

THE COMMUNITY INTEGRATION PROCESS POST-MAASTRICHT

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Post-Maastricht Optimism

Following the political agreement at Maastricht in December 1991 on the contents of the Treaty on European Union, there was considerable optimism in the early months of 1992 on the future prospects for Community integration. The Treaty had not wholly resolved the many differences which exist in the Community about the preferred nature and pace of integration but it certainly had seemed to clear much of the ground. It had done so by, on the one hand, specifying the next steps in the process of deepening integration and, on the other hand, opening the way for progress to be made on widening integration. Regarding the deepening, there was the (largely) symbolic creation of the Union, and an array of specific provisions designed to promote both institutional deepening - via measures to enhance the efficiency and democratic nature of the Community/Union - and policy deepening - via extensions and consolidations of the policy responsibilities of the Community/Union. Regarding the widening, it was decided at Maastricht that with the deepening question 'resolved', at least for a while, attention could be turned to the applicant states and to this end the Commission was asked to present a report to the June 1992 Lisbon Summit on the implications of enlargement for the Community's/Union's future development.

The Maastricht Summit thus seemed to bring deepening and widening together in an orderly manner. So much so indeed that by the late spring of 1992 the desirability of advancing the next 'deepening round' was being widely canvassed, and the prospects of as many as 4-5 accessions by as early as 1995 was being seen as not only possible but even probable.

Growing Doubts

The general bullishness on the prospects for integration that characterised the first half of 1992 was increasingly replaced in the second half of the year by concerns and pessimism. The assumption that deepening had been provided for in the Treaty and attention could now be turned to widening was brought increasingly into question. Events and circumstances even led to doubts as to whether the Treaty, or at least key aspects of it, would ever be implemented.

Four such events and circumstances were especially important.

(1) The Danish Referendum

National ratifications of the Treaty were to be via votes in national parliaments, except in Denmark and Ireland where parliamentary votes plus national referenda were deemed to be the appropriate procedure. In the first of these referenda, on 2 June, the Danish people voted, by 50.7 per cent to 49.3 per cent, not to approve ratification.

This Danish rejection of the Treaty posed major problems for the Community, not least since it was not at all clear what the implications were given that this was the first time that an agreement between the national governments to amend the Community's 'constitution' had failed to be ratified at national level. The initial response was, in consequence, uncertain. Gradually, however, an agreed position began to emerge which was based, on the one hand, on a desire to keep Denmark aboard if at all possible and, on the other hand, on an increasing recognition that the need to allay concerns about the integration process was not confined to Denmark but applied to several other countries too. (Not least France where a referendum, called by President Mitterrand in the immediate aftermath of the Danish vote but not held until September, did not produce the comfortable endorsement of the Treaty that had initially been anticipated but only a very narrow

majority of 51.05 per cent to 48.95 per cent). A twin-track approach was thus adopted comprised of general measures which would apply throughout the Community and specific measures which would apply only to Denmark.

The general measures took the form of a pronounced throttling back on the integrationist rhetoric of Community and national spokesmen, allied to an increasing emphasis on the importance of the principle of subsidiarity. Whereas subsidiarity had been only rather briefly and vaguely referred to in the Maastricht Treaty - via the incorporation of a new Article 3b of the European Community Treaty - after the Danish vote it came to be extensively discussed and to be elevated to the status of a fundamental guiding principle. At the Lisbon Summit it was agreed that the Commission would justify its future proposals in terms of subsidiarity, the Council would also justify itself in terms of subsidiarity if it wished to amend proposals, there would be a re-examination of certain existing rules so as to adapt them to the subsidiarity principle, and the Commission and the Council would undertake an urgent review of the steps to be taken to implement the subsidiarity principle and would report on their conclusions to the December Edinburgh meeting of the European Council.⁽¹⁾ At Edinburgh, guidelines, procedures and practices for the application of the subsidiarity principle were set out and the European Council invited 'the Council to seek an inter-institutional agreement between the European Parliament, the Council and the Commission on the effective application of Article 3b by all institutions'.⁽²⁾ To further reinforce this emphasis on a less centralised and remote Community - which, however the word is defined, is the essential purpose of applying subsidiarity as a principle - the Edinburgh Summit also developed a commitment it gave at the special European Council meeting which was held at Birmingham in October to make the Community, and more especially the Council of Ministers, more open and transparent.

