

NOTAS ECONÓMICAS

NÚMERO 1 / ABRIL '93 / PREÇO 1.500\$00 / ISSN 0872-4733

J. J. TEIXEIRA RIBEIRO A TRIBUTAÇÃO DOS VALORES MOBILIÁRIOS

MICHEL AGLIETTA FINANCIAL GLOBALIZATION

ALFREDO MARQUES INCENTIVOS REGIONAIS E COESÃO

A. J. MARQUES MENDES THE FUTURE ENLARGEMENT(S) OF THE EEC

JOÃO SOUSA ANDRADE A ECONOMIA PORTUGUESA E A UEM

PEDRO LOPES FERREIRA AN USE OF THE MULTIATTRIBUTE UTILITY THEORY

REVISTA DA FACULDADE DE ECONOMIA DA UNIVERSIDADE DE COIMBRA

The Future Enlargement(s) of the EEC. The Radical Option*



A. J. Marques Mendes Professor da Faculdade de Economia da Universidade de Coimbra.

resumo

Faz-se, neste artigo, uma avaliação dos cenários possíveis do alargamento da Comunidade Económica Europeia e defende-se a opção radical do máximo alargamento, realizado de uma só vez. Pergunta-se "quem são os europeus?", discute-se se há uma "massa crítica" de estados-membros e analisam-se os aspectos orçamentais da Comunidade para chegar à apreciação da estratégia de alargamento. Consideram-se, depois, os calendários da construção europeia entre 1957 e 1990 e os efeitos sobre os indicadores relevantes da integração e prolonga-se essa análise para os próximos 35 anos na perspectiva da inclusão de 44 países. Conclui-se, considerando que há razões para persuadir os líderes políticos a terem uma visão ampla sobre o desenvolvimento futuro da Europa.

resumé / abstract

Dans cet article, on fait une appréciation des scénarios possibles pour l'élargissement de la Communauté économique européenne, et l'on défend la position radicale de l'élargissement maximal d'un seul coup.

On se demande "qui sont les européens?", on discute s'il existe une "masse critique" d'Etats-membres, et on analyse les aspects budgétaires de la Communauté, pour en arriver à l'appréciation d'une stratégie d'élargissement. On considère ensuite le calendrier de la construction européenne entre 1957 et 1990, et les effets sur les indicateurs appropriés relatifs au niveau d'intégration. Cette analyse se projette dans l'avenir, en l'occurrence dans les 35 prochaines années et dans la perspective de l'intégration de 44 pays. On conclut par l'idée qu'il existe des raisons pour convaincre les hommes politiques qu'il faut avoir une vision élargie sur le futur développement de l'Europe.

The paper evaluates possible scenarios for an expanded EC and argues in favour of a once and for all enlargement.

Following the question on "who are the Europeans?", the author examines the question of the optimal size for the Community and analyzes Community's budget procedures to discuss the best strategy for the EC's enlargement.

Based on the different stages the EC has gone through since 1957 and on the economic effects of the European integration, the author extends this analysis to the next 35 years now in an Community of 44 countries. He concludes then that political leaders should be persuaded to regard future developments in Europe in a broader perspective.

*This paper was prepared as a personal reflection after having attended several meetings of an informal Group set up at the EC Commission (SG/F/2) to discuss the issues raised by enlargement(s). The author benefitted from discussions held during several meetings of the Group and from discussions at the Forward Studies Unit where we spend the fall of 1991 as a national expert. However, in no way I have attempted to reproduce other people's thoughts on this matter. Therefore, all the opinions and shortcomings here expressed do not commit any of the institutions mentioned above. A first draft of this paper was written in November 1991 using data for 1989. At a time when Yugoslavia and Czechoslovakia had not yet split apart. However, we decided to keep the initial estimates because any changes would not make a substantial difference to the views expressed here.



Introduction

The paper is divided in three parts similar to the headings of an identical number of chapters covered by a report prepared by a study group for the first reflection Seminar held by the EEC Commission on the question of enlargement. These were, 1) how wide a Europe?; 2) economic and budgetary aspects; and 3) a strategy for enlargement. However, we extend our analysis by highlighting the radical option of a *once and for all enlargement*. So, although two of the traditional sequential approaches for enlargement are also examined, we devote the essence of our paper to assess how to compatibilize the various visions of an enlarged Europe¹ with this more radical option.

Given that in November 1991 there was already pending five demands of membership to the EEC, (Turkey, Austria, Cyprus, Malta and Sweden) and a few more were foreseen to be made soon, the first question to be raised was:

1 - How wide a Europe?

We shall divide this question in two related issues, that is,

- a) *who are the Europeans?*, and,
- b) *is there a "masse critique" concerning the number of member-states?*

The definition of who can apply for membership is at present specified under the rules of Article 237 of the EEC Treaty. This only requires that the applicant must be an European state.

For this purpose Europe should only be defined in a strict geographical sense, that is, going from Lisbon/the Azores to Perm/ the Urals. Any other criteria of the various types that have been suggested (e.g. religious divides, common cultural heritages, and close economic and trade links), should be dismissed since, inevitably, they would lead towards ideological conflicts and non realistic definitions (e.g. a Christian Europe or an Europe from S. Francisco to Vladivostok). So, in a strict geographical sense, Europeans are here defined as all the citizens of an European state.

Even in this strict sense the Community could evolve from a membership of twelve member-states to more than 50 members, if the present wave of nationalism and the supranational deepening of European integration puts into question the existence of intermediary multi-nation states (even inside the present twelve member-states) and drives everyone into applying for membership. We present in Annex I a table identifying at least 34 new potential applicants (in the optimistic scenario of only one of the two — Yugoslavia and Russia — splitting apart), which would increase the EEC population to over 735 million people.

However, one could foresee the possibility of reinforcing² article 237, in order to reduce the number of applicant states, namely by extending the requirements to include a transitory period as full members to certain international organizations (e.g. CSCE, UN, GATT and Council of Europe), and a minimum period of existence as a democratic sovereign state. With a restricted new version of article 237 a maximum of up to 25 new potential applicants could still be foreseen, leaving out the Russian Federation, but, even so, still doubling the EC population to over 625 million people.

With such a maximum outlook it becomes of fundamental importance to assess whether enlargement could still be dealt with in the traditional way (even if softened), that is, keeping the "acquis communautaire" and negotiating with new applicants on an "answer them as they ask" basis or, on the contrary, will they bring in "a new critical mass" which will require a re-equation of the past Community approach to enlargement.

In our view the answer to this question must be based on some objective criteria. Reliance on what we may call practical difficulties must be avoided (e.g. with 50 states the EC would be uncontrollable, or how could you fit in 50 Commissioners, how to respect proportionality, etc.), since these problems are manageable if there is the necessary political will. Since economic integration is foremost about the merging of markets, a process that can not be done overnight, one such criteria could be the percentage of trade and production of the new members undergoing the

¹ We consider only those that view the enlargement of Europe as an opportunity to move further into European union and not those that foresee enlargement as an opportunity to slow down the impetus towards union. In this sense are taken as pro-unification the proposals underlying texts made by Mitterrand (1991); Delors (1991); Andriessen (1991); and Attali (1991).

² Or, otherwise, to interpret it in a restricted sense by stating that only those countries whose territory was entirely in Europe could apply for the time being. This would leave outside Turkey, Russia and several of the ex-Soviet Union Republics.

necessary transitory period after adhesion (which usually takes between five and fifteen years). If this share was excessive the transition process could jeopardize the normal development of the whole Community.

By comparing these values with those of the past enlargements we can say (see below diagrams in figures 1 and 2) that, at least in what we call the "step by step approach", there is no reason to expect a fundamental change in economic "critical mass" that in itself would call for a complete new approach. In fact, only a simultaneous enlargement to the Northern Mediterranean and the PECO's by the year 2007 would create a critical mass (18% of trade) similar to the one experienced with the first enlargement.

However, it can be argued that the transitional process is not only dependent on the size of new members, but rather on their number and on the expected economic and political benefits to be seized in the short and long-run.

2 - Economic and budgetary aspects

So, while, from the Theory of International Economic Integration, we know that, for both new and present member-states, there are potentially very large benefits stemming from an increased volume of exchanges and competition in the enlarged area, we also know that these can only be materialized under certain circumstances (see Marques Mendes, 1987). Two of such circumstances are that enlargement does not cause excessive current account imbalances among member-states (resulting from excessive import penetration) and large trade diversion away from non member countries (which may degenerate into retaliation and/or a worldwide surge in protectionism).

Although there is no unidirectional link between the level of development of new members and the easiness of the transition process (vide the UK and Denmark versus the Spanish and Portuguese experience which point to the opposite conclusion), it seems that it is much more important to make coincide the moment of enlargement with an upturn of the world economic cycle (vide the Portuguese and Greek experiences).

Also, it is equally important to generate strong positive expectations, namely by highlighting before the public opinion the potential general benefits (e.g. through a Chechinni type report).

However, even when general benefits are expected to be large, they tend to be overshadowed in public opinion and politicians mind by the larger benefits or costs for specific sectors and interests. Under the present EEC situation the consequences upon the Common Agricultural Policy (CAP) and the Economic and Social Cohesion Objective (usually referred to as the Structural Funds) are the ones to cause more concern. We deal next with them by attempting an answer to the main concerns raised.

Can the present (revised) CAP survive enlargement?

The immediate consequence of enlargement will be a two or threefold increase of farming land and a three or fourfold increase in the number of farmers to which the CAP should be applied. Regardless of the type of transitional arrangements made the fact is that in the long-run the present gap in productivity will level out. This means that production can rise so much that it would become unbearable to finance the present level of CAP support (CAP now still represents more than 50% of the EC budget), and, the number of farmers