

INTEGRATION AND CO-OPERATION IN EUROPE

B R I G I D L A F F A N



UACES

Integration and co-operation in Europe

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Preface

The purpose of this book is to assess the extent and nature of integration and co-operation in Western Europe. When I began writing it in late 1989, I was immediately confronted with the changing realities of Europe, realities that forced Western Europe to look beyond its own narrow confines to the Continent as a whole. I have throughout the text used the term 'European Community', rather than the more legally exact term 'the European Communities'. The term 'European Community' is more accurate in describing the level of integration achieved among the twelve EC states. I also adopted the term 'European Economic Area' rather than 'European Economic Space' to denote EC-EFTA negotiations. Both sides in the negotiations now agree that the term 'area' is more appropriate to what they are trying to achieve.

I must thank many people for their assistance and encouragement while I wrote this book. A year spent as Newman Scholar in the Department of Politics, University College Dublin, enabled me to complete this work. My thanks to Senator Maurice Manning, who was responsible for the administration of the fellowships during this time, and to Professor John Whyte, who made me so welcome in his department. My thanks also to Peter Brew and Brian Howlett, of Irish Pensions Trust, who financed my fellowship and therefore gave me sufficient time to complete the book. My appreciation to many academic colleagues who read various drafts – Patrick Keatinge, Rory O'Donnell and Richard Sinnott – and to a number of officials in the Department of Foreign Affairs and the Prime Minister's Department in Dublin. Trevor Salmon, of St Andrews University, in Scotland, deserves a special mention, not only for reading the text but for stimulating my interest in this field as an undergraduate at the University of Limerick. My thanks also to the staff of the Commission

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Brigid Laffan
Dublin

Acronyms, abbreviations and glossary of terms

ACP African Caribbean Pacific: Sixty-eight Third World countries associated with the EC by the Lomé Conventions

Acquis communautaire a term used to describe the corpus of Community legislation and commitments among the member states arising from the Treaties and subsequent legislation. At the beginning of 1991, the *acquis communautaire* consisted of over 10,000 pages of text

Acquis politique a term used to describe agreements in European Political Co-operation

Dirigisme a term used to describe French economic policy

EBRD European Bank for Reconstruction and Development: founded in 1990 and aimed at assisting East European countries

BRITE Basic Research in Industrial Technologies in Europe: EC programme for advanced material technologies

CAP Common Agricultural Policy: price and structural support for agriculture in the EC

CCT Common Customs Tariff: tariff on goods entering the EC

CEN European Committee for standardization: standards body including EC and EFTA states

CENELEC European Committee for Electro-technical standardization: EC/EFTA standards body

COMECON Council for Mutual Economic Assistance

COMETT Community Action Programme for Education and Training for Technology: EC high technology co-operation

COREPER Committee of Permanent Representatives: member States' ambassadors to the EC

COST Committee on European Co-operation in the field of Scientific and Technical Research

CSCE Conference on Security and Co-operation in Europe: forum

established in 1975 for East-West dialogue. Now one of the main elements in the new European architecture

CSF Community Support Framework: statement of EC financial support for each lesser-developed area under the structural funds

DG Directorate General: name for departments within the Commission

EAGGF European Agricultural Guidance and Guarantee Fund: agricultural support fund

EC European Community

ECHR European Court of Human Rights

ECJ European Court of Justice

ECOFIN EC Economic and Finance Council

ECSC European Coal and Steel Community: founded in 1951 with six original members.

ECU European Currency Unit: basket of twelve EC currencies used in all matters relating to the EC budget

EDF European Development Fund: financial aid for ACP states

EEA European Economic Area: proposed treaty between EC and EFTA

EEC European Economic Community: one of the original three communities

EEIG European Economic Interest Grouping: legal framework for EC joint ventures

EES European Economic Space: original term for EC-EFTA negotiations

EFTA European Free Trade Association

EIAD Environmental Impact Assessment Directive

EIB European Investment Bank: independent EC bank

EMS European Monetary System: exchange – rate system in the EC

EMU Economic and Monetary Union

EPA Environmental Protection Agency

EP European Parliament

EPC European Political Co-operation: system of foreign policy co-operation started in 1970

ERASMUS European Community Action Scheme for the Mobility of University Students

ERM Exchange Rate Mechanism: instrument linking EMS currencies

ESF European Social Fund: community training and labour market fund

ESPRIT European Strategic Programme for Research and Development in Information Technology

ETUC European Trade Union Confederation: trade union umbrella group

EUI European University Institute

EUREKA European Research Co-ordination Agency: technological research community involving 18 countries

Eurofed putative European central bank

FAST Forecasting and Assessment in Science and Technology: EC programme

GATT General Agreement on Tariffs and Trade: international forum for trade negotiations

GEMU German Economic and Monetary Union

IEA International Energy Agency

IGC Intergovernmental Conference: formal conference to negotiate treaty change in the EC