The specific measures which were developed and then adopted for Denmark took the form of attaching various conditions and opt-outs to the Danish position on the Treaty. In strict legal terms much of what the Danish government started pressing for after the June referendum it, in fact, virtually already had: so, for example, the Treaty did not commit Denmark to entering the third stage of EMU, whilst unanimity was required - and therefore national vetos existed - in respect of the projected developments under the sensitive Common Foreign and Security Policy (CFSP) and Justice and Home Affairs (JHA) pillars of the Treaty. Nonetheless, firmer guarantees and more concessions were seen as being necessary if the Danish electorate was to be persuaded to reverse its view on the Treaty in a second referendum. In giving such guarantees and granting such concessions at Edinburgh - on a range of issues including the implications of Union citizenship and clear opt-outs from the single currency and any future Union defence policy - the European Council gave further weight to the impression that in important respects the Community is finding it increasingly difficult to proceed twelve abreast. For though all the Member States declared that the Danish deal did not indicate a movement towards a Europe *à la carte*, it was nonetheless difficult to avoid the conclusion - particularly when set alongside the likes of the Schengen Agreement, the UK's special Maastricht conditions, and the prospect of stage three of EMU starting with as few as seven participating states - that the concessions granted to Denmark indicated an increasingly differentiated Community and, in due course, Union.

(2) Instability in the Exchange Rate Mechanism

Prominent amongst the conditions for achieving the EMU objectives of the Maastricht Treaty is exchange rate stability. Until the autumn of 1992 such stability did appear to be possible, thanks largely to the disciplines and constraints of the Exchange Rate

Mechanism (ERM) of the European Monetary System (EMS). From September, however, the system became subject to severe strains and several developments have since occurred which do not sit easily with the Maastricht conditions for moving towards EMU: on 13 September the first realignment in the ERM since 1987 occurred when the lira was devalued by 7 per cent; on 16 September the lira and sterling suspended their membership of the ERM, the peseta was devalued by 5 per cent, and several other currencies took defensive measures in the form of interest rate increases and the temporary establishment of exchange controls; on 23 November the peseta and the escudo were devalued by 6 per cent; on 1 February 1993 the punt was devalued by 10 per cent; and on 13 May the peseta was devalued by 8 per cent and the escudo by 6.5 per cent.

Whilst inept currency management appears to have played some part in creating the initial turbulence of the autumn, most informed observers take the view that it, and the subsequent instability, has also been a consequence, at least in part, of deep-rooted weaknesses in the system. Many conclusions have been drawn from this, with most views falling into one of two broad camps. The first set of views centres on the assertion that the currency instability demonstrates that the movement towards the third stage of EMU and the adoption of a single currency should occur as rapidly as possible, or at least should do so for those countries which are ready and willing. If that means some sort of Franco-German currency zone or a Greater Deutschmark zone, then so be it. The second set of views has at its core the argument that the instability demonstrates the dangers that are attached to pressing ahead with EMU too quickly. In particular, it is held that the events from September onwards demonstrate that complete currency stability, let alone a single currency, cannot be achieved in advance of much more economic cohesion and convergence than is currently either feasible or foreseeable.

The debate and arguments will doubtless continue, but, at a minimum, the instability of the currency markets since the autumn of 1992 have clearly brought the EMU provisions of the Maastricht Treaty seriously into question. They have done so, moreover, at a time when practitioners and commentators have increasingly come to the view that the persistence of the recession is not only making the Treaty convergence criteria for proceeding to the single currency ever more difficult to achieve, but is also making them increasingly inappropriate and undesirable. (Not one Member State currently meets the four main convergence criteria set out in the Maastricht Treaty - currency stability, low inflation, and specified limits on the budget deficit and government debt. In some respects some countries are even moving further away from meeting the criteria).

