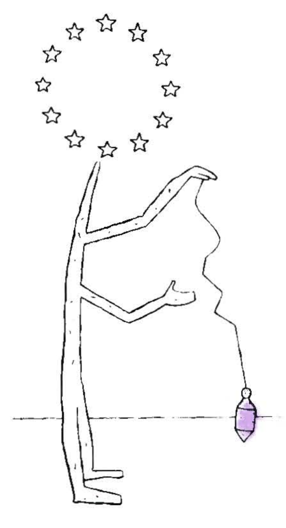
10

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 1973, Ten in 1981, Twelve in 1986, Fifteen in 1995 — is still a vital force. The challenges of the postwar 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. Neutral countries realize what the Union has to offer and have joined it. 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. Some of them are already applicants for membership of the Union. As the 21st century dawns, the European Union may well number more than 25 democratic States.

The European Union for which the foundations were laid in Maastricht wants its door to 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 Union, 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, 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 its current members into a strong, homogeneous whole. But the danger of this must not be exaggerated. 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 midway 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 based on developments throughout the 1990s.

• The Fifteen 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 1996 the Union will start the process of revising the Treaties on the basis of a report prepared by a think-tank which began work in June 1995. The reforms will deal with upgrading the Union's democratic credentials and increasing public involvement in the integration process. The way the institutions operate will have to be adapted to cope effectively with future accessions. Cooperation in the fields of justice and home affairs is to be improved and the common foreign and security policy is to be developed with more credible structures, building on the strengths of the Western European Union with a view to eventually developing it into a common institution of the European Union.

• The Europe Agreements with Poland, the Czech Republic, Slovakia, Hungary, Bulgaria, Romania, Estonia, Latvia and Lithuania will be broadened as they develop market economies with the Union's help (there are also plans for a Europe Agreement with Slovenia). Those capable of integrating will apply for membership of the Union, paving the way for a further round of accession negotiations, which could also include Malta and Cyprus.

• The Union will establish its own political identity in the OSCE and NATO, the two main transatlantic forums for discussing the security of the northern hemisphere. And it will play a leading role in bringing North and South together thanks to the Lomé Convention and its influence in multilateral organizations such as the United Nations and 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 Union to act as a driving 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.

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 to 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 and 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 (EEC) and the European Atomic Energy Community (Euratom) 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
A 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

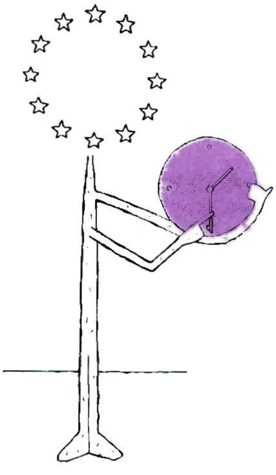
29 January
The 'Luxembourg Compromise' is agreed, France resuming its seat in the Council in return for retention of the unanimity requirement where very important interests are at stake.

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 is introduced.

1969

1 and 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%.

1973

1 January
Denmark, Ireland and the United Kingdom join the Community (Norway withdrew following a referendum).

1974

9 and 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.

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 and 7 July
At the Bremen European Council, France and 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 and 10 June
The first direct elections to the 410-seat 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.

1981

1 January
Greece joins the Community.

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.

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

1985

1 January
Jacques Delors is appointed President of the Commission.

2 to 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 and 28 February
The Single European Act is signed in Luxembourg and The Hague.

1987

14 April
Turkey applies to join the Community.

1 July
The Single European Act enters into force.

27 October
The WEU adopts a joint security policy platform in The Hague.

1988

February
Reform of financing of EEC policies. Multiannual programme of expenditure for 1988-92. Reform of the Structural Funds.

1989

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

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

17 July
Austria applies to join the Community.

9 November
Collapse of the Berlin Wall.

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

15 December
The fourth Lomé Convention with the ACP States is signed.

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
Agreement is reached on setting up a European Economic Area.

9 and 10 December
The European Council meets in Maastricht.

1992

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

18 March
Finland applies to join the Community.

25 March
Norway applies to join the Community.

2 May
The Agreement on the European Economic Area is signed in Oporto.

2 June
Denmark rejects the Maastricht Treaty by referendum.

20 June
A referendum in Ireland approves the Maastricht Treaty.

20 September
A referendum in France approves the Maastricht Treaty.

11 and 12 December
The European Council meets in Edinburgh.

1993

1 January
Introduction of the single market.

18 May
The Maastricht Treaty is approved in a second referendum in Denmark.

1 November
The Maastricht Treaty enters into force.

1994

1 April
Hungary applies to join the European Union.

8 April
Poland applies to join the European Union.

15 April
The Final Act of the Uruguay Round negotiations is signed in Marrakesh.

9 and 12 June
Direct elections to the European Parliament are held for the fourth time.

A referendum in Austria approves accession.

24 and 25 June
The European Council meets in Corfu.

Treaties of Accession to the European Union are signed by Austria, Finland, Norway and Sweden.

16 October
A referendum in Finland approves accession.

13 November
A referendum in Sweden approves accession.

27 and 28 November
A referendum in Norway rejects accession.

9 December
The European Council meets in Essen.

1995

1 January
Austria, Finland and Sweden join the Union.

23 January
A new Commission starts work with Jacques Santer as President (1995-2000).

26 March
The Schengen Agreement comes into force.

2 June
The Reflection Group on the Intergovernmental Conference holds its first meeting.

12 June
Europe Agreements with Estonia, Latvia and Lithuania.

26 and 27 June
The European Council meets in Cannes.

European Commission

EUROPE IN TEN POINTS
(second edition)
by Pascal Fontaine, Professor at the Institute of Political Studies in Paris

Luxembourg: Office for Official Publications of the European Communities
1995 — 46 pp. — 16.2 x 22.9 cm
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This booklet sets out in 10 points to explain the nature and growth of the European Union from its origins to its most recent enlargement to include Austria, Finland and Sweden.

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The European Union in 1995 is a monument to the dedication of the early pioneers. It is the world's most advanced form of multisectoral integration, affecting economic, social, industrial-relations and foreign policies and citizens' rights in its 15 Member States.

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

The momentum of the integration process caused Austria, Finland and Sweden to join the Union at the beginning of 1995. The collapse of the Berlin Wall, followed by German unification and the liberation from Soviet control and subsequent democratization of the countries of Central and Eastern Europe, transformed the political structure of the continent. And the Fifteen are now committed to both deepening and widening the Union.

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