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EUROPEAN COMMUNITY

The Problems of the Southward Enlargement of the EC

by Konrad Neundörfer, Frankfurt*

The process of southward enlargement of the European Community is now well under way; Greece has been a full member since 1st January 1981 and intensive negotiations with Spain and Portugal are proceeding, although a successful conclusion is not yet in sight. Our article discusses the political and economic implications of enlargement for both the acceding countries and the existing community, concluding with a number of proposals regarding the course to be followed in future.

In the sixties the European Community of the six founder states was a motor of economic prosperity. In the seventies it felt sufficiently strong and consolidated to incorporate three further members, on that occasion Northern European countries. The inevitable initial disuniting effects of this expansion had been far from absorbed – they still have not been today – before the EC plunged into the adventure of southward enlargement. The associated debate on fruit, vegetables and olive oil, the reduction of customs duties and the introduction of value added tax, regional policies, integrated Mediterranean programmes and their financing is keeping the Councils of Ministers, the Commission and officials busy. However, it has not in any way caught the imagination of the man in the street or even aroused his serious-minded interest.

Things would be different if ordinary citizens could see the Community as an institution making an important contribution to the solution of existing problems. Unfortunately that is not the case, although it must be said that the very real positive impact of European economic co-operation is eclipsed in the public's mind by the recurrent reports of marathon sessions on farm prices, crisis conferences on currency issues or ostentatious summit meetings at various venues whose results are of a superficiality that simply cannot be concealed from interested contemporaries.

It has now become a truism that school work must be done at home, as the German Federal Chancellor Kohl put it. In other words, each member state must come to grips with the problems in their own country, set their own house in order. If all goes well the European Community can make a supporting contribution by keeping the Community's internal market open and expanding it further, by pursuing a rational and thus non-protectionist foreign trade policy, by beginning to co-ordinate national economic policies, by promoting regional and research policies and by persevering with the "common" agricultural market, which in spite of its many inconsistencies has proved the most reliable force for European unification so far.

Loss of Momentum

The European Community has lost all its momentum. The first steps towards a European industrial policy – whatever one unterstands by this term frequently used by the Commission – have failed, as the example of the steel sector shows. The freedom of movement of capital, an indispensable precondition for a truly common market, is still as distant as a harmonised tax policy. The common transport policy for which the Treaty of Rome provides has not materialised because of the inertia of the Council of Ministers, which reflects the lack of political will on the part of member states. National economic and financial policies have drifted even further apart in recent years, so that the Community's goal of convergence is more remote than ever.

Quite clearly, the state of the Community is none too good, not to say desolate. Anyone claiming that integration was marking time would be guilty of exaggeration. The centrifugal forces are gaining in

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strength. Solution of the horrendous economic and institutional problems requires a major political effort, particularly by leading personalities in the large Community countries.

It could be argued that European integration is not in such bad shape, as for the second time within a decade the Community is undergoing substantial enlargement, admitting a further three countries situated on the geographic periphery but each of which in its own particular way has its place at the heart of European political and intellectual history and hence belongs to the European cultural family. Indeed, there can be no disputing that Greece, Spain and Portugal are legitimate candidates for participation in European integration. Nevertheless, one must ask what the southward enlargement will mean for the Community as a whole, for the degree of integration and its prospects and for the acceding states themselves at the point in time and in the particular circumstances in which it is occurring. Could it mean quantity instead of or even at the expense of quality? Enlargement instead of intensification, perhaps even leading to a dilution of integration? This familiar question is constantly recurring in the European debate.

Experience with Greek Membership

The time that has elapsed since Greece acquired full membership on 1st January 1981 is too short for final conclusions to be drawn, but experience to date has been instructive and has been coloured in particular by the change of Government in Greece that has occurred since then. This brought the Panhellenic Socialist Movement (PASOK) to power under the leadership of Andreas Papandreou, a party that had warned against full Greek membership as being subjugation to the profit interests of Western European capital and a hindrance to economic development in accordance with the country's interests.

The new Government did not seriously challenge EC membership as such but the terms of accession. Since then the effects of the Government's economic policy and perhaps also of the country's over-hasty accession have set back the cause of integration, with the Greek Government not always respecting established Community rules of procedure. Without going into details, it can be observed that exports from the Nine to Greece now face more obstacles of various kinds than during the period of advanced association before the beginning of full membership.