(3) The Break-Up of Yugoslavia

Just as the instability in the ERM has cast doubts on the EMU provisions of the Maastricht Treaty, so has the Community's response to the break-up of Yugoslavia cast doubts on the CFSP provisions.

That there would be considerable difficulties involved in developing a common foreign policy, and moving on from there to a common defence policy and perhaps ultimately a common defence, was, of course, known when the Treaty was signed. Indeed, this had been fully demonstrated at the time of the Gulf War when the Community states had been fully able to agree joint statements and declarations on general objectives but had not been able to act in anything like a united way when it came to determining their contributions to the Task Force of Operation Desert Storm. The break-up of Yugoslavia has further confirmed the immense difficulties of getting the twelve to act collectively and decisively when faced with pressing and dangerous international issues. As in the Gulf War there have not been too many difficulties at the declaratory level, as is seen in the fact that

since recognising in late 1991 that the break up of Yugoslavia was inevitable, the Community has pursued a fairly consistent policy stance towards the former Yugoslavia, based on the beliefs that: (a) the Serbs are primarily responsible for the fighting; (b) a long-term solution needs to be based on the independence of the former Yugoslav republics; and (c) in the particularly troubled state of Bosnia a form of cantonisation is required. The difficulties have arisen when it has come to backing up these policy objectives with firm and shared practical action, as three episodes demonstrate:

a) At the Lisbon Summit there was a lengthy discussion on the Yugoslav situation and a three page declaration, which largely re-affirmed points made in previous declarations issued by the Foreign Ministers, was issued. However, immediately after the Summit, President Mitterrand, without apparently having notified any of the other eleven national leaders of his intentions, took a flight from Lisbon to Split, and travelled on from there to Sarajevo, with seemingly little purpose other than to wave the French flag and strut the world stage. If it did not undermine the Community's position, this episode did cause some embarrassment and did demonstrate that a strong and effective CFSP will have to overcome the temptation of many national leaders to dabble.

b) There has been great frustration with the way in which Greece has blocked a collective Community recognition of the former Yugoslav republic of Macedonia. Greece has refused recognition on the grounds that the use of the name Macedonia, which is also the name of a Greek province, could in time lead to claims on Greek territory and to border disputes. Leaving aside the pros and cons of the matter, this episode has highlighted how the special situation of a Member State - which in this case is a consequence of a mixture of historical, political and geographical factors - does not always sit easily with what the majority believe to be the collective Community interest.

c) Several problems have arisen in connection with action to enforce the UN and Community approved economic sanctions on Serbia and arms embargo on the whole of the former Yugoslavia: Greece has been widely suspected of being involved in sanctions breaking; Community countries have displayed very different degrees of willingness to be involved in enforcing the blockade in the Adriatic which has been jointly undertaken by the North Atlantic Treaty Organisation (NATO) and the Western European Union (WEU); and lines of responsibility in the Adriatic blockade have seemingly been subject to some confusion, not least because of the constitutional restrictions on Germany's military activity and because too of the different memberships and organisational structures of NATO and the WEU.

All in all the quality and the effectiveness of the Community's response to the break-up of Yugoslavia is thus perhaps best described as mixed. On the positive side there has been a common policy stance on most aspects of the situation and some implementing policy instruments have been put in place - in the form of diplomatic recognitions, the dispatching of peace monitors, and participation in the imposition and policing of sanctions. On the negative side the common policy stance has been subject to some strains (for example, several countries barely disguised their unease with what they thought was the premature EC recognition of Croatia and Slovenia in January 1992), whilst the varied responses to assisting with policy implementation has not promised well from the viewpoint of the effective development of the CFSP.

