EUROPE AT A CROSSROAD

by

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What the outside spectator notices in Europe these days may leave him confused. This is not astonishing. Does he not see signs, receive signals, which appear to be contradictory.

On the one side he hears that the European Community has just accomplished a big step forward on the road of its economic integration : the coming into force of the Single Market on 1 January 1993. Finally, after more than 35 years of existence of the European Economic Community its central goal comes true: the establishment of one big market for 340 million consumers, in which the free and unimpeded movement of goods and services, capital and people is guaranteed. The Community will now be able to reap the full benefit of the economic integration process started in 1958. This Single Market will no doubt bring important improvements to the competitiveness of Europe's economy, to the welfare of its consumers and to the conditions for long term economic growth.

The observer of the European scene also noticed that a European Summit Meeting held in Edinburgh on 11-12 December last year has apparently given a boost to the Community's sense of purpose and direction. It paved the way for the entry into force of the Maastricht Treaty on European Union by the middle of this year

- by offering to Denmark a number of exemptions which should allow the government to ratify the Maastricht Treaty after an expected positive outcome of a second referendum now scheduled for end of April or May,

- by providing a stable basis for the Community's finances for the rest of the decade,

- by responding to public anxiety over questions on sovereignty, accountability and the perceived secretiveness of EC procedures by means of a reaffirmed commitment to greater public scrutiny and "subsidiarity", which should more than before govern the legislative process of the Community.

The Summit also issued a Declaration on Promoting Economic Recovery in Europe which proposes a range of measures to be pursued at national and Community level to help counter rising unemployment and falling growth rates. The measures are designed to encourage private-sector investment and shift the balance of public expenditure from current to capital projects. As part of its contribution, the EC will establish a 5 billion ECU lending facility within the European Investment Bank.

The observer also notices that the Community has engaged in the process of enlargement, contemplating in a first package the adhesion of the EFTA neutrals, Austria, Sweden and Finland, as well as Norway within the next years, followed possibly by a second "train" of Mediterranean and even Eastern European countries.

All this presents a picture of dynamism giving rise to optimism as to the future development of the European integration process.

On the other hand, the observer of the European scene notices that European economies are in a deep recessionist phase with economic forecasts for 1993 being revised downward periodically. He sees the overall unemployment rate reaching 9.6%, with in particular 3 million unemployed in Germany for the first time since the Second World War. He also notices the currency turmoil which drove Sterling and the Italian Lira out of the European Exchange Rate Mechanism and forced a devaluation of the Spanish Peseta and the Portuguese Escudo. The observer also notices the rejection by the people of Switzerland, on 6 December last year, of the "European Economic Area Agreement" which was intended to associate all seven EFTA countries with the EC Single Market from the date of its coming into force, i.e. 1 January this year.

And last, but not least, the development of a common foreign and security policy, which is the second main policy target of the Maastricht Treaty, also suffered a serious setback in 1992 as a result of the comprehensive inadequacy of the European Community's response to the war in the former Yugoslavia.

Now, how should we interpret these apparently contradictory pieces of a jigsaw puzzle ? In the short time available to me I can at best give you some hints which may help you to better understand, to be able to interpret, what is going on in Europe at present.

Up to now, European integration was a relatively straight forward process. It interested mainly government, trade and business. Only more recently the social dimension or environmental concerns were added. In a certain sense the Community has come to the end of the road which it has been travelling for the past 40 years. With the Single Market it has more or less fulfilled the objectives laid down by the original Six 35 years ago. The Community has now effectively exhausted those items on the integration agenda which are relatively innocuous in political terms.

The Maastricht Union Treaty sets an entirely new order of objectives which go well beyond the free movement of goods, services, capital and people inside the Community and a common trade policy versus the outside world. The next steps in the European integration process will become more "political" in the strict sense of the word. They therefore also will become increasingly difficult and stressful. The next phase inevitably includes issues more heavily loaded with nationalist connotations such as a single currency or a common defence and implies a degree of political integration which will probably meet more serious reservations on the part of national governments and national electorates.

If you take economic and monetary union - the first pillar of the Maastricht Treaty - it will have very tangible consequences for the ordinary citizen in the European Community: at the latest in 1999 they will no longer have £ Sterling, French Francs or German Marks in their wallets, but a uniform European currency which may be named the ECU. However, one single currency will not only mean that Member States can no longer have different and independent monetary policies, it will also imply, and this is perhaps even more important, that a single currency and a single monetary policy can only be functioning if and as long as economic policies of Member States move closer and closer, ideally merging into one single Community economic policy. Yet this is certainly not to occur as long as we have governments of different political affiliations in Community Member States. The question could therefore be asked whether economic and monetary integration will be at all feasible without a European Community government, or at least a European confederation responsible for the definition and implementation of a common economic and monetary policy.

Such a proposition would become even more difficult to imagine if the Community was to substantially increase in size taking in new members, first from the European Free Trade Association, then from the Mediterranean region and finally from Eastern Europe.

Similar, and even bigger problems are bound to come up in the context of the definition and implementation of a common foreign, security and defence policy of the Community.

Be that as it may, these few examples and references should sufficiently illustrate that the Community is now on the verge of a new important step, a real leap forward.

If the Community is to go further in the general direction charted by Maastricht it will almost certainly have to find new ways of doing so, and most likely re-think the traditional Community system. This need will be even more imperative if it takes in significant numbers of new Member States. With a Single Market, the European Community has reached the end of a particular stretch of road; today it stands at a crossroads of history.

"This is the text of an address given at the Summer Term Dinner in January 1993 of the School of Law, University of Technology, Sydney.