Furthermore, expectations that rapid southward enlargement would ensure that the new member countries pursued a foreign policy in line with that of the Nine have not yet been fulfilled in the case of Greece. European political co-operation be blowed – the Greek Government would not dream of toeing the line worked out in Brussels with regard to, say, the communist states, the USA or the conflict in the Middle East.

Opposition to a Global Approach

Let us now turn to Spain and Portugal, the two candidates of the southward enlargement with which negotiations on accession are still in progress. Portugal applied for membership in March 1977, Spain in July of the same year. Negotiations opened with Portugal in October 1978 and with Spain in February 1979. Both applications must be seen against the background of the removal of long-standing authoritarian regimes in the two countries. The primary, though not the only motive for accession is the desire to strengthen the infant democracies against extreme right-wing and (in the case of Portugal) extreme left-wing tendencies.[1]

In the discussion of all three applications for membership there was initially a very strong globalisation tendency within the Community, in other words a desire to adopt a global approach to southward enlargement. However, this was strongly opposed by all three applicant countries, which drew attention to their different levels of economic development.

The desired revision of market regimes for Mediterranean products is proving to be a serious obstacle. France, Italy and Greece are demanding an increase in the income guarantees for producers of fruit and vegetables, wine and olive oil that should make the impact of Spanish and Portuguese accession more palatable. So far, the "Northern states" have resisted such arrangements.[2] The question of the development of underdeveloped Mediterranean areas, which are much expanded as a result of the southward enlargement, is also causing great difficulties. There can be no doubt that the accession of Greece, Spain and Portugal will give the Community's regional policy a new dimension, particularly in the financial sense. The Commission and the European Parliament have come out in favour of so-called integrated Mediterranean programmes, although it is still unclear how they would be financed.[3] Some member states, including

[1] See E. Rhein: Plädoyer für eine erweiterte Gemeinschaft, in: H. Hasenpflug, B. Kohler (eds.): Die Süd-Erweiterung der Europäischen Gemeinschaft. Wende oder Ende der Integration? Hamburg 1977, p. 53.

[2] Cf. for example: Vereinigte Wirtschaftsdienste (VWD-Europa), 11. 3. 1983, p. 13.

[3] See VWD-Europa of 24. 2. 1983, p. 1.

Germany, are still loath to acknowledge that southward enlargement is bound to have not inconsiderable financial consequences, namely the need for an increase in the Community's own resources.

Impatience and annoyance are now rising in the applicant countries that are still awaiting admission. In Spain, in particular, the discrepancy between the political rhetoric of EC Europeans and their actual behaviour at the negotiating table is causing many to wonder whether this Club of Ten is really as attractive as it first appeared. North of the Pyrenees too this is giving cause to weigh the pros and cons of southward enlargement again from the standpoint of both sides, if only to re-adjust the nuances of countries' own positions for the rest of the accession negotiations, to draw lessons for possible future applications for membership and to permit a better assessment of the problems enlargement will bring for the Community.

The traditional arguments advanced by advocates of a rapid southward enlargement will provide a framework for this examination and will be scrutinised point by point, though of course reservations voiced by one or other party will not be disregarded.[4]

Dilution of European Political Co-operation

The formal argument that Article 237 of the Treaty of Rome gives every European state the right to join the Community does not apply in this form. The article simply states that any European state *may apply* to become a member of the Community. The subsequent procedural provisions and in particular the requirement for all contracting parties to ratify accession show that there is no question of an unconditional right to membership. Even if Article 237 is read in conjunction with the call in the Preamble to the other peoples of Europe "who share their ideal to join in their efforts" it cannot be interpreted as obliging the Community and its member countries to admit every applicant state to full membership regardless of its level of economic development and the implications of accession in a particular phase of integration.

It has been argued repeatedly that southward enlargement of the Community was necessary to consolidate the infant democracies in the acceding countries and hence contributed to the political stabilisation of the Mediterranean region, which lay in the interests of all Western European countries. But will not the accession of states that differ from the European heartland in that they display the structures of semi-developed countries bring with it serious economic problems that will instead endanger the political stability of these states for the foreseeable future? Do not Greece's early experiences confirm this fear?

But what will give the Community's foreign policy the increased weight and greater freedom of action that many expect? Admittedly, twelve countries are more than nine and the enlarged Community represents 315 million inhabitants instead of 260 million, but co-operation in the foreign policy field is not part of the decision-making process laid down in the Treaty of Rome; it is conducted on a voluntary basis within the context of European Political Co-operation mentioned above. Apart from a declaration on the Middle East that seriously upset relations with the USA and an attempt to open a European-Arab dialogue, such co-operation has not achieved anything world-shattering so far, although its value for routine diplomatic activities should not be denied. On the other hand, the cohesion of the ten present EC member states in important international bodies such as the UN leaves much to be desired. The inclusion of Spain and Portugal will initially dilute this co-operation still further.