IMF International Monetary Fund

IMP Integrated Mediterranean Programme: EC programmes for the Mediterranean regions

JESSI Joint-European Sub-Micron Silicon project: high technology research

JET Joint European Torus. Research on thermonuclear fusion

LINGUA Promotion of the Teaching and Learning of Foreign languages in the EC: EC educational programme

MAGHREB Algeria, Morocco, Tunisia

MASHREK Egypt, Lebanon, Jordan and Syria

MEP European Parliament Member

NATO North Atlantic Treaty Organization

NORDEN refers to the totality of Nordic institutions

OECD Organization for Economic Co-operation and Development: twenty-four industrialized states

PHARE Poland and Hungary Assistance for Economic Restructuring Programme; now covers all of Eastern/Central Europe

RACE Research and Development in Advanced Communications Technology in Europe: integration of telecommunications systems

SAD Single Administrative Document: EC customs document since 1978

SEA Single European Act

STABEX System of Stabilization of Export Earnings; Lomé Convention

SYSMIN System for safeguarding and developing mineral production:
Lomé Convention

TEMPUS Trans-European Mobility Programme for University
Studies: university exchange scheme for Eastern Europe

UN United Nations

UNICE Union of Industries of the EC

WEU Western European Union: Western European defence organi-
zation

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Introduction

The year 1989 will go down in the history of Europe as an *annus mirabilis*: the year when the post-war order came crashing down, bringing with it not only democratic freedoms for the peoples of Eastern Europe, but also great uncertainty about the nature of Europe's political and security structures in the 1990s. The profound changes in Eastern Europe came at a time when the core regional organization in Western Europe, the European Community (EC), was itself undergoing significant change. The EC is simultaneously attempting to complete its main policy objective of the 1980s – the achievement of a barrier-free internal market by 1992 – and to deepen the level of integration by setting off on the road towards economic, monetary and, perhaps, political union. At the same time the Community is faced with pressing demands from European non-member states for new forms of co-operation. The notion of a 'European Economic Area' is at the heart of discussions with the European Free Trade Association (EFTA). Mikhail Gorbachev's evocative suggestion of a 'common European home' and US Secretary of State James Baker's call for a 'new European architecture' testify to the fact that Europe is searching for a new pan-European system to manage inter-state relations for the continent as a whole. The EC is faced with the enormous challenge of deepening the level of integration, while at the same time coming to terms with the revolutionary changes in Eastern Europe and with the fact of German unification.

After World War II, Western Europe evolved as a distinct region in international politics, characterized by liberal democratic forms of government and market economies, tempered by a strong commitment to social welfare. The post-war divide led to the establishment of very different economic, political and social systems in the two

parts of Europe. In Western Europe, a plethora of formal regional institutions took root, leading to a profusion of political and economic ties across borders. Because the European Community emerged as the core regional organization, there is a tendency to regard the Community as synonymous with Western Europe and even with Europe as a whole. This view ignores the existence and role of organizations such as the European Free Trade Association, the Council of Europe, the Nordic Council and the Western European Union (WEU). In Eastern Europe, the Warsaw Pact and COMECON provided the formal multilateral context for inter-state relations until the collapse of communism. The UN Economic Commission for Europe and the process that evolved under the auspices of the Conference on Security and Co-operation in Europe (CSCE) provide an embryonic pan-European system. A large number of organizations with overlapping membership and scope mould inter-state relations in Western Europe.

Although the European Community and the other Western European organizations are the product of a specific set of recent geopolitical circumstances, the ideal of European unity through co-operation, rather than hegemony, actually predates World War II. Proposals from political leaders and intellectuals for a European 'diet' or 'senate' have a long tradition. However, such ideas were not the stuff of practical politics when national integration was the dominant political impulse. After the carnage of World War I, the Austrian Count Coudenhove-Kalergi set up the Pan-Europe Union in 1922; the following year, he published a book entitled *Pan-Europe*.¹ A formal proposal from the French government to establish a federal union in Europe was made to the League of Nations in May 1930. In the memorandum, Aristide Briand, the French Foreign Minister, advocated the establishment of a 'permanent regime of joint responsibility for the rational organization of Europe'.² His proposals fell on deaf ears. Hitler's rise to power in Germany meant that Europe had to fight one more fratricidal war before co-operative organizations were established at regional level.

CO-OPERATION AND INTEGRATION

The purpose of this book is to examine the extent and nature of integration and co-operation between states in Western Europe at the beginning of the 1990s. This is an opportune time to assess the transformation of Western Europe in the post-war era because

Western Europe is now forced to look beyond its own narrow confines to the continent as a whole. In these pages we shall be tracing the evolution of a myriad Western European organizations: the Council of Europe, the European Community, EFTA and the Nordic Council. Although some attention is paid to institutions, the focus of the book is on the web of relationships that bind the states of Western Europe together in different policy areas. Before embarking on this analysis, it is necessary to probe what is meant in the literature by integration and co-operation.

