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EUROPE IN 10 POINTS

by Pascal Fontaine

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EUROPE IN 10 POINTS

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A BRIEF HISTORY OF EUROPEAN INTEGRATION

Until it crystallised 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 antagonistic nationalism 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 those 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, employment policy, environmental protection, foreign and defence policy, the creation of an area of freedom and justice.

In 1998 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 of its 15 Member States. 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), as amended by the Single European Act (1986), the Maastricht Treaty on European Union (1992) and finally the Amsterdam Treaty (1997), 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 confers 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 postwar 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 1972 following difficult negotiations during which France, under General de Gaulle, used its veto twice, once in 1961 and again in 1967. This first enlargement, which increased the number of Member States from six to nine in 1973, was matched by a deepening of the Community's tasks; it was 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 dollar convertibility. This marked the beginning of a period of worldwide monetary instability, aggravated by the two oil crises of 1973 and 1979. The launch of a European Monetary System in 1979 helped stabilise exchange rates and encourage Member States to pursue strict economic policies, enabling them to give one another 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 15 April 1994, between all the members of GATT, world trade 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.

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 stage of 'Europessimism' in the early 1980s. This gave way, from 1985 onwards, to a more hopeful view of the prospects for revitalising the Community. On the basis of a White Paper drawn up in 1985 by the Commission chaired by Jacques Delors, the Community set itself the task of creating a single market by 1 January 1993. The Single Act, signed 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 democratisation 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, set the Member States an ambitious programme: monetary union by 1999, new common policies, European citizenship, a common foreign and security policy and internal security. Applying the review clause in the Maastricht Treaty, the Member States negotiated a further treaty, signed in Amsterdam on 2 October 1997, which adapted and strengthened the Union' policies and powers, particularly in judicial cooperation, the free movement of persons, foreign policy and public health. The European Parliament, the Union's immediate democratic voice, was granted new powers, confirming its role as joint legislator.

On 1 January 1995, three further countries joined the European Union. Austria, Finland and Sweden expanded the Union with their specific characters and opened up further dimensions at the heart of central and northern Europe. The Union of Fifteen now faces two major challenges:

— success in enlargement to include the 10 countries of central and eastern Europe and Cyprus, with which the European Council decided in Luxembourg on 13 December 1997 to start negotiations for membership in the spring of 1998;

use of the dynamics of monetary union which, based on the creation of the euro on 2 May 1998, should provide the economies of the Member States with better convergence and the conditions for permanent job-creating growth.

Neither of these challenges will be overcome without considerable effort. How can a Union of more than 25 members operate without the decision-making mechanisms being strengthened, and without ensuring that policies of solidarity and joint action benefit from funding which is both effective and fair? In more general terms, whilst enlargement will increase the heterogeneous nature of interests and perceptions within the Union, how will the consensus of the Member States be maintained on the major objectives set by Europeans, and the means of achieving them? The European Commission, chaired by Jacques Santer, put forward its 'Agenda 2000' in July 1997, on the basis of which the governments embarked on a wide-ranging review of the structural policies and the common agricultural policy.

Henceforth, the Union has no choice but to progress still further along the road towards an organisation which is 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 rationalise decision-making, the Union will be faced with the prospect of dilution or paralysis. A 'greater Europe' in gestation will only develop into an organised power if it is built in such a way as to be capable of speaking and acting as one.

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 recognise 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 a 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.

THE INSTITUTIONS OF THE UNION

What sets the European Union apart from more traditional international organisations is its unique institutional structure. In accepting the European Treaties, 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, and so on.

The Council, which represents the Member States, enacts Union legislation (regulations, directives and decisions). It is the Union's legislature, as it were, although 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 202 [1] (formerly Article 145) of the EC Treaty, the Council is responsible for coordinating the general economic policies of the Member States.

Article 205 (formerly Article 148) of the EC Treaty distinguishes between decisions adopt-

[1] The articles of the Treaty refer to the version of the 'consolidated treaties' after the Amsterdam Treaty was signed on 2 October 1997. This numbering system will only come into effect when this Treaty has come into force after being ratified nationally.

ed unanimously, by a simple majority and by a qualified majority (62 votes out of a total of 87).

Where a qualified majority (62 votes) is required, votes are distributed as follows: France, Germany, Italy and the United Kingdom have ten votes each; Spain has eight; Belgium, Greece, the Netherlands and Portugal five; Austria and Sweden four; Denmark, Finland and Ireland three; and Luxembourg two.

The Amsterdam Treaty extends the scope of qualified majority voting to new areas. The qualified majority will thus apply to most of the EC Treaty's new provisions: initiatives on jobs, equal opportunities for men and women, fight against social exclusion, public health, anti-fraud measures, transparency, customs cooperation, statistics, regions on the extreme periphery, and the framework research programme for which unanimity was required until now. Unanimity is only required on issues of 'constitutional' importance (amendments to the Treaties or the accession of a new Member State), or certain sensitive areas such as taxation.

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 organising regular meetings of Heads of Government of the Community (the Head of State in the case of France). The arrangement was formalised by the Single Act in 1987. The European Council meets at least twice a year, and the President of the Commission now attends in his own right. The President of the European Parliament addresses each European Council meeting. Initially the idea was to formalise the summit meetings which had been held from time to time since 1961 on the initiative of one Member State.

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. The Maastricht Treaty sanctioned the role of the European Council as the launch pad for the Union's major political initiatives and a forum for settling controversial issues not resolved within the Council of the European Union. 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. With the prospect of the European Union's enlargement, the Amsterdam Treaty has limited the number of seats to 700.

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 of its political groups. Parliament's Secretariat is 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 cooperation procedure was abolished by the Amsterdam Treaty (except for a few cases in the chapter on economic and monetary union) in order to simplify legislative procedures and extend the joint decision-making process.

— The Maastricht Treaty strengthens Parliament's hand even further by granting it joint decision-making powers with the Council in specific areas: freedom of movement for workers, freedom to set up businesses, freedom to provide services, 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 Amsterdam Treaty strengthened the European Parliament's legislative role by extending the co-decision procedure with the Council to new areas such as public health, transport policy, freedom of movement of people, certain provisions in social and employment policy. Henceforth, an instrument to which the co-decision procedure applies (Article 249, formerly Article 189b, of the Treaty) requires the express approval of the Council and Parliament or the absence of opposition from the latter.

Finally, 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, freedom of movement and residence and the Structural Funds (see Chapter 4). The Amsterdam Treaty also stipulates that it is required for action taken against a Member State for the serious, persistent violation of basic rights.

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. When that happens, 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 373 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 supported the convening of two intergovernmental conferences on economic and monetary union and political union. With two observers present, it was closely linked to the negotiation of the Amsterdam Treaty. It is demanding to be even more involved in future amendments to the Treaties.

Lastly, Parliament is the body which exercises democratic control of the Community. It approves the appointment of the Commission President and can dismiss him or her by a motion of censure supported by a two-thirds majority of its members. It also comments and votes on the Commission's programme each year.

The Amsterdam Treaty stipulates that the European Parliament shall draw up a plan for organising election to it by universal suffrage according to 'principles common to all the Member States'. 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.

José María Gil-Robles Gil-Delgado has been President of the European Parliament since January 1997.

The European 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 for a term of five years, and the Commission is subject to confirmation by Parliament. Under the Amsterdam Treaty the President of the Commission is appointed by common accord of the governments of the Member States, subject to approval by the European Parliament. Finally, the governments of the Member States, together with the President-designate, appoint the other members of the Commission. The entire Commission is then subject to the Parliament's vote of approval.