Widening of Regional Disparities

Let us now address the economic aspects of southward enlargement, beginning with the acceding countries themselves. Measured in relation to the status of the Community of Nine, these may all be described as developing countries. In 1975, on the eve of the first steps in southward enlargement, the average per capita GNP of the population in the Nine was US$ 5, 200. The corresponding figures for Spain, Greece and Portugal were $2,700, $2,360, and $1,610 respectively.[5] In all three countries the farm sector was and still is very important. The proportion of the occupied population engaged in agriculture is almost one-third in Greece, 19 % in Spain and 28 % in Portugal. The proportion employed in the services sector is therefore small in comparison with the Nine.

The structure of their industry is typical of countries in the relatively early stages of industrialisation. There are the more traditional, low-productivity industries consisting predominantly of small and partly artisanal plant alongside a series of large factories using the latest techniques, producing chiefly for export and partly in foreign ownership. The infrastructure of the acceding countries is also seriously underdeveloped, particularly

[4] With regard to the following passage see in particular B. May: Kosten und Nutzen der deutschen EG-Mitgliedschaft, Bonn 1982, pp. 256 ff.

[5] World Bank statistics.

in the fields of transport, energy supply and education. Apart from these common features, they naturally display a host of characteristics specific to each country which, together with the differing political pressures for swift progress very quickly made the idea of global negotiations on southward enlargement unworkable. It is not possible to go into detail here; let it merely be mentioned that Spain is alone among the acceding countries in having a large home market.

The admission of three countries that are underdeveloped by the standards of the Nine leads to a considerable widening of the regional development disparities.[6] The difference between the standard of living in Hamburg and in Southern Italy is 5:1, whereas the corresponding ratio between Hamburg and the North Portuguese city of Vila Real Braganza is 12:1.

Economic Impact on Acceding Countries

What impact will accession have on agriculture in the three acceding countries? Viewed purely in agro-economic terms the benefits outweigh the disadvantages. Their competitiveness vis-à-vis produce from Italy, France and the Netherlands will be improved, the higher EC farm prices will raise incomes and additional resources from the Agricultural Fund are available to improve the structure of agriculture.[7] On the other hand, it cannot be overlooked that the South European countries are in a phase of development typified by a decline in the still disproportionately large agricultural work force and the development of corresponding employment pressure in the industrial sector. This trend cannot be checked by the positive implications mentioned above. Instead, the question must be asked whether a predominantly income-oriented pricing policy such as that created in the Community of Nine to suit the conditions of highly industrialised states can truly resolve the agricultural policy problems of quite differently configured economies, where the first concern is the provision of industrial jobs. Over-hasty rationalisation will lead initially to an increase in unemployment.[8]

Hence everything depends on whether agricultural restructuring can be flanked by accession-induced growth in other sectors in the Southern European economies. This brings us to the question of the implications of enlargement for the industrial and trade policies of the acceding countries.

The market of the Community of Nine was already opened wide for goods from the South European countries under various agreements during the pre-accession phase. Hence "the main impact of accession has already been felt on the Community side", as the Commission appositely stated in its Communication of 15th November 1982 to the European Council. For that reason no-one expects southward enlargement to give a substantial boost to exports from the acceding countries.

The situation is quite different in the other direction. Spain and Greece, and to a lesser extent Portugal too, still have relatively high customs and tax barriers to protect important industries such as textiles, clothing, footwear, paper, metal products, electrical goods, transport equipment, and so on. The liberalisation that will accompany accession will bring these sectors under strong pressure, which will be further increased by growing competition from non-Community countries because of the EC's lower external customs duty and the preferential terms the Community has granted to various groups of developing countries. The protective measures taken by the Greek Government in conjunction with the recent devaluation of the drachma are a foretaste of the problems ahead, particularly for labour-intensive small and medium-sized producers in the acceding countries.

Unfortunately, the prospects of strengthening the commitment of firms in the Nine to invest in the acceding countries are not particularly good. Two investment motives were decisive in the past: first the desire to gain a foothold in markets that were protected by customs barriers and secondly the low level of wages. The basis for the first motive disappears upon accession and the second loses its effectiveness because of the development of wage costs, particularly in Greece in recent times.