(4) Unease in Applicant States

Several developments in 1992 seemed to further boost the impetus which had been given to Community/Union widening by the Maastricht agreement. First, three European Free Trade Association (EFTA) states applied to join the Community/Union: Finland in

March, Switzerland in May, and Norway in November. (With Austria having applied in 1989 and Sweden in 1991 this meant that by the end of 1992 only Iceland and Liechtenstein of the EFTA's seven members had not applied). Second, the report which the Maastricht Summit had requested from the Commission on the implications of enlargement was duly presented to the Lisbon Summit and it was largely favourable in respect of the EFTA applicants and not wholly unfavourable in respect of Malta and Cyprus⁽³⁾. Third, the Lisbon Summit accepted the broad thrust of the Commission's report, stating that the European Economic Area (EEA) agreement (which had been signed in May) had 'paved the way for opening enlargement negotiations with a view to an early conclusion with EFTA countries seeking membership of the European Union' and determined that the 'official negotiations will be opened immediately after the Treaty on European Union is ratified and the agreement has been achieved on the Delors II package'.⁽⁴⁾ Fourth, at the Edinburgh Summit, with agreement reached on future budgetary arrangements - that is, the Delors II package - and with the prospects for final ratification of the Treaty seemingly greatly enhanced as a result of the concessions which were granted to Denmark, it was decided to drop one of the two conditions laid down at Lisbon for the opening of accession negotiations - the ratification condition - so as to allow negotiations with Austria, Sweden and Finland to start early in 1993, and to allow negotiations with Norway to start as soon as the Commission's opinion on the application became available. These negotiations are now all in progress.

It will be noted that no provision was made for opening negotiations with Switzerland. The reason for this is that on 6 December, in a referendum on whether to ratify the EEA, the Swiss voted, by 50.3 per cent to 49.7 per cent, not to ratify. As a consequence, the EEA was not able to come into effect on 1 January 1993, as had been

planned, and the Swiss application to join the Community, though left on the table, necessarily had to put aside.

As well as being important in its own right the Swiss referendum also drew attention to a broader problem associated with Community/Union widening, namely the potential obstacle of public opinion. In most EFTA states popular attitudes towards the prospects of Community membership have long been, at best, less than enthusiastic and, at worst, somewhat hostile. In the second half of 1992 - after the Danish referendum - these attitudes tended to harden. Now, given that all the EFTA applicants will be obliged to hold referenda on accession if, as is likely, their governments negotiate terms that are deemed to be acceptable, there must be strong chance that in at least one of the applicant states - with Norway perhaps being the most likely - pro-accession elites will find their advice rejected by the populace.

The Continuing Centrality of the National Dimension

What do the events and circumstances of the last twelve to fifteen months tell us about the nature of, and prospects for, the Community integration process?

Perhaps the first thing they do is to remind us of the great complexity of variables which affect the nature and pace of Community integration. It is, of course, the existence of so many changing/emerging/disappearing variables which lies behind the rather limited utility of theory in explaining, let alone predicting, Community integration processes. Academics studying the Community advance explanatory ideas about the interrelationships between relevant variables - in other words they advance theories - but they invariably and quickly run into difficulties if their theories go much beyond general assertions of the kind

'integration is likely to proceed when national elites and publics are in accord as to its desirability'.

The central reason why they do run into difficulties is that the nature of, and the importance of, the (perceived) relevant variables are subject to change. Moreover, the circumstances which bring about such change are themselves varied and ever shifting. This has been no more clearly demonstrated than in the assertion of the national dimension of Community affairs in the post-Maastricht period, for it has been an assertion which has not been seen on such wide a scale or in such forceful a way for many years. Instances of this assertion of the national dimension have already been cited - notably in the context of Denmark's problems in ratifying the Maastricht Treaty and Greece's stance on the recognition of Macedonia - but others are also worth briefly mentioning to demonstrate how widespread the phenomenon has been of late:

(1) From an early stage of the Maastricht Treaty ratification proceedings the UK government made it clear that it anticipated a long and protracted procedure. Following the Danish referendum it became increasingly clear that the UK ratification would be delayed until after the second Danish vote, which meant the UK would not attempt to meet the commitment all states gave at Maastricht to try and ratify by the end of 1992.