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 motion 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 25 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 organisations, the Commission, as guardian of the Treaties, has complete independence in exercising its prerogatives. Jacques Santer took office as President of the Commission in January 1995.

The Court of Justice of the European Communities, 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; it may check the instruments enacted by the Community institutions for compatibility with the Treaties when an action for annulment is brought; and it may 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 Amsterdam Treaty explicitly confers jurisdiction on the Court to check that Community instruments respect fundamental rights. It also extends the Court's jurisdiction to matters affecting the freedom and security of the people.

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 on European Union gave the Court of Auditors the status of a Community institution, making it the fifth.

The Amsterdam Treaty acknowledges its right to bring actions in the Court of Justice to defend its prerogatives and widens its powers to control Community funds managed by outside organisations.

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 relevant categories of economic and social activity. It must be consulted before decisions are taken on a large number of subjects (jobs, European Social Fund, vocational training, etc.), 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 may also express its own opinions.

The Amsterdam Treaty widens the areas in which both these committees are to be consulted and opens the door for the European Parliament to consult them.

THE SINGLE MARKET

3

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

With the advent of 1 January 1993 and the single market the Community has almost achieved this goal. But why has it taken more than 40 years, when internal customs duties and quotas were abolished as long ago as July 1968, 18 months ahead of schedule? The simple answer is that it is easier to harmonise 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 that a market of over 380 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 rapidly 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 in terms of consumption, movement and work.

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

Progress to date

On the whole, though, progress has been satisfactory.

The measures already adopted relate in the main to:

- the liberalisation 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 harmonisation of taxation, which meant aligning national provisions on indirect taxes, VAT and excise duties;
- the liberalisation of capital markets and financial services;
- standardisation, thanks to a new approach to certification and testing, recognition of the equivalence of national standards, and some harmonisation of safety and environmental standards;
- the removal of technical barriers (freedom to exercise an occupation and recognition of the equivalence of training qualifications) and physical barriers (elimination of border checks) to the free movement of individuals; for example, the directive adopted in November 1997 on the legal profession makes it easier to practise the profession throughout the entire European Union;

[1] Ecu exchange rate in March 1998:
ECU 1 = GBP 0.66.

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

— the liberalisation of services (telecommunications, energy, etc.) representing more than 70 % of the gross national product (GNP) of the European Union.

Nevertheless, the freedom of movement of people is far from complete. In fact, certain categories of workers wanting to live or work in another Member State face many obstacles. The high-level working party on the freedom of movement of people, chaired by Simone Veil [1], notes that the Commission has adopted initiatives encouraging the mobility of these workers, notably by recognising qualifications for jobs (plumbers, joiners, etc.).

Towards a new 'objective for 1999'

On the whole the single market is up and running correctly. But it is a 'continuous creation' and it can and must be continually added to and improved. With this in mind, and in view of the gaps and delays, the Commission launched its new plan of action for the single market on 16 and 17 June 1997 at the Amsterdam Summit. It was noted that 'more than three years after the single market came into effect, only 65 % of legislation is fully operational in the Member States'. The programme covers taxation (code of conduct, income from capital taxed at source, taxation of energy products), competition policy (new rules for State aid and agreements), the single market in gas, pension funds, etc.

Internal security

The principle of the free movement of persons represents an opportunity in the personal and professional lives of the great majority of European citizens. But governments heeding the need for security to which their citizens also aspire have completed freedom of movement mechanisms by ensuring people's safety in the Community area and their protection at its external borders.

[1] Report handed over to the European Commission on 18 March 1997.

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

— harmonisation of the law relating to asylum;

— the introduction, at Union level, of rules on immigration applicable to nationals of non-member countries;

— police cooperation to combat cross-border crime effectively;

— the drafting of cooperation agreements in the areas of civil and criminal law.

The new provisions on cooperation in the fields 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 below) will eventually be extended to all Member States.

Under the Amsterdam Treaty, the Community has new responsibilities in internal security policy. A large part of cooperation will henceforth be subject to Community regulations. A term of five years from the date it came into effect has, however, been set aside, during which the Council will continue to make unanimous rulings.

Cooperation between national police forces and other authorities responsible for criminal matters will remain part of the intergovernmental framework, even if the methods of cooperation are to be considerably improved to make it more effective.

SCHENGEN: THE BEGINNINGS OF A FRONTIER-FREE AREA

3

1. Key dates

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

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

14 June 1985: Belgium, France, Germany, Luxembourg and the Netherlands sign the Schengen Agreement, committing themselves to the gradual 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 sign a further agreement spelling out conditions and guarantees for implementation of the free-movement arrangements. This agreement, comprising 142 articles, entails 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 too.

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 the Nordic countries.

19 December 1996: draft treaty and agreement for Denmark, Finland and Sweden to join.

2 October 1997: Amsterdam Treaty ratified, incorporating the Schengen Agreement. Ireland and the United Kingdom are not included in the Schengen area.

26 October 1997: the agreement to apply air space controls with Italy comes into force.

1 December 1997: the agreement to apply air space controls with Austria comes into force.

31 March 1998 at the latest: border controls with Italy and Austria to be abolished.

2. The Schengen area

Freedom of 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 standardise 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.

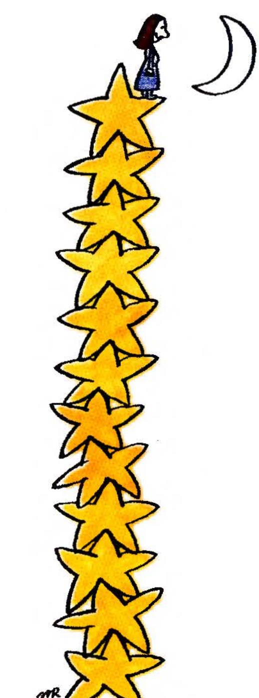
— There are common rules on measures to combat terrorism, smuggling and organised crime. The Agreement also makes provision for cooperation between courts, police forces and government departments.

— When the Amsterdam Treaty has been ratified, visas, asylum, immigration and other policies on the freedom of movement of people should be transferred to the Community system. The Council of the Union will replace the Schengen executive committee, the European Commission will be able to exercise initiatives and the Court of Justice will be declared the competent authority in these areas.

Special provisions apply to Denmark, Ireland and the United Kingdom.

THE COMMON POLICIES

As has already been indicated above, the Community was set the task by the Treaty of Rome 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 from 1989 to 1993 for measures aimed at developing regions whose development is lagging behind, promoting new activities in industrial areas in decline, helping the long-term unemployed, making it easier for young people to find employment, modernising 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 from 1993 to 1999, structural measures (Structural and Cohesion Funds) were allocated ECU 200 billion. The European Funds thus became 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 Community Charter of the Fundamental Social Rights of Workers. This set out the rights to be enjoyed by workers throughout the Community: free movement, fair pay, better working conditions, social security protection, freedom of association and collective bargaining, vocational training, equal treatment for men and women, information, industrial democracy, health protection and safety at the workplace, and protection of children, the elderly and the disabled. As a result of the change in attitude by the new Labour government in the United Kingdom, it was decided in Amsterdam in June 1997 that this social agenda would be incorporated into the body of the Treaty and apply to the 15 Member States.