Effects on the Existing Community

The first point to note in analysing the economic and policy effects of southward enlargement on the Community as a whole and on the Nine has already been mentioned, namely that removal of the remaining customs barriers in the acceding countries will improve the export opportunities of industries in the Nine. Nonetheless, the acceding countries' share of overall exports of industrial products from the Community is

[6] Cf. The Second Enlargement of the European Community, in: Office for Official Publications of the European Communities: European Documentation, Periodical 5/79, Luxembourg 1979, p. 10.

[7] Cf. H. Hasenpflug: Industrie- und agrarpolitische Probleme der Beitrittskandidaten – Ein Überblick, in: H. Hasenpflug, B. Kohler (eds.), op. cit., pp. 109-124, in this connection p. 115.

[8] In this regard see K. Eßer, et al.: Europäische Gemeinschaft und süd-europäische Beitrittsländer. Anforderungen an die Integrationsfähigkeit, Berlin 1978, p. 23.

small and even declined during the seventies. Hence the increase to be expected after accession and the dismantling of customs barriers will probably not be very large.

On the other hand, southward enlargement will cause serious difficulties for certain industries in the existing Community, industries that are already suffering from tremendous problems of structural adjustment. For example, Spain has considerable capacity in the ship-building, steel, car, footwear and textile industries.

The Textile Sector as an Example

The textile sector warrants closer attention as an example of a sector in which southward enlargement exacerbates or more clearly reveals existing problems for both sides, the Nine and the acceding states.[9]

Let us take the existing Community first. The EC is by far the largest import market for textiles in the world. Imports from the so-called low-cost countries still show an upward trend in spite of the Multi-Fibre Arrangement that was concluded to protect the industry's flank during structural adjustment and has been extended twice. The low-cost countries benefit first from what are called natural competitive advantages, such as wages and working conditions that would be unthinkable in the Community, and secondly from distortions of competition in the form of measures to promote production and exports and from the protection of their markets. These distortions of competition are also practised in the newly industrialised countries, which already have highly developed textile and clothing industries. The European textile industry is further handicapped by the near stagnation of demand.

By 1979 38 % of Europe's textile needs were imported from third countries, compared with 18 % in 1973. By now the share has probably risen to well over 40 %.

The textile and clothing industry employs 10 % of the labour force in the Community of Ten (including Greece). It is located mainly in structurally weak areas and a high proportion of its employees are women. Between 1973 and 1980 alone more than 700,000 jobs were lost in the industry.

In view of the serious adjustment problems a number of member states have begun to grant massive subsidies to their textile industry or parts of it, leading to considerable distortions of competition within the Common Market. Contrary to its own pronouncements, the EC Commission has not yet come to grips with this problem, although there are signs that in spite of political difficulties it is prepared to bring its textile support policy more closely into line with the rules of competition established by the Treaty of Rome.

The accession of Greece posed considerable additional adjustment problems for the textile industry of the Nine, although they have since eased owing to the worsening economic situation in Greece. We shall now investigate the impact that the forthcoming entry of Spain and Portugal into the Community will have on the textile sector.

Spain's textile exports to the Community of Ten accounted for 10 % of total Spanish exports of such goods in 1981. The industry generates 9 % of Spain's gross domestic product and provides 12 % of the jobs. It too is suffering serious structural problems, triggered partly by low-cost competition. The Government is trying to improve the competitiveness of the Spanish textile industry by granting massive subsidies in the form of aid and tax concessions. Opinions differ within the Community's textile industry as to the impact of Spanish accession. Some see growing opportunities for their own exports, while others fear increasing pressure from imports from Spain. Accordingly, longer transitional protection arrangements for the industry of both parties are being discussed in the negotiations on Spanish entry.

Within the Community of Twelve, Portugal will be the country for which the textile and clothing industry has the greatest overall economic importance. It is fairly typical of a developing country that in 1975 these two branches still accounted for 19 % of industrial value added, 29 % of industrial employment and 40 % of industrial exports. These percentages have declined in recent years, but the two branches still carry considerable weight within the Portuguese economy.

In 1979 the Community took 65 % of Portugal's exports of textiles and clothing; almost half of this went to the United Kingdom as a result of both countries' earlier membership of EFTA and the remainder was concentrated on France and Germany. During the negotiations on accession, agreement was reached on restricting Portuguese exports of certain products to the Community for several years after accession.

The manufacturing facilities in most of Portugal's textile and clothing industry are outdated. The rapid growth recorded in the past was due to exploitation of

[9] Cf. Commission of the European Communities (ed.): An Industrial Strategy for Europe. European File 10/81, Brussels, May 1981, p. 6. See also G. Ashoff, et al.: Industriepolitik Portugals und Krisenindustrien in der Europäischen Gemeinschaft – Fallstudie Textil und Bekleidung, Schriften des Deutschen Instituts für Entwicklungspolitik (DIE), Vol. 61, Berlin 1980.

the extremely low wage level in comparison with that in the Community. These advantages will decline in importance with the growing capital intensity of the textile industry proper. The Portuguese Government has provided a number of incentives to modernise the industry.

Increased Subsidies at National Level

The likely effects of southward enlargement on the textile and clothing sector apart from actual trade flows (Portugal undoubtedly still possesses a considerable potential for expansion in the finished goods field) are threefold:

☐ Pressure within the Community for protection against low-price imports will intensify, a fact that will probably carry weight in the discussion of follow-up provisions to the Third Multi-Fibre Arrangement.

☐ In view of the difficulties in individual member countries the trend towards the restriction of the free movement of goods within the Community will increase through the creation of obstacles to trade such as certificates of origin, particularly by application of Article 115.

☐ Forces within the Community urging sectoral subsidies at national level to solve the problems of specific branches will gain in strength. The result could be that textile industries in countries such as Germany that have not hitherto demanded sectoral aid to solve their problems will have to review their position. They will hardly allow themselves to be fobbed off with the argument that sectoral assistance is justified in an underdeveloped country such as Portugal. If a developing country is admitted to an economic community for any reason whatever, it must abide by the rules obtaining there. The industries of other countries cannot be expected to put up with state support for their competitors in addition to the natural competitive advantages of a developing country within the same common market. Even where the competitor is a third country this is not really acceptable, though tolerable so long as it is offset by some protection against imports, but it is not conceivable in the case of a fellow member of the same economic community.

The conclusion to be drawn is that southward enlargement will strengthen the trend towards sectoral subsidies at national level, and not only in the textile and clothing sector. Industrial rivalry within the Common Market pitting state paymasters against one another – what an unwelcome prospect!

[10] See: The Second Enlargement of the European Community, op. cit., p. 15.

Agricultural Policy Implications

Let us now turn to the agricultural policy implications of southward enlargement for the existing Community. The utilised agricultural area of the EC will increase by one-third, production by one-fifth and the number of people employed in agriculture by one-half. The Community's rate of self-sufficiency in Mediterranean products (wine, fruit and vegetables, olive oil) will increase considerably, in some cases to well over 100 %, while that in certain animal and vegetable products will decline. The concessions for these products of the temperate zones will be reduced in relative terms in favour of Mediterranean products under combined pressure from all the Mediterranean countries (including France and Italy).[10]

For the present, however, France and Italy want to protect their producers against competition from cheap imports from the new acceding countries by extending the system of target prices before the start of the actual negotiations with Spain and Portugal on accession to the agricultural market. At the same time, barriers against future imports from non-member countries are to be strengthened. However this tug-of-war ends, one thing is already certain: as a far reaching reform of the Community's system of market regulation is politically difficult to imagine in the foreseeable future, the EC will continue to operate under the existing system, i. e. the extension of the system to new products will raise its economic cost not inconsiderably. On the other hand, the system will become even more dubious if one considers that the proportion of the total population benefitting from the farm price policy will increase whereas the average per capita income of the enlarged Community will fall.

The Commission has already addressed the question of the impact of southward enlargement on the EC budget in its Communication to the European Council on the basis of the present Community of Ten with reference to the accession of Spain and Portugal. It estimates that in its present form the budget will have to be increased by between 15 and 20 %. The net transfer to the two new members will come to between 4 and 6 % of the budget of the enlarged Community. The Commission indicates that this will require an increase in the Community's receipts of value added tax (at present 1 % of the taxable base).

The Commission's estimate of the financial requirement may be correct on the assumption that the Community methods and instruments continue unchanged. However, it seems doubtful that this

minimum expenditure will be adequate to meet the challenges, tasks and dangers that may result from southward enlargement of the Community.

In attempting to make an overall assessment of the importance of southward enlargement for the Community as a whole one cannot but conclude that the character of the EC is changing considerably. The industrial countries of the Community are having great difficulty coping individually or jointly with the problems that led to the present economic crisis or derived from it. Only now that the balmy days are over must the Community really prove itself. There is general recognition that the crisis has laid a powder keg under the cohesion of the EC.

In this the most difficult phase in its history the Community is plunging into the adventure of southward enlargement, which is bringing fundamental changes in its character. It is now a heterogeneous alliance between highly industrialised economies on the one hand and developing countries with a predominance of agriculture and small industry on the other.

Strengthening of Interventionist Forces

From the point of view of economic order, southward enlargement of the Community means that those forces that lay greater store by dirigistic intervention than by the workings of the market will be strengthened. This derives partly from the situation of underdeveloped economies, in which reliance is not usually placed on the dynamism of the market and competition. Examples of successful development in accordance with the rules of the free market economy, such as Hong Kong, Taiwan and Singapore, are often overlooked. Secondly, a tendency to seek planned solutions can be predicted by virtue of the fact that two of the acceding countries (Spain and Greece) have socialist Governments that are not likely to be replaced in the foreseeable future. In Portugal, too, power has recently shifted towards the left.

In the last two decades German trade policy has always been based on the conviction that developing countries have a legitimate right to protect their infant industries and developing economies and that they should not therefore be judged by the yardstick of free trade. How does Germany now intend to act if three semi-industrialised countries are admitted to membership of the Community and demand a foreign trade policy in accordance with their interests, in other words a protectionist policy? Is it really believed that the problem will solve itself, in that accession will trigger a process of dynamic development in the Mediterranean countries that will enable them to forego protection against outside competition in addition to keener intra-Community competition, including that from the EFTA countries? Is there no recognition of the danger that the Community's scope for trade and development "generosity" towards developing countries that remain outside, whether in the southern rim of the Mediterranean or elsewhere, will be further constricted?

Problems Outweighing Benefits

Finally, there is a further area of Community policy that will become even more thorny than it already is, namely the harmonisation of legislation. Southward enlargement will make this more difficult, both quantitatively and qualitatively: quantitatively because the number of systems to be harmonised will be increased and qualitatively because the less developed countries will not have as strong a need of harmonisation as the industrial members of the Community.

Turn it how one will – southward enlargement is coming at the wrong time (during an economic crisis), too soon (from the point of view of the Community's institutional situation) and too quickly (from the viewpoint of the level of development of the acceding countries). The foreign policy makers did and still do want to give European integration a new, more voluminous cloak,richly embroidered with the glittering emblems of common European history and culture. On closer inspection, however, one cannot help noticing that the Community of Twelve now taking shape has too many bare patches for it to be considered adequately clothed. It reminds one of the tale of the Emperor's new clothes. Clearly and frankly: southward enlargement at the present time and at the pace dictated by the politicians is wrong. Over the medium term the acceding states will reap more problems than advantages from full membership. They would be better served by a preferential expansion of pre-entry association that concentrated on trade promotion and assistance with further development towards readiness for accession. The question must be asked how the acceding countries will benefit from full membership of a Community in which cohesion, efficiency and solidity are declining further, partly as a result of their very accession?

In the present situation it must surely be in the interests of the existing Community to set its own house on a solid foundation before greatly enlarging the structure. The fact that the Commission itself, the institutionalised locomotive of European integration, has repeatedly warned against hasty action should have given pause for thought. The Commission

deserves nothing but praise and respect for the pragmatic and expert way in which it has approached the subject. However, as the trek into southward enlargement has already been decided, it is now a question of making the best of the situation.

Proposals for Further Procedure

The concluding part of this article will discuss the course that the Community should follow in future, with regard to both the enlargement now under way and internal affairs of the Community. To this end a number of proposals will be set out, some of which may, at first sight, appear utopian in the light of political realities in Europe. But must we not transcend the bounds of what is immediately possible, at least in thought, if we are to have any possibility of relaunching the process of integration?

The European Parliament, which is approaching its second direct elections next year with apprehension, still has a slim chance of seizing the initiative and winning public support for a convincing concept, despite the dissipation of its energies hitherto. What elements should this concept contain?

To begin with, the continuing negotiations with Spain and Portugal should not be hurried. There is absolutely no reason why the mistake made in the case of Greece should be repeated. It is high time the European Parliament stopped cracking the deadlines whip and concentrated more on making constructive contributions towards solving tangible problems rather than producing the empty formulae that unfortunately recur time and again in some of its resolutions. It should also be possible to make clear to the negotiators from the acceding states that it is in their interests too if the serious problems that enlargement will bring are thoroughly discussed within the Community of Ten so that solutions can be reached at the negotiating table that are not only acceptable to both sides but also sound. In this regard the Community must make good the damage caused by the fact that unrealistic expectations were aroused by its over-ambitious foreign policy. Months ago the Commission spoke out in its customary cautious way for an unhurried procedure that nonetheless takes account of the sensibilities of the acceding countries.

Establishment of a Mediterranean Plan

Secondly, the treaties of accession now to be negotiated should set more realistic and hence longer transitional periods than in the case of Greece. This would favour primarily the acceding countries; the principle of reciprocity, in other words transitional periods in favour of the Community, should be applied only to the few instances in which accession will lead to serious problems of adjustment on the part of the Community.

In the financial sphere it is time to honour the bill that the statesmen and foreign policy makers of the Community have made out. They have encouraged the acceding states in their demand for early full membership and have lacked the courage and/or the understanding to point out the economic problems sufficiently clearly.

Now that the Community has admitted or is in the process of admitting three developing or semi-industrialised countries it is under an obligation to provide substantial resources for their economic development, however difficult this may be in the present economic and financial circumstances. Merely extending the existing Community financing instruments to the three new member countries is not enough, as they are not tailored to the needs of semi-industrialised countries. Let us not go into the question of the ability to finance such measures; that is the duty of the statesmen and politicians responsible for the rapid southward enlargement or their successors.

Members of the European Parliament have rightly called for the establishment of a Mediterranean plan,[11] an idea that has been taken up in outline proposals from the Commission. The term "Marshall plan" that is often heard should, however, be avoided for a variety of reasons. Nonetheless, the financial techniques of the Marshall plan could very well be adopted. It has therefore been suggested that a revolving fund be set up into which resources equal to 1 % of the GNP of the Community (at present about DM 50 billion) would be paid within six years.

Attitude towards Turkey

Leaving aside the more marginal cases of Malta and Cyprus, which are not an issue at present, the process of southward enlargement should end when Spain and Portugal become full members. As far as can be judged now, political considerations preclude the admittance of Yugoslavia this century. As for Turkey, the country's association with the Community was initiated with a view to subsequent integration, but the present leadership does not seem to be interested in membership. Moreover, it should be stated clearly once and for all that despite its geographic position Turkey is

[11] Cf. H. Langes: Soll die EG durch Spanien und Portugal erweitert werden? Ist dies wirtschaftlich und finanziell vertretbar? in: EG und Weltwirtschaft; Europäische Gegenwart No. 195/9, pp. 21-22.

not a European country – it does not belong to the European cultural family. Its political stability is uncertain for decades ahead, even if there should be yet another return to democratic government in the foreseeable future. The Community is already complicated enough by virtue of the diversity of the European character and cannot absorb oriental elements as well. Other ways and means must be found to keep Turkey in the Western alliance and to further strengthen the privileged relations it already enjoys in the economic sphere.

Reform of Important Policy Areas

Even if it meets the accession requirements set out above, the Community will be able to cope with southward enlargement only if it summons the courage to carry out a serious reform of important policy areas and of its institutions. Unfortunately this can be done only one step at a time in a painstaking and difficult process, however much the grand institutional plans of Spinelli and his institutional committee inspire the imagination and vision of convinced Europeans. It is unfortunate that the directly elected members of the European Parliament have been unable to generate the necessary climate for this in Europe during their first legislative period. However, this can hardly be held against them after all the omissions of the past. Let us begin, however, with two subject areas:

□ In the particularly delicate field of agricultural policy all proposals for reform have failed so far, however correct and inspiring they may have been. Nevertheless, here too a step-by-step policy can be pursued, which consists in having an increasing share of the cost of production surpluses borne by producers. In addition, the possible replacement of the price support system by direct income supplements, which would incur a lower economic cost, should be brought up for discussion at every opportunity.

□ A much improved co-ordination of the economic policies of member states is urgently required, not least under monetary aspects. Clearly, this task is more difficult still in an enlarged Community. For that reason a fresh start is needed. A *common* economic policy, in other words the realisation of economic and monetary union, will only be possible if the balance of political power tilts in favour of the Parliament at the expense of the Council. The time is not yet right for that.

As regards the industrial policy that the Commission has frequently tried to launch, the Commission has reached a false conclusion; even at the sectoral level no true industrial policy can be pursued except by the use of subsidies unless the Community has powers of its own over economic policy and the possibility of shaping economic conditions. Until then the Community can only lend its weight to supplement (or counteract) national policies, whether they concern research policy, future technologies, regional problems or strengthening small businesses.

Institutional Aspects

Now to the institutional aspects. Much has been said and written about the need to revert to the majority Council decisions for which the Treaty provides. Unless such progress is made, the Community of Twelve seems scarcely workable, unless majority decisions are replaced by a directorial system comprising the large member countries – which would mean the end of Community solidarity – or by a system of voluntary co-operation among Governments, which is largely the situation we have today and which does not work. An interim solution might be to make the Luxembourg veto a suspensory veto; once a matter had come before the Council two or three times and/or had been referred to the European Council without success, the voting majority laid down in the Treaty would apply.

It seems equally important to me that the composition of the so-called European Council should be modified. The Community is an economic and agricultural community. Its central aspects are agricultural policy, the customs union, the common market, the harmonisation of legislation, foreign trade policy, the Community's finances and in future, it is to be hoped, closer co-ordination of economic policy. The foreign ministers are the wrong people for most of these fields. The so-called European Council, which attends to all matters that do not fall within the jurisdiction of a specialist council of ministers, should in future sit alternately as the Council of Ministers of Economic and/or Financial Affairs and the Council of Ministers of Agriculture. For subjects that are really of a predominantly foreign policy nature the foreign ministers should sit as a specialist council of ministers in the same way as transport ministers are responsible for transport affairs. The European foreign policy itself, insofar as one can speak of such a policy, is in any case conducted outside the institutional framework of the Community by means of so-called European Political Co-operation. We should finally rid ourselves of the idea that European *economic* integration is foreign policy, the affair of diplomats. That view is itself an obstacle to integration.

The old idea of appointing Ministers for Europe who would have cabinet rank at home and participate in the weekly cabinet meetings but spend most of their time in

Brussels should be raised again for serious consideration. They could resolve matters of lesser importance that at present either burden Council meetings or are handled by the officials sitting on the Committee of Permanent Representatives, who are bound by their instructions and lack political authority.

Increased Weight of the Commission

In order to combat the centrifugal forces within the Community, which are increasing with or without the southward enlargement, there is an urgent need to increase the political weight of the Commission, which also entails further loosening the de facto national claims on its members. It would be an important step in this direction if the Commission were no longer appointed "by common accord of the Governments of the Member States" (see Article 11 of the Treaty Establishing a Single Council and a Single Commission of the European Communities) but were elected by the directly-elected Members of the European Parliament. This would require amendment of the Treaty, however.

For reasons of economy of work and efficiency the future Commission of the Community of Twelve should comprise no more than thirteen members. This could be achieved by providing that in electing the Commission (see section 11 above) the Parliament would have to agree on one representative for each nationality but would have a free hand in choosing the nationality of the President.

Another point, the tiresome language issue, should finally be tackled seriously in the context of southward enlargement, which will add three new Community languages. Without a doubt, it remains essential that the formal legal acts of the Community, some of which establish law directly, be printed in all the languages of the Community; to this extent there will have to be nine official languages in future. A distinction should be made, however, with regard to the working languages for the day-to-day business of the Community institutions and committees. This concerns meetings and working documents. In the interests of rationalising the work of the Community, the Germans, Italians and Spaniards in particular should swallow their pride and agree to the establishment of two working languages, French and English.

Court of Justice and Parliament

At a time of increasing divergence within the Community, which will probably increase further as a result of the southward enlargement, the European Court of Justice will play a particularly important role. If the Community is no longer founded on the rule of Community law, in other words if contractual obligations are no longer honoured, its de facto demise is in sight. In order to guarantee that the Community operates within the law, steps must be taken to ensure that the judgements of the European Court of Justice are respected and implemented. There have already been instances in which member states have not followed the ruling of the Court.

The only other major Community institution is the Parliament, which is certainly the most important body as far as political prospects are concerned, in spite of the lack of power, influence and competences bemoaned even by the directly elected Parliament of 1980. Perhaps a historical note is in order: almost every Parliament in European history has had to *fight* for its powers, be it during the transition from absolutism to constitutional monarchy or in the further development towards parliamentary democracy. This is not to advocate revolutionary demeanour on the part of Parliament, but greater well-directed aggressivity would not go amiss. It is not enough to wrangle with the Council and Commission on this or that issue. No true success is possible unless the public can be won over to support the role of the European Parliament. This has been the cause of its failure up to now, even after the direct elections. If European integration has a *political* future it lies in the hands of the Parliament. It has still not seized the opportunity to fulfil its role.

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