(2) Despite very strong pressures in the second half of 1992 on Germany to reduce its high interest rates the *Bundesbank* refused to permit anything other than a token reduction. The containment of German inflationary pressures, which were largely the legacy of unification, were seen by the *Bundesbank* to be more important than the damage the high rates were widely believed to be causing to both the ERM and to the prospects for economic recovery in Europe.

(3) The French government has refused to endorse the agreement which the Commission, after protracted and confrontational negotiations, reached with the United States in November on a range of agricultural issues which were crucial to a settlement of the long-stalled General Agreement on Tariffs and Trade (GATT) Uruguay Round. Despite the agreement being broadly acceptable to the other eleven Member States, and despite too a successful outcome of the Uruguay Round negotiations being vital for Community trade, the French Prime Minister informed the National Assembly shortly after the agreement was announced that unless appropriate changes were made France would exercise its veto by invoking the Luxembourg Compromise when the implementing legislation was presented to the Council of Ministers.

(4) In the run-up to, and at, the Edinburgh Summit the Spanish government adopted a very tough negotiating stance in respect of the Delors II budgetary proposals. It was made clear that unless there was a considerable increase in planned Community expenditure in the poorer Member States Spain would block an agreement not just on Delors II but also on the many other key issues before the Summit.

Now, of course, there is nothing new about the defence of national interests creating difficulties for integrationist advance, but the scale and breadth of the difficulties created in recent months is perhaps new: after all the French obstructions of the 1960s and the British obstructions of the 1980s were largely solo efforts - they each involved a nation standing largely alone, and the national stance was mainly determined by a sole politician. It may be that with integrationist pressures more firmly established in the 1990s - in the form, most notably, of building on the momentum of the Single European Market and of reacting to the changed nature of the international political and security system - and with

integrationist mechanisms more firmly in place - most obviously via the use of qualified majority voting in the Council of Ministers and the occasional use of simple majority voting in the European Council - that obstruction by one state is more difficult to achieve now than hitherto. When, however, as has recently been the case, a *range* of obstructionist Member State inclinations become apparent in a *variety of circumstances* which are claimed to impinge on vital national interests, then integrationist progress inevitably is harmed. Circumstances and contexts do, of course, change but it is well to remember that the history of the Community has demonstrated on several key occasions that the process of integration is heavily dependent on some convergence of national policy options.⁽⁵⁾

This is not to suggest that the recent vigorous association of national interests in their various forms has prevented integrationist developments from occurring in many spheres and sectors - the Edinburgh Summit, for example, witnessed agreement on a classic Community package deal covering several key issues. Moreover, in some respects, firm national positions emanating from perceived national interests may sometimes be said to have promoted integration in certain respects - France, for example, has made much of the running on EMU because it has been seen as being the most appropriate mechanism for pursuing its national interest of containing German monetary domination, whilst the considerable increase in structural expenditure which was part of the Delors II financial package was in no small part a consequence of the poorer countries - especially Spain - pursuing their perceived national interests. However, notwithstanding a recognition of the benefits special national interests can sometimes bring to the integration process, in general terms it has to be concluded that their effect is to weaken the impetus of, and put a brake on the pace of, both policy and institutional integration.

That being so, a key question which arises is the circumstances in which national interests are most likely to be perceived as being vital and in need of vigorous defence. Well, clearly a recurring set of such circumstances over the years has been when integration has touched on the most sensitive of sovereignty-related issues, and this has been demonstrated no more clearly than recently: witness the considerable concern - most notably in Denmark, Germany, and the UK - at losing control of the currency and all that implies; witness the unease in several Community countries with the prospect of losing control of defence and security policy; witness the apprehension in Denmark to the threat of Community control of citizenship issues; and witness the vigorous opposition in Greece to Community pressure to take decisions which are seen to impinge on territorial and border questions. But it is not just on sovereignty-related matters that national interests can be disruptive for the integration process: France's objections to the GATT deal and threat to resurrect the Luxembourg Compromise have, after all, been a mixture of the economic and the electoral, whilst Spain's strong stance on Delors II was concerned with budgetary distribution. So just as the sheer number and complexity of variables affecting the integration process makes theory and ambitious explanatory generalisation a dangerous and not very profitable exercise, so too do the varying circumstances and contexts in which variables operate create major obstacles.