Employment policy

Whilst progress towards economic and monetary union seems increasingly irresistible, the Member States have become aware that the Union's citizens increasingly expect a more active policy on jobs. How is the confidence of Europeans in the benefits and future of European integration to be reconciled when the Fifteen have structural unemployment which in 1997 affected 17.9 million people? When the Amsterdam Treaty was negotiated, a new chapter on employment was therefore introduced, making it a priority in the Union's economic policy. At the European Council in Luxembourg on 20 and 21 November 1997, the Fifteen defined a common strategy for strengthening the policy of the Member States, particularly in vocational training, assistance in setting up businesses and improving social dialogue. Guidelines for jobs were set which the Member States and the Community institutions will consistently follow according to a common procedure for evaluating the results.

Financing the common policies

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 ECU 84 billion in 1999. The own resources ceiling will be raised slightly: to 1.27 % of the Union's gross national product as against 1.2 % previously.

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 establishment 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.

Since the financial plans expire on 31 December 1999, the Commission presented a general document in July 1997 entitled 'Agenda 2000', which takes particular account of the new challenges which the Union will face in the new period from 2000 to 2006. At the heart of these challenges lies the prospect of further accessions by the countries of central and eastern Europe, the need to contain public expenditure and the growing concerns of some Member States over their financial contributions to the European Union's budget. The Commission is therefore proposing a status quo on the budget for the years 2000 to 2006, which rules out any increase in financial resources beyond the 1.27 % ceiling of the GNP, whilst ensuring that vital finances continue to flow, guaranteeing solidarity between the Member States, as well as between the Union and prospective members.

As regards the Structural Funds, the budget package put forward for the 15 Member States amounts to ECU 210 billion, to which are added ECU 20 billion as cohesion funds. In order to rationalise and reinforce the effect of these financial transfers, the Commission is proposing to reduce the prime objectives to three:

— Objective 1 will affect development aid for regions where the GNP per inhabitant is less than 75 % of the Community average, and will have a grant amounting to two thirds of all loans;

Objective 2 which affects the other regions prey to structural problems, whether these are areas undergoing economic change, rural areas in decline, areas in crisis which are dependent on fishing, or urban areas in difficulty;

— Objective 3 is focused on developing human resources and fighting unemployment according to the new heading on employment introduced into the Treaty.

Agenda 2000 also sets out a range of measures for strengthening strategy prior to membership and the regional cohesion effort which must apply to new members of the Union (see Chapter 8).

Reform of the common agricultural policy

In June 1992 the Council adopted a reform of the common agricultural policy designed to reduce cost while maintaining competitiveness.

The objectives assigned to the common agricultural policy by Article 33 (formerly Article 39) of the EC Treaty have largely been achieved. These are to ensure a fair standard of living for the agricultural community, to stabilise markets, to ensure reasonable prices for consumers, and to modernise 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 modernisation of farming have reduced the proportion of the Union's 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, and 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.

As we approach the year 2000, these measures have started to take effect, but European agriculture must continue to adapt in order to face up to its financial obligations: enlargement of the European Union to include the countries of central and eastern Europe, still largely rural, the opening-up of a new stage in multilateral negotiations on 1 January 2000 and the adoption of the new Community financial framework. The Commission, in its Agenda 2000 guidelines on Community agricultural policy, proposes to deepen the 1992 reforms by planning a further reduction in the prices of farm products in major crops, beef and milk, accompanied by compensation to producers in the form of direct payments.

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.

The crisis in confidence caused by the emergence of the so-called mad cow disease, BSE (bovine spongiform encephalopathy), forced the Commission to declare an embargo on many products in the beef chain. The European Parliament, on the basis of the conclusions of a temporary committee of inquiry on 8 November 1997, supported the Commission's efforts to restructure its services and intensify Community measures on public health.

In response to the concerns of the people, the Treaty's clauses on public health and consumer protection were heavily reinforced in Amsterdam.

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.

The Union is convinced that Europe's future depends on its ability to keep up in the technology race. From the outset it recognised 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 seven institutes spread over five sites — Ispra in Italy, Karlsruhe in Germany, Petten in the Netherlands, Seville in Spain 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 Joint European Torus (JET) programme) — and in vulnerable strategic industries such as electronics and computers.

Under the fifth framework research programme put forward by the Commission for 1999-2003 the Community, with a budget of ECU 16.3 billion, will finance a wide and varied range of programmes linking thousands of researchers in every Member State.

Major European networks

On 25 June 1994, on the basis of proposals presented by the Commission in its White Paper on growth, competitiveness and employment, the European Council adopted a list of 11 major projects in transport — in particular, the building of high-speed trains 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 generate infrastructures in the field of information ('information highways') and energy which the European continent needs. ECU 0.5 billion was allocated to the Union's budget in 1997 to help finance these projects.

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. Uniting currencies which to the countries of Europe were the symbols and instruments of their sovereignty for several centuries is a venture which has neither a precedent in our history since the Roman Empire, nor any equivalent elsewhere in the world. A single European currency should come into circulation on 1 January 1999, replacing national currencies as from 1 January 2002, and helping to make ordinary people more aware of belonging to a new entity.

The emergence of the single European currency is the result of lengthy, patient development.

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. But the political will to press ahead with this union was weakened by the first oil crisis and the project ran out of steam.

However, a European exchange rate system, popularly known as the 'snake', was introduced in 1972. 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

On 6 and 7 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 on 13 March 1979.

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

The EMS has three main components.

— The ecu
  This is seen as the key element in the system. It is a basket of the currencies 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 some competitive devaluations have threatened the unity of the single market.

The last lap on the road to EMU

In order to remove the non-tariff barriers to the free movement of goods, capital, services and persons and complete the single market, the single currency quickly seemed to be a necessity.

On the basis of the report submitted by the Commission President, Jacques Delors, 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 designed to promote improvements in and convergence of 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, by splitting the timetable of achievements into three stages.

The criteria for going on to the third stage have been set as follows:

— price stability: the rate of inflation may not exceed the average rates of inflation of the three Member States with the lowest inflation by more than 1.5 %;

— interest rates: long-term interest rates shall not vary by more than 2 % in relation to the average interest rates of the three Member States with the lowest interest rates;

— deficits: national budget deficits must be close to or below 3 % of GNP;

— debt: public debt may exceed 60 % of GNP only if the trend is declining towards this level;

— exchange rate stability: a national currency shall not have been devalued during the two previous years and must have remained within the EMS 2.25 % margin of fluctuation.

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.

The Madrid European Council on 15 and 16 December 1995 christened the future European currency the 'euro' and adopted the technical procedure for creating it.

Stage III will begin on 1 January 1999. In May 1998 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. The Commission considers that as regards the economic forecasts of the future, a majority of Member States will be able to fulfil the conditions set for the euro by 1 January 1999. The Heads of State or Government meeting within the Council will confirm by qualified majority, after consulting the European Parliament, which Member States fulfil the conditions necessary for the single currency to be adopted.

At the beginning of Stage III a European Central Bank will be set up and 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 all the Member States joining the single currency. Member States outside the currency union will join as soon as their economic performance permits, or when they take the political decision.

