

# European Political Issues

## European Union Celebrates 50<sup>th</sup> Birthday: Which way is it facing?

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### Party in Berlin

The Treaty of Rome, which set up the European Economic Area, was signed on 25<sup>th</sup> March 1957 (though it came into effect on 1<sup>st</sup> January 1958). This founding event was celebrated at a party in Berlin on the 50<sup>th</sup> anniversary date. Party hostess was Angela Merkel, in her role as current holder of the EU's revolving presidency.

During those fifty years, the EEC has evolved into the European Union and has gone through a series of expansions. Each of these has in turn redirected the focus of policy in geopolitical terms.

### Valley of the Rhine

Five of the six founder members who signed in Rome were focused on the valley of the Rhine,

Table 1 | Member states with year of accession, population, GDP and currency

	Year of joining	Population 2006 (m)	PC/GDP in PPS*	Currency
Belgium	Founding member	10.5	118	euro
France	Founding member	60.9	108	euro
Germany	Founding member	82.5	110	euro
Italy	Founding member	58.8	101	euro
Luxembourg	Founding member	0.5	251	euro
Netherlands	Founding member	16.3	126	euro
Denmark	1973	5.4	122	Danish krone
Ireland	1973	4.2	139	euro
United Kingdom	1973	60.4	118	Pound sterling
Greece	1981	11.1	84	euro
Portugal	1986	10.6	72	euro
Spain	1986	43.8	98	euro
Austria	1995	8.3	123	euro
Finland	1995	5.3	111	euro
Sweden	1995	9.0	115	Swedish krona
Cyprus	2004	0.8	89	Cyprus pound
Czech Republic	2004	10.3	74	Czech koruna
Estonia	2004	1.3	60	Estonian kroon
Hungary	2004	10.1	63	forint
Latvia	2004	2.3	49	lats
Lithuania	2004	3.4	52	litas
Malta	2004	0.4	72	Maltese lira
Poland	2004	38.1	50	zloty
Slovakia	2004	5.4	57	Slovak koruna
Slovenia	2004	2.0	82	euro
Bulgaria	2007	7.7	34	lev
Romania	2007	21.6	34	leu

Sources: <http://epp.eurostat.ec.europa.eu> and [http://europa.eu/abc/european\\_countries/eu\\_members/index\\_en.htm](http://europa.eu/abc/european_countries/eu_members/index_en.htm)

Notes: \* 2005 (last actual figures available)

scene of the bloody wars that their agreement was to bring to an end. They did of course include Italy, a Mediterranean country and France has a Mediterranean coast. But policies developed had a 'northern' flavour, as critics of the Common Agricultural Policy pointed out.

## Atlantic and Mediterranean

The first enlargement in 1973 brought in Denmark, Ireland and the UK and pulled the focus even further towards the north-west. But the enlargements of the 1980s (Greece, Spain and Portugal) shone a much stronger light on the Mediterranean, and Italy and France were happy to rediscover their own roots in the area.

Regional solidarity became important in shaping EU policy when the Treaty of Maastricht (1992) established the basis for economic and monetary union (EMU) that was to lead to the launch of the euro. The 'Club Med' countries recruited Ireland as an 'honorary Mediterranean', raising their number to six out of the then 12 members. They promoted the economic argument that a currency union cannot work if the disparity in wealth between regions within it is too great. Four of the six (Greece, Ireland, Portugal and Spain) were the poorest member states and southern Italy was no better off. To counter this, EMU policy was developed by setting up the Cohesion Fund as part of the regional funding provided in the EU budget.

The Cohesion Fund was specifically intended to 'even-up' different parts of what was to become the euro area. It was a way of moving funds from richer member states to poorer ones. 'Club Med' countries were substantial beneficiaries. Ireland, particularly, enjoyed more than a decade of spectacular growth, to the point that it is now the second richest member state, measured in per capita GDP. (Only Luxembourg is richer – see Table 1 above.) The Spanish economy is also growing strongly, although it was slower to take off. Greece, Portugal and especially southern Italy have fared less well.

The other way in which the 'Club Med' countries influenced and developed EU policy was in

presenting the Mediterranean Sea as a unifier, not a separator, and looking across it to their southern neighbours, the countries of north Africa and the middle East. They used the opportunity of a series of rotating presidencies in the mid 1990s that were held by Mediterranean countries to develop the policy, culminating in the Barcelona Declaration of 1995. This binds the countries all around the Mediterranean, north and south, to work towards an area of peace, stability and democracy and to favour each other in trade terms.

The policy is promoted by making partnership agreements with individual countries and by working towards a Mediterranean free trade area, to be achieved by 2010. There are now partnership agreements with all the countries to the EU's south and east, from Morocco to Syria, with the exception of Libya. Once again, the EU budget funded by all the member states contributed resources to back the policy. A MEDA Fund was set up to give grants and the European Investment Bank (EIB) was active in making loans for development projects.

To some extent, creating EU funds to encourage development to the south of the Mediterranean may be compared to US spending of development funds in Mexico and other Latin American countries. In both cases, the large northern neighbour feels great pressure from immigration coming from the south. In the case of Europe, the population pressure is great and increasing. In 1985, the EU member states on the northern fringe of the Mediterranean had populations that all together were twice as large as those on the southern fringe.