The conclusion to our difficulties of seeking to explain Community developments should perhaps therefore be: by all means let us attempt to identify potential explanatory variables and the effects of circumstances on their potency, but let's not claim that we are likely to be able to offer theoretical explanations of the integration process which are embracing, let alone which have much practical predictive effect.

Future Prospects

The ever shifting composition and impact of determining variables naturally means that considerable caution is called for in looking to the future course of Community/Union integration. As things stand at present several possible scenarios would seem to be possible and these could doubtless be spun, in their many different forms, for some considerable time. Assuming, however, that the national dimension of Community affairs will continue to loom large, it seems reasonable to suggest that some combination of two possible scenarios is most probable.

The first scenario involves a continuation of the deepening process, but at a considerably slower pace than seemed likely at the time the Maastricht Treaty was signed, and a widening by 1995 or so to perhaps three or four EFTAs. This was certainly the preferred scenario of the participants of the Edinburgh Summit who were driven perhaps more than anything else by a desire to keep the Maastricht process going in some form, albeit at a more subdued level than had been envisaged twelve months earlier. It was largely in pursuance of this scenario that the Edinburgh Summit saw the resolution of several pressing problems which involved - as it so often does in the Community if progress is to be made - concessions on all sides.

The second scenario foresees the Union increasingly developing at different speeds. In this scenario all sorts of sub-scenarios are possible ranging from:

- A fairly straightforward two speed Union made up of fast and slow integration streams. In such a scenario EMU would be likely to be a key determining and driving force, leading perhaps to some sort of France/German/Benelux zone or a Greater Deutschmark zone.

to:

- A more complicated arrangement, or set of arrangements, in which the Union becomes ever more differentiated and in which states increasingly pick and choose which parts of the system they wish to be part of. Such differentiation is, of course, by no means new - the EMS and the Schengen Agreement have, for example, been developed on partial membership bases - but the Danish and UK opt-outs from the Treaty on European Union which were conceded at Maastricht, and the further concessions which were made to Denmark at Edinburgh, clearly take differentiation a significant step further.

It should be said that there is no evidence that any current EC Member State wishes for such a two speed or multi speed Union - not least because a smaller fast stream is likely to be German dominated - but there clearly is considerable irritation in some pro-integrationist quarters with the brakes which are being used by Denmark and the UK for sovereignty reasons, and which may be exercised by other countries in respect of EMU because of problems in meeting the convergence criteria.

However, and in conclusion, though we can sketch out possible scenarios almost *ad infinitum*, the post-Maastricht period has demonstrated in forceful and dramatic ways the necessity of being extremely hesitant and careful in regard to prediction. The buoyancy concerning the prospects for rapid integration which was widely held in the early post-Maastricht period is now looking to be at least partly misplaced. A series of events and circumstances have served to demonstrate the potential for the best laid plans to be knocked off course, and for what seem to be almost inevitable scenarios to be unfilled. They have also served to demonstrate - at a time, interestingly, when in theoretical terms versions of neo-functionalism are very much back on the agenda - the peril of underestimating the braking potential of the national dimension of Community integration.

References

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4. European Council, *op cit* (Lisbon), pp3-4.
5. The importance of such convergence is explained, amongst other places, in a very well known article by Andrew Moravcsik, 'Negotiating the Single European Act' in R.O. Keohane and S. Hoffmann (eds) *The New European Community*, Westview Press, 1991, pp41-84. The importance of convergence is also emphasised by David Cameron in his analysis of the internal market initiative 'The 1992 Initiative: Causes and Consequences' in A.M. Sbragia (ed) *Euro-Politics*, The Bookings Institution, 1992, pp23-74.