International co-operation and integration both involve states in collective action, but the latter can be distinguished from the former by the intensity of relations between the participating states and the manner in which those relations are organized and managed. Intergovernmental co-operation occurs within clearly defined limits and is controlled by the member states. In other words, organizations characterized by intergovernmental co-operation are not intended to impinge greatly on national sovereignty. Organizations designed to promote intergovernmental co-operation do not create a centre of power and authority independent of the participating states. By contrast, integration is, according to Haas, 'a process for the creation of political communities',³ or, according to Deutsch, a process of transforming 'previously separate units into components of a coherent system'.⁴ The study of regional integration is concerned

With explaining how and why states cease to be wholly sovereign, how and why they voluntarily mingle, merge, and mix with their neighbours so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflict between themselves. Regional co-operation, organization, systems and sub-systems may help describe steps on the way; but they should not be confused with the resulting condition.⁵

The notion of sovereignty in international law implies that a recognized state has jurisdiction over a particular people and territory and that within its jurisdiction, state authorities have control over the legitimate use of coercive power. When states engage in integration, they cede some part of their individual sovereignty in favour of its joint exercise with other states.

Wallace distinguishes between formal and informal integration. Formal integration is defined as 'deliberate actions by authoritative policy-makers to create and adjust rules, to establish common institutions and to work with and through those institutions', whereas

informal integration consists of those 'intense patterns of interaction' that follow the dynamics of markets, technology, communications networks and social exchange without the intervention of public authorities.⁶

From the outset, European integration has been the subject of much academic analysis, as scholars sought to explain the pattern of co-operation and predict the outcome of integration. The European Community, in particular, excites considerable scholarly interest because the ultimate aim of the member states is,⁷ according to the Preamble of the Single European Act of 1987, to 'transform relations as a whole among their States into a European Union'. Although the precise nature of this union has not been articulated, the goal itself provides the European Community with a strong ideological underpinning and is used by those who wish to widen the scope and deepen the level of integration to pressurize recalcitrant states into further collective action. The Council of Europe, the OECD, EFTA, the Nordic Council and the Western European Union receive far less scholarly attention. This is unfortunate because all these organizations contribute to the profusion of political, economic and social ties that bind together the states of Western Europe.

Formal economic integration assumed a central place on the post-war agenda in Western Europe. There was a widespread recognition that 'beggar thy neighbour' policies, or autarky, exacerbated the Depression of the 1930s. The US was committed to the creation of an integrated economy modelled on the large American home market; and sustained economic growth, achieved through increased openness in national economies, was essential to Western Europe's search for political and social stability. Economic integration in Western Europe has gone hand in hand with an acceleration of the states' role in economic management and the provision of welfare services. Integration among advanced mixed economies is intensely political because economic performance is a key factor in electoral competition between parties.⁸ Potential economic benefits arising from increased specialization, economies of scale, improved terms of trade and increased competition provide the economic rationale for integration.⁹ Once a regional economic grouping is established, market access, through either membership or association, becomes a major priority for all non-member states.

In 1968, John Pinder applied two concepts developed by Tinbergen to the study of economic integration: negative integration and positive integration. Negative integration consists of the removal

of barriers that hamper the free flow of goods, capital and labour, whereas positive integration involves the formation of common policies and laws. According to Pinder, negative integration is more easily achieved than positive integration. It is relatively easy to define discrimination and to legislate for its removal in a treaty, whereas it is difficult to make provision for a common policy which can take many different forms.¹⁰

Economists have identified different levels of economic integration, namely a free trade area, a customs union, a common market, economic and monetary union and total economic integration:

Free trade area Tariffs and quotas are eliminated on trade between the participating countries but maintained on trade with third countries.

Customs union Countries remove barriers to trade and adopt a common external tariff *vis-à-vis* third countries.

Common market involves the free movement of all factors of production – labour, capital and services – in addition to the free flow of goods.

Economic and monetary union A stage further than a common market, economic and monetary union implies the harmonization of some national economic policies and a single currency or irrevocably fixed exchange rates.

Total economic integration involves not just product and factor integration, but the integration of economic policies.¹¹

Free trade areas and customs unions are usually associated with negative integration or the removal of obstacles to the free movement of goods, capital and labour. Advanced stages of economic integration, even a common market, require considerable positive integration. Pinder argues that joint structures of government are needed for advanced stages of economic integration.¹² There is a complex interaction between political and economic considerations when states embark upon and intensify economic integration.

Political integration has many facets, but is usually taken to describe the emergence of a political community based on trust, loyalty and shared values.¹³ It is useful to distinguish between four different aspects of political integration.¹⁴

Institutional integration refers to the growth of collective decision-making among a group of states. Common institutions are necessary to develop and administer the rules and regulations required for economic integration. Decision-making must be governed by a set of