TIMETABLE OF THE EURO

10 December 1991
Treaty on European Union signed

— decision made to set up monetary union and adopt five convergence criteria

1 January 1994
Second stage of EMU (transitional period)

— EMI set up in Frankfurt

— procedures strengthened for coordinating European economic policies

— excessive deficits fought and policy for economic convergence of Member States

— independence of national central banks

16 December 1995
Madrid European Council

— the name 'euro' adopted

— technical procedure for introducing euro and timetable for going over to single currency established

14 December 1996
Dublin European Council

— pact on budget stability and growth adopted

— the euro acquires legal status

17 June 1997
Amsterdam European Council

— pact on stability and growth confirmed

— regulations adopted on legal status of euro

— 'EMS first round' for countries not involved in single currency resolved

— design of coins chosen

13 December 1997
Luxembourg European Council

— coordination of economic policies during third stage of EMU (multilateral supervision) and Articles 109 and 109b of Treaty resolved (exchange rate policy and the Community's representation at international level)

1 and 2 May 1998
European Council defines list of countries joining single currency based on convergence criteria

— European Parliament consulted

— irreversible bilateral exchange rates set

In 1998
European Central Bank (ECB) established, its executive committee appointed and production of coins and notes started

1 January 1999
Third stage of EMU

— euro becomes a currency in its own right

— banks and businesses transfer to euro

1 January 2002
Euro is introduced
Coins and notes go into circulation

1 July 2002 at the latest
Status of national coins and notes as legal currency is abolished

The single currency, the euro, must be introduced on 1 January 1999 for the administrations and the banks. On 1 January 2002 at the latest, the euro coins and notes must be in circulation. The common faces of the coins were officially introduced at the Amsterdam European Council. Technical discussions considered the opinion of the partially sighted and consumers as to their shape and composition.

On 1 July 2002, the euro will replace national currencies in the Member States joining the single currency. Between these two dates, prices will be displayed both in euro and in the national currency to help European consumers familiarise themselves gradually with the new currency.

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. Sweden also made clear its reservations.

In order to complete the provisions of the Maastricht Treaty, the European Council meeting on 17 June 1997 in Amsterdam adopted two important resolutions:

— The first one, known as the 'stability and growth pact', commits the Member States to keep to their budgets. This discipline will be guaranteed by multilateral supervision and a ban on excessive deficits.

— The other resolution concerns growth. It indicates whether the Member States and the Commission are firmly committed to providing the impetus for keeping jobs at the forefront of the Union's political concerns.

In the resolution on the coordination of the economic policies during Stage III of the EMU, which the European Council adopted in Luxembourg on 13 December 1997, it took an important decision by stipulating that the 'Ministers of the Member States joining the EMU may meet together informally to discuss questions arising from the specific responsibilities they share under the single currency'. The Heads of State or Government of the Fifteen thus opened the door to a process of strengthening joint membership, which could bring those countries which adopted the euro in their economic, budget, social and tax policies even closer together, beyond monetary union itself.

The introduction of a single currency by the end of the century is the European Union's most ambitious goal yet. There are bound to be setbacks along the way which will test the political will of the Member States involved. The crucial question of public opinion's acceptance of an innovation which directly affects the daily life of every citizen will also decide the success of the euro.

POLITICAL UNION AND DEFENCE

6

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 stabilising 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 and Canada, that Western Europe guaranteed its own security.

It was not until the Single European Act was signed in 1986 that the existing practice of European political cooperation (EPC) between EC Member States 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 involved only indirectly.

Nevertheless, EPC has often made it possible for the Member States to adopt a common position within international organisations, 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 common foreign and security policy (CFSP)

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.

These objectives can be successfully achieved in two ways: by 'cooperation between the Member States in conducting their policy' defining common positions and 'by gradually implementing common measures in areas where the Member States share common interests'.

As part of the systematic cooperation between Member States, they are mutually informed and consulted on any matter of general interest in the CFSP context. Common positions are adopted as soon as the Council considers it necessary, and this links the Member States' national policies and their position in international circles.

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 Council may adopt procedures for implementing joint action by a qualified majority (if they cover an issue unanimously accepted by the same Council), the aim being to align actions by the Member States as they take up their positions. The European Union expresses its opinion on international events in its joint statements. These statements cover violation of human rights in particular. Community and intergovernmental procedures must therefore exist side by side in the same institution.

The CFSP is a pillar of the European Union and encompasses every area of foreign policy, including security. The provisions governing the CFSP do not in any way affect the 'specific characteristics of the defence and security policy of certain Member States'. Neutral States therefore continue to have a special status and France and the United Kingdom may pursue their specific defence policies as nuclear powers.

The Amsterdam Treaty endowed the European Union with new institutional and operational instruments. Henceforth it is the European Council's role to provide motivation and direction by adopting 'common strategies' implemented by 'joint action and common positions'. Moreover, voting by qualified majority was only introduced in Amsterdam for action or positions adopted by the Council for application of joint decisions by the European Council in return for the principle of constructive abstention being introduced, which allows a Member State in certain cases not to take part in action without preventing others from doing so.

The Secretary-General of the Council fulfils the new role of High Representative for the CFSP and assists the Council by helping to formulate, develop and implement political decisions. The Council shall also be able, if it considers it necessary, to appoint a special representative instructed to deal with specific political issues. But the great novelty of this Treaty is the creation of a 'policy planning and early warning unit' within the Council. The task of this unit will be to monitor and analyse developments in the CFSP, provided assessments and early warnings about events likely to have repercussions on the CFSP.

Steps towards a European identity on defence

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 organisation with a defence role. The WEU, including 10 Member States which signed the Brussels Treaty and five observers (Ireland, Denmark, Austria, Finland and Sweden), has a 108-member Assembly based in Paris and a Council of Ministers whose secretariat is in Brussels.

By granting 'associate partner' status to nine countries in central and eastern Europe, and supporting the act of establishment between Russia and NATO signed in Paris on 27 May 1997, the WEU confirmed its solidarity with its near neighbours of central and eastern Europe in the field of security.

The Amsterdam Treaty mentions the Petersburg tasks which the WEU defined on 19 June 1992 (humanitarian, evacuation, peace keeping missions, military action for handling crises). The WEU helps the Union to define the defence aspects of the CFSP. The European Council defines guidelines for the WEU when the Union needs them. Furthermore, the Amsterdam Treaty recommends cooperation between the Member States on arms, cooperation already started within the WEU through the joint organisation for cooperation on arms.

The question of the WEU's possible integration into the European Union, however, has still not been settled. The Amsterdam Treaty, without setting any dates, provides for a new intergovernmental conference to be organised to help achieve a common defence policy.

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 Organisation on Security and Cooperation in Europe (OSCE), covering all European States, the new independent ex-Soviet republics, the United States and Canada and described in the Paris Charter of 21 November 1990 as the 'central forum for political consultations' in the new Europe, as well as to striking the most effective balance between the functions of the Atlantic Alliance as reformed at the Rome Summit in November 1991, and enlarged in 1998 to include Poland, Hungary and the Czech Republic, on the one hand, and the Western European Union and the European Union on the other.

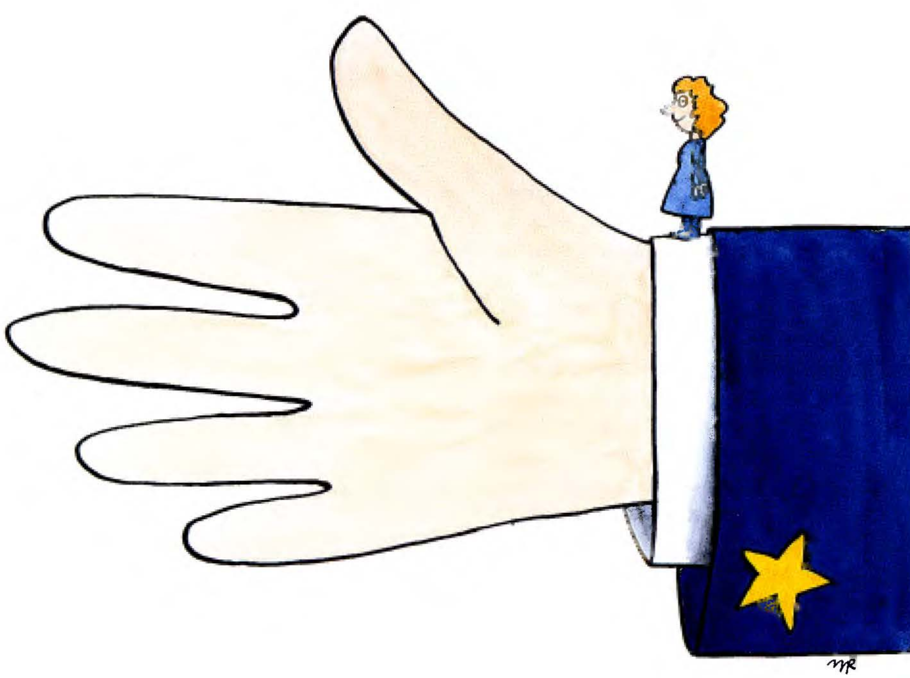
The Pact on Stability in Europe, signed in Paris on 21 March 1995, is the first crucial contribution made by the European Union to the building of security in the new Europe. Even more promising is the North Atlantic Council's decision when meeting in Berlin on 3 June 1996 to provide Europe with some NATO capability (multinational inter-army training group – MITG) for military action which would only involve Europeans and confirm a European identity in defence. The 'European pillar' of the Atlantic Alliance could therefore gradually be built, bringing together the Member States of the European Union committed to closer cooperation both within the WEU and NATO.

A PEOPLE'S EUROPE

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

Most of the goals set by the Treaties have been achieved: there are no longer any customs or tax barriers or regulations restricting the activities of individuals or the free movement of services and capital. We may not be aware of it, but we all benefit on a daily basis from the emergent single market: access to a wide range of goods; competition which helps to keep prices down; policies to protect the consumer and the environment; and standards usually harmonised 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 decades by the European Agricultural Guidance and Guarantee Fund have been of enormous benefit to Europe's farmers.



The vast bulk of expenditure in the Union's budget, which was in excess of ECU 91 billion (appropriations for commitments) in 1998, 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 39 and 42 (formerly Articles 48 and 51) of the EC Treaty. There have been a number of directives harmonising the rules on access to regulated professions.

Thanks to the Community's unremitting efforts to approximate national provisions, each Member State now recognises the qualifications of medical practitioners, lawyers, 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 took a quantum leap in Maastricht with the decision to allow every citizen residing in a Member State other than his or her own to vote and stand in municipal and European elections. The Amsterdam Treaty enshrines this principle in Article 17: 'citizenship of the Union has been established. A citizen of the Union is any person with the nationality of a Member State. Citizenship of the Union complements national citizenship and does not replace it'. These new rights raise certain objections as regards national identity and sovereignty. The argument that European citizenship complements and enhances national citizenship is a novel and fairly bold 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 25 members. The feeling of belonging to a single entity, of sharing a common destiny, cannot be created artificially.

The time has come for cultural integration to make further 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 (European Community action scheme for the mobility of university students), Comett (Community programme in education and training for technology) and Lingua (programme to promote foreign language competence in the European Community). 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 da Vinci and Youth for Europe III, should help here.

The Community is also involved in reintegrating young people with problems in its 'second chance' schools. Four towns in Europe (Marseilles, Bilbao, Catania and Hämeenlinna) have decided to accommodate these schools in the fight against educational and social exclusion.

In January 1996 the Commission, in its 'European voluntary service' programme, wanted young people in Europe to take part in a socially useful programme (social, humanitarian, cultural or environmental action) in a Member State other than their own. Its aim is to encourage mobility among those under 25 years of age and to help them enter working life. Thousands of young people have already benefited from this programme.

A people's Europe has a long way to go. We have a European passport (in use since 1985), a European anthem (Beethoven's 'Ode to Joy') and a flag (a circle of 12 gold stars on a blue background). A European driving licence has been issued in the Member States since 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 in 1999. At this time consumers will be managing their bank accounts in euro. As prices of consumer goods and services will be fixed in the same currency over most of the Union's territory, it will be possible to have a completely transparent vision of the market, and consumers will buy based on the best offers, which should help to widen competition and reduce prices The abolition of border checks in the Schengen area (which will eventually include all Member States) is already strengthening the feeling among Europeans that they share a common home.

'We are not forming coalitions between States, but union among people' (1), said Jean Monnet in 1952. Today, promoting popular support for European integration is a major challenge for the Union's institutions.

Citizens must become aware of the rights and opportunities which the single market and the Union's other policies offer. To this end urgent informative measures were introduced in 1996: 'People of Europe', 'The euro, a European currency' and 'Let's build Europe together'.

To bring the European Union closer to the European citizen, the Treaty on European Union (Article 195, formerly Article 138e) established the office of Ombudsman. The Ombudsman, named after a Scandinavian tradition, is appointed by the European Parliament for its term of office. His mandate means that he can receive complaints against Community institutions or organisations. It is the right of any citizen of the Union and any resident legal or natural person or person with a registered office in a Member State to refer a case to the Ombudsman. Having received a complaint, he attempts to resolve the dispute amicably with the Community institutions. He has received more than 1 400 complaints since he started work in September 1995. Furthermore, the European Parliament's well-established practice of accepting petitions from anyone residing in a Member State remains an important link between citizens and institutions. More than 4 000 petitions were sent to the European Parliament between 1994 and 1997.

The intention of the Amsterdam Treaty is to bring the Union closer to citizens by responding to their concerns about unemployment, problems of insecurity or immigration.

(1) Speech in Washington, 30 April 1952.

The Amsterdam Treaty also represents progress in reinforcing basic human rights. A sanctions procedure will mean that the rights of a Member State violating basic human rights can be suspended. In Amsterdam the principle of non-discrimination on the basis of nationality (Article 6a), sex, race, religion, age and sexual orientation was also extended. This principle against discrimination was also extended to include male-female equality.

Finally, the Amsterdam Treaty contains improvements in the policy of transparency and access by citizens to documents of the European institutions.

The introduction of direct elections to the European Parliament in 1979 helped to legitimise 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 organisations; 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.

THE ENLARGEMENT OF THE UNION

The countries of central and eastern Europe and Cyprus

On 13 December 1997, the 15 Member States of the European Union decided to open up to countries of eastern Europe. This was acknowledged by the European Council in Luxembourg on 12 and 13 December 1997. The European Council in effect started the process of enlarging the Union, which was to take place 'in stages, at a speed appropriate to each prospective Member State depending on the degree to which it is prepared'. The aim is to 'put prospective Member States in a position to join the Union and prepare the Union for enlargement on good terms'.

This decision followed a long process of negotiations with the countries of central and eastern Europe, and Cyprus. This started the day after the Berlin Wall collapsed, followed by the break-up of the Soviet empire.

At the G7 Summit in Paris in July 1989, the leading industrialised nations asked the Commission to coordinate the planned programme of economic aid for Poland and Hungary. The other OECD members supported this decision and came together to form the Group of 24 (i.e. the 12 Community countries at the time, the six EFTA countries, the United States, Canada, Japan, New Zealand, Australia and Turkey).

The PHARE programme (Poland-Hungary aid for economic restruturing) was extended to the Czech Republic, Slovakia, Bulgaria, Romania, the three Baltic States, Albania and some States in the former Yugoslavia.

There are five priority areas for these programmes: 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 decentralised, and an effort is always made to involve a variety of organisations to develop a broader-based society.

The European Union and the Member States have committed almost ECU 140 billion since 1990 in loans and aid to the countries of central and eastern Europe and to the new independent States of the former Soviet Union [1].

Europe agreements

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' based on Article 310 (formerly Article 238) of the Treaty straddle areas of national and Union competence.

[1] Statement by Jacques Santer at the Transatlantic Summit on 28 May 1997.

The main objectives 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.

On 16 July 1997, the European Commission presented the European Parliament with Agenda 2000, a document which describes at length the preparation for membership of these countries. Ten countries of eastern Europe and Cyprus (Malta withdrew its application in October 1996) then officially submitted their application for membership of the European Union. Faced with this enthusiasm of the 'new' countries of the former Eastern Bloc, the Union had to act. After examining in minute detail the questionnaire given to the central and east European countries on their institutions and current reforms, the Commission recommended opening negotiations for membership with Estonia, Hungary, Poland, the Czech Republic and Slovenia. These States were considered the most likely to fulfil the criteria set by the Copenhagen European Council in June 1993. Despite this recommendation, Bulgaria, Latvia, Lithuania, Romania and Slovakia are still eligible for membership of the European Union. The Luxembourg European Council on 13 December 1997 defined the States with which negotiations could start. Based on the Commission's opinion, the membership process will be started with the prospective Member States of central and eastern Europe and Cyprus.

Prior to this, a European conference will be 'organised to bring together the Member States and the European States wishing to join' the Union and to share 'its values and internal and external objectives'. This conference was to be open initially to Cyprus, the prospective Member States of central and eastern Europe and Turkey.

The European conference will be a multilateral forum for political consultation, the aim of which will be to deal with matters of general interest for those attending in order to develop and deepen their cooperation in foreign policy and security, legal and home affairs, as well as in other areas of common interest particularly economics and regional cooperation. The first conference was held on 12 March 1998 in London. Turkey was not represented.

The membership process itself was started on 30 March 1998 with a specific framework mechanism being drawn up. It is closely linked to the reinforced strategy prior to membership, the aim of which is that the prospective Member States are aligned as far as possible to Community legislation before they become members. With this in mind, aid prior to membership will be substantially increased and will, in addition to the PHARE programme, as from the year 2000 include agricultural aid and a structural tool for giving priority to similar measures to those of the Cohesion Fund. In Agenda 2000, the Commission proposes setting aside until 2006 an overall package of ECU 45 billion for new members, ECU 7 billion of which will be for pre-accession aid.

A special strategy prior to membership is planned for Cyprus which takes into account the degree to which it has developed and assimilated Community legislation.

Membership negotiations opened on 31 March 1998 in the form of bilateral intergovernmental conferences with Cyprus, Estonia, Hungary, Poland, the Czech Republic and Slovenia. The other prospective Member States will also see preparation for their membership negotiations speeded up.

The present enlargement of the European Union is a particular challenge for it, considering the large number of prospective Member States, the size of the population and the considerable disparity in development compared with the Community average. How will the integration of 110 million inhabitants, representing a fifth of the Union's population, but only contributing a GNP equivalent to less than 5 % of the latter, succeed?

This will be the task in the coming decade of the institutions, which will also have to improve their own decision-making procedures if they wish to avoid paralysis or dilution [1].

Relations between the European Union and Turkey

The European Union has had contractual links with Turkey since 1963, when the association agreement was signed, the aim of which was to set up a customs union. Nevertheless, it was not until 31 December 1995 that the agreement establishing a customs union between the European Union and Turkey came into force. This agreement provided for the immediate, reciprocal abolition of customs duties for manufactured goods. Turkey undertook to adopt a common customs tariff.

[1] Statement by the Luxembourg European Council on 13 December 1997: 'Enlargement of the Union first of all requires the running of the institutions to be strengthened and improved according to the provisions of the Amsterdam Treaty on the institutions.'

But Turkey has always pleaded for its relations with the Union to go beyond the strict framework of the customs union. On 14 April 1987 it therefore submitted its application for membership of the Union.

The specific case of Turkey has for years been the subject of bitter discussion. The Luxembourg European Council of 13 December 1997 confirmed 'Turkey's eligibility for membership of the European Union' and invited it to join the European conference 'which will bring together the Member States of the European Union and those European countries wanting to join and share its values and internal and external objectives'. It was considered, however, that the criteria for membership under the present political and economic conditions had not yet been met. A strategy was nonetheless put in place, based in particular on deepening the association agreement.

The States of the former Soviet Union

The dismembering of the Soviet Union and the transition of the new independent States to a market economy provided the European Union with the opportunity to create firm relationships with these countries of the former Soviet Union (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan) and with Mongolia. Following the example of the PHARE programme for the countries of central and eastern Europe, the TACIS programme provides technical and economic assistance for these countries with the aim of transition to a market economy. This programme provides support for many sectors: nuclear safety, energy, the environment, reform of public administration, setting up businesses, etc. The European Union therefore became the first financial sponsor of these countries with the ECU 2.27 billion it committed between 1991 and 1995.

Agreements were made at the same time as the TACIS programme directly with some countries. The aim of the partnership agreements concluded in June 1994 between the European Union and Russia and the Ukraine is to establish a free-trade area by the end of the century and to encourage these two important partners of the Union to develop a true market economy and stabilise their currencies.

The interim agreement which came into force on 1 February 1996 between Russia and the European Union is the equivalent of the commercial part of the partnership agreement signed in June 1994, which came into force on 1 December 1997. The particular aim of this agreement is for Russia to benefit from the most favoured nation clause. Apart from this commercial agreement, structures have been set up to develop political dialogue.

However, these countries have no real wish at the moment to be members of the European Union due to the lack of adequate infrastructures, and they must concentrate on their own recovery.

THE UNION AND THE WORLD

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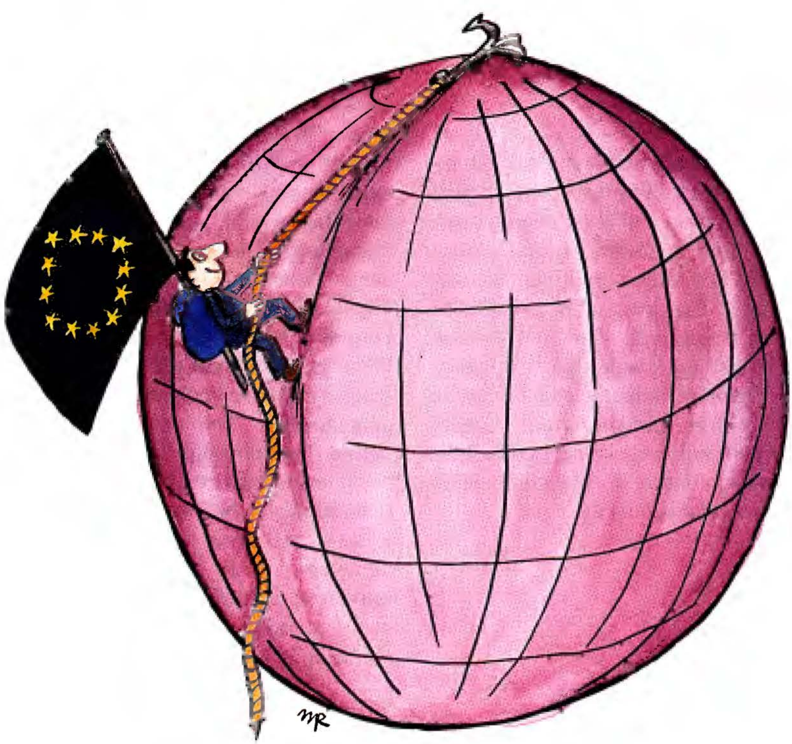
A major political power or a regional economic grouping? An open trading partner or a protectionist bloc? The European Union means different things to different countries, depending on whether their links with it are economic, diplomatic, cultural or strategic.

The European Union, the world's leading trading power, is trying to 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 the Common Customs Tariff, an external corollary to the internal abolition of customs duties and quotas. Since Europe's economy is based primarily on the processing of imported raw materials into manufactured goods with a high added value, the Community has worked to promote an open trading system worldwide. 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 emphasising liberalisation 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 GATT 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 trading 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 Organisation 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 373 million consumers, in which income levels are high and standards harmonised, 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 euro, as protection against fluctuations of the dollar and the yen.

The Union has already established itself as an economic, trading and monetary 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 within the Community framework. When the Union takes a common position within, say, the Organisation on 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 and attended numerous international conferences, such as the world food summit or that on global warming in Kyoto in December 1997.

At home or abroad the European Union is true to its basic mission: to encourage the formation of groupings and joint action.

A major partner in the industrialised world

The United States sees Europe as an ally that shares its values, but also as a commercial and technological rival. The Transatlantic Declaration, signed on 20 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 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. In the context of the new transatlantic agenda adopted in December 1995, two summits were organised between the European Union and the United States to discuss the various areas in which they could cooperate. As a result of the profound upheavals on the international scene at the end of this century, particularly the ending of the cold war, the allies are faced with the need to redefine the transatlantic alliance. Euro-American cooperation must set itself new objectives and coordinate efforts to face up to the new risks associated with nuclear proliferation, minority protests, the development of international crime and drug trafficking, and the pressures of migration. In terms of trade and investment, the European Union is the United States' major partner and the only one with which it has balanced relations. It nevertheless has to face certain temptations by the United States Congress to resort to unilateral or extra-territorial measures (Helms-Burton and Amato-Kennedy Acts) which threaten Europe's interests in the world. The gradual emergence of the euro and its eventual attractiveness could compete with the dollar as a reserve currency.

The Union's relations with Japan, its other main industrialised partner, are also of major importance. For a long time its main concern has been to persuade Japan to open up its markets to offset the flood of Japanese products into Europe. The European Union is trying to increase cooperation with Japan, particularly in the context of political dialogue and commercial and economic relations.

Relations between the EU and the Mediterranean countries: towards a new Mediterranean policy

The countries of the southern Mediterranean are extremely important partners because of their geographical 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'

The Union's Mediterranean neighbours were among the first to establish special commercial and economic relations with it. These countries are important partners of the Union. They are not only major commercial partners, but particular cultural and historical links bind some of them with certain Member States.

The Union is linked to most Mediterranean countries by association or cooperation agreements:

— Cyprus, Malta and Turkey are linked to the Union by association agreements for gradually establishing a customs union. They have all officially submitted their application for membership (Turkey in 1987, Cyprus and Malta in 1990). But only the Cypriot application is looked at in a favourable light by the Commission.

— The countries of the Maghreb (Algeria, Morocco and Tunisia), Mashreq (Egypt, Jordan, Lebanon, Syria and the Palestinian Territories) and Israel are linked to the Union by cooperation agreements covering trade, industrial cooperation and technical and financial assistance.

The European Parliament has stressed that the Union's policy, by which relative successes are judged, should be modified. The European Parliament wants a better balanced, general policy. The challenges of the future are considerable: danger of conflicts and instability, population explosion, high unemployment (more than 20 %), imbalance in the balance of payments, foreign debt, insufficient internal economic growth and massive imports of food products. The Union must help develop the enterprise economy further. Priority must be given to the environment, transport, energy and regional cooperation. The European Commission has reached the same conclusion.

In response to these challenges, the European Union has defined a new Mediterranean policy in three stages:

— in 1992 the Community set out the objective of a European-Maghreb partnership;

— in 1993, the European Union set up permanent cooperation with Israel and its Arab neighbours within the Maghreb;

— both these initiatives led to an overall European-Mediterranean partnership being set up where association agreements were negotiated with Israel, Morocco and Tunisia.

In November 1995, the European Union laid the foundations of the new Euro-Mediterranean partnership at the Barcelona conference which all the Member States of the EU and the countries bordering the Mediterranean attended (except Libya, Albania and the countries of the former Yugoslavia). This conference defined the outlines of a new partnership consisting of:

— political dialogue and a security partnership between the participating countries, based in particular on mechanisms for the peaceful settlement of conflicts and arms control;

— strengthening economic and commercial relations between regions. The major aspect here is to achieve a Euro-Mediterranean free-trade area by 2010, whilst adhering to the rules of the World Trade Organisation. Manufactured products will therefore be able to move duty-free on the trans-Mediterranean market, and this will become the largest free-trade area in the world with more than 600 million consumers;

— a partnership in the social, cultural and human sectors.

Numerous institutional contacts have subsequently developed between the European Union and the Mediterranean countries. The second ministerial conference in Malta on 15 and 16 April 1997 thus confirmed the Barcelona guidelines. The worsening Arab-Israeli climate, and the situation in the Palestinian Territories in particular weakened the scope of these conferences.

Financial assistance of ECU 4.685 billion for the period between 1995 and 1999 was granted to the Mediterranean countries following the approval of the MEDA regulation.

The European Union is involved in several large economic and social development projects in the Mediterranean countries, notably with long-term loans from the European Investment Bank. The European Union has thus become the major donor in the development of the Palestinian Territories (45 % of international aid), and it contributes in full to the reform of the political and economic structures of the southern Mediterranean.

Africa, Latin America and Asia

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 decolonisation which began in the early 1960s transformed this link into a new form of association between sovereign countries based on Article 310 (formerly Article 238) of the EC Treaty. Today 71 countries in Africa, the Caribbean and the Pacific (ACP) enjoy special relations with the Community under the fourth Lomé Convention (1990-2000), in which financial aid was renegotiated in 1995. It provides ECU 13.3 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 in the ACP countries. 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 stabilise the ACP countries' export earnings. Sysmin, the system of aid for mining products, fulfils the same function for mining resources. The Lomé Convention also institutionalises political relations through the Council of Ministers, a Committee of Ambassadors and a Joint ACP-EU Assembly, where the Community is represented by Members of the European Parliament.

Various meetings between representatives of the ACP and the European Union have made them aware that the ACP-EU partnership today needs to be revitalised. The European Parliament proposes nine guidelines for steering the new relationships between the European Union and the ACP countries in future years. The proposal is that, whilst the Lomé Convention should be retained without changing its geographical context, its content should be reoriented by including a political dimension, which would encourage the consolidation of democracy and respect for human rights.

The prime objective of the new Convention would be to fight poverty, efforts being concentrated on the most destitute countries.

A re-examination of the specific tools of ACP-EU cooperation (Stabex and Sysmin) is called for to put an end to the ACP countries' dependence on a few basic products.

This new partnership should give a fresh boost to the European Union's development policy on the ACP countries.

Cooperation between the Union and the developing countries of Asia and Latin America is less structured. They benefit from the generalised system of preferences, 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 Group countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) with the aim of supporting regional economic integration. After the Madrid European Council in December 1995, which wanted to strengthen the partnership between the European Union and the countries of Latin America, the Community decided to increase cooperation in three areas: institutional reform and consolidation of the democratic process, the fight against poverty and social exclusion, and, finally, support for economic reforms. The regional partners and representatives of the European Union met at various meetings at the San José conference and the Rio Group's meeting. In addition to these meetings, framework agreements between the regions have gradually been set up with Mercosur, Argentina and Mexico.

Relations between the European Union and Asia are based on a 'new Asian strategy' adopted at the Essen European Council in December 1994. This strategy aims to develop joint trading and industrial relationships and strengthen cooperation in investment promotion, cooperation between businesses, research and development.

The first summit between Europe and Asia on 1 and 2 March 1996 provided the opportunity for the famous 'weak link' in the Europe/Asia/United States triangle to be strengthened. The partners defined joint guidelines whilst committing themselves to an 'open' multilateral system of trade and 'non-discriminatory' liberalisation. This

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stronger partnership should enable the European Union to consolidate its positions in Asia, its major trading partner (23 % of the Union's external trade).

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. Aid to the ACP countries represented 33.8 % of the European Union's total package in 1995, aid given to countries of the southern Mediterranean 11 %, and to countries of Latin America and Asia 18 %. Two thirds of this aid was for development projects, the remaining third for food aid. But this was 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 new 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.

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, and which should rise to Twenty-five over the next decade, is still a vital force. The challenges of the post-war period were such that an attempt had to be made to reconcile nations and rebuild the economies of western Europe. Half a century later the challenges facing Europe are no less significant. The new democracies emerging from the ruins of the Communist bloc expect support from their neighbours and a willingness to work with them to create a common destiny. The history and geography of the old continent will finally be reconciled.

The European Union therefore 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 — 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 organisations 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 at the end of the century:

— The Fifteen will press ahead with economic, monetary and political integration on the basis of commitments made in Maastricht and applied by the Amsterdam Treaty. Interinstitutional agreements will provide 'bridges' between Community institutions and procedures and diplomatic cooperation arrangements. The European Parliament will make full use of its new joint decision-making powers.

— Following a new process of revising the Treaties, 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 (WEU) with a view to eventually developing it into a common institution of the European Union.

The Union will establish its own political identity in NATO, and set itself up as the main transatlantic forum 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 organisations such as the United Nations and Unctad.

— Negotiations with the countries of central and eastern Europe and Cyprus are being staggered on their own merits from 1998 to the beginning of the next century.

— The Member States of the euro area regularly consult each other on progress in economic and monetary convergence, and the development of budget, taxation and social policies which this convergence requires. Some Member States, as precursors, use the general clause on stronger cooperation introduced by the Amsterdam Treaty to make certain sectors of cooperation more dynamic.

— The European Union of 25 members will be a reality by the end of the next decade. A political, commercial, monetary and strategic Europe has been organised. Following a request reiterated by the European Parliament, the EU is being given a constitution defining relations between the Union, the Member States and their citizens.

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 the Treaty. 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 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 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 and the European Atomic Energy Community are signed in Rome.

1958

1 January

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

1960

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

1962

30 July
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 Customs 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 by universal suffrage 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 European strategic programme for research and development in information technology (Esprit), 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 in Togo.

1985

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 revitalise 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 Act enters into force.

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

1988

February
Financing of EEC policies reformed. 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
The Berlin Wall is breached.

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 (EEA) linking the Community with its western European neighbours.

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
Agreement on the European Economic Area is signed in Porto.

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 GATT 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 Treaty of 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 Treaty of Accession.

13 November
A referendum in Sweden approves Treaty of Accession.

27 and 28 November
A referendum in Norway rejects Treaty of 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 a new Intergovernmental Conference responsible for revising the Treaties holds its first meeting.

12 June
Europe agreements with Estonia, Latvia and Lithuania.

22 June
Romania applies to join the Community.

26 and 27 June
The European Council meets in Cannes. Reflection Group instructed to prepare for the Intergovernmental Conference.

27 June
Slovakia applies to join the Community.

27 October
Latvia applies to join the Community.

24 November
Estonia applies to join the Community.

27 and 28 November
Euro-Mediterranean conference in Barcelona.

8 December
Lithuania applies to join the Community.

14 December
Bulgaria applies to join the Community.

15 and 16 December
Madrid European Council.

1996

16 January
Slovenia applies to join the Community.

17 January
The Czech Republic applies to join the Community.

29 March
The Intergovernmental Conference opens at the Turin European Council.

21 and 22 June
Florence European Council.

13 and 14 December
Dublin European Council.

1997

17 February
Jacques Santer intervenes on BSE (bovine spongiform encephalopathy) at the European Parliament.

16 and 17 June
Amsterdam European Council.

16 July
Agenda 2000 presented to the European Parliament.

2 October
'Consolidated' Treaty signed in Amsterdam

20 and 21 November
Summit on jobs in Luxembourg.

12 and 13 December
Luxembourg European Council.

1998

1 January
United Kingdom's Presidency of the Community starts.

30 March
Membership process of the 10 prospective Member States of central and eastern Europe and Cyprus starts, followed by bilateral intergovernmental conferences, initially with Cyprus, Hungary, Poland, Estonia, the Czech Republic and Slovenia.

31 March
Schengen: abolition of immigration control at Italy's land borders.

1 to 3 May
European Council of Finance Ministers and European Council. Decision on Member States ready to enter the third stage of EMU.

15 and 16 June
Cardiff European Council.

1 July
Austria's Presidency of the Community starts.

1999

1 January
Germany's Presidency of the Community starts.

Spring
European elections.

1 July
Finland's Presidency of the Community starts.

1 December
Greece enters the Schengen area.

2000

1 January
Portugal's Presidency of the Community starts.

1 July
France's Presidency of the Community starts.

2002

1 January
Euro coins and notes come into circulation.

1 July
Coins and notes in national currency withdrawn.

European Commission

EUROPE IN 10 POINTS
(third edition)
by Pascal Fontaine, Professor at the Institute of Political Studies, Paris

Luxembourg: Office for Official Publications of the European Communities
1998 — 62 pp. — 16.2 x 22.9 cm
Series: **European Documentation** — 1998
ISBN 92-828-3326-7

The brochure explains in 10 points the nature and development of the European Union from its beginnings to the establishment of the euro area and the opening of membership negotiations with the countries of central and eastern Europe.

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EN

The European Union in 1998 is the result of efforts by those who have promoted the European Community since 1950. It constitutes the most advanced organisation of multi-sectoral integration with the authority to act both in the economic, social and political areas as well as those of citizens' rights and foreign relations of its 15 Member States.

The Treaty of Paris which established the European Coal and Steel Community in 1951, followed by the Treaties of Rome which established the European Economic Community and the European Atomic Energy Community in 1957, amended by the Single European Act in 1986, the Treaty on European Union adopted in Maastricht in 1992 and by the Amsterdam Treaty signed in 1997, are the constitutional bases of this body, creating ties between the Member States which legally go far beyond those between sovereign States. The European Union is itself generating legislation which directly applies to European citizens and confers specific rights on which they can rely. The boost given to Community integration is now having the effect of prompting a vast enlargement process to include countries of central and eastern Europe.

The peace plan on which the Community ideal is based is now assuming continental proportions. Shortly to be given a common currency in the euro, the European Union is being given the resources to face up more effectively to the challenges of internationalisation.

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