By 2025, this situation will have reversed and there will be twice as many people on the southern fringe. (Populations of Spain and Italy are set to begin declining soon.) The examples of rusty boatloads of immigrants arriving in Lampedusa and emaciated raft passengers struggling ashore in the Canary Islands are the visible and dramatic examples of the pressures. When Spain offered an amnesty to illegal immigrants in 2005, half a million people declared themselves.

## First Steps in Central Europe

The 1995 enlargement brought in Finland, Sweden and Austria. Just as the previous move had embraced countries that looked across the Mediterranean, the Nordic members looked both north and east. The EU began to become aware of Russia as an immediate neighbour, an awareness that would heighten with the next enlargement nine years later. Again, this awareness developed into funding and a partnership agreement. TACIS was the fund established specifically to back development projects in Russia and in countries that were formerly in the USSR. The partnership agreement includes an annual EU-Russia partnership summit meeting. The next such meeting will be held on 18<sup>th</sup> May, bringing together President Vladimir Putin and Chancellor Angela Merkel in the Russian resort of Samara.

Further south, Austria's accession launched the process that would bring in all the country's neighbours to the east and south.

## Flotilla Enlargement

Ten countries all joined the EU on 1<sup>st</sup> May 2004. Six of them were in central Europe: Latvia, Lithuania, Poland, Czech Republic, Slovakia and Hungary. This was a substantial geo-political shift, particularly as concerns Germany. Until 1989, an electrified fence divided Germany and firmly marked the eastern frontier of the EU. Berlin was the wrong side of it and the German capital city was Bonn. Enlargement to the east puts Berlin close to the centre of the EU.

Funds again flowed to support the move as all the central European countries were relatively poor (see Table 1 above). To help them prepare for the shock of joining the EU single market, they had a special development fund – PHARE. Now as members, they are benefiting by the regional funding that is the second largest part of the EU budget. (Structural funds are potentially available to countries whose per capita GDP is below 75 percent of EU average and regional funding to regions in any member state where the figure is below 70 percent.)

Table 2 | EU Budget: The next six years

Heading	% 2007-2013	% 2005
Agriculture	42.8	42.7
Regional policy	35.4	36.4
Competitiveness	8.3	7.8
EU foreign policy	5.8	4.5
Justice and security	1.2	-
Administration	5.8	4.1
Other	0.7	4.1
% of GDP	1.045	1.004
EUR Total	114.730	106.000

*Source: Conclusions of the European Council*

The other three members of the flotilla were Slovenia, Cyprus and Malta, all southern and relatively prosperous. Their presence adds weight to the membership of the 'Club Med'.

## 2007: Moving further south and east

Bulgaria and Romania joined on 1<sup>st</sup> January 2007, bringing in two further populous but poor southern states. While they are well south, however they look across the Black Sea rather than the Mediterranean. Given that Croatia and Turkey are both in negotiation to join the EU, the south-east weight is likely to develop.

## European Neighbourhood Policy

As these successive enlargements have expanded the EU until it is close to being the whole of Europe, member states have become increasingly aware of their neighbours. At the time of the 2004 enlargement, they formally launched the European Neighbourhood Policy. This aims to reach out to and encourage good relations with "all immediate neighbours by land or sea" (with the exception of Russia, which has its own partnership agreement mentioned above.) 'Neighbours' include Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and Ukraine. Turkey is different in that it is pursuing

affairs with the EU in a pre-accession framework. Commissioner Benita Ferrero-Waldner (Austria) is charged with promoting external relations and the European Neighbourhood Policy. Once again, good intentions are supported by funding. It has been decided to amalgamate the regionally focused funds MEDA and TACIS into one European Neighbourhood Policy Instrument and to put in more money.

The EU budget is agreed in six-year blocks. Whereas in the period 2000 to 2006, MEDA and TACIS together attracted EUR9 billion, in the period 2007 to 2013 there will be EUR12 bn available - an increase of 32 percent.

### Looking all around and Sharing

After successive enlargements have pulled policy focus in different directions, the European Neighbourhood Policy is reaching out across all the Union's frontiers. And the new budget provides funds to back this approach (though not very generously). Throughout the enlargement process, since it joined in 1973, the UK government has consistently supported further enlargement.

The Union today may feel a bit 'south-easterly' to traditional Brits, but it's all part of being European!

### Portugal aims to turn Europe's Focus

This headline in the Financial Times of 15<sup>th</sup> May 2007 calls attention to the fact that Portugal takes over the six-monthly presidency of the EU on 1 July. Prime Minister José Sócrates hosted a meeting at the weekend that included Commission President José-Manuel Barroso, himself an ex Prime Minister of Portugal. Sócrates said: "My intention is to convince Europe we must turn our eyes a little bit more to the south." The outcome of this would be a 'Mediterranean Union' embracing both the EU member states on the north shore and the North African countries on the south shore. During his presidency, he will preside over an EU-African summit, the first for many years. He says: "We must have a broad political dialogue with Africa." It is notoriously difficult for a country to re-focus the EU in the course of just six months as president, but José Sócrates' initiative gains weight since Nicolas Sarkozy has announced very early in his French presidency that he supports the idea of a Mediterranean Union. France becomes EU president in the second half of 2008. Given that the chair will be occupied in the first half of that year by Slovenia (the first of the 2004 enlargement countries to take on the responsibility), once again we have a succession of three southern member states, as we had in the mid 1990s, and that combination launched the 'Barcelona process'. It will be interesting to see what this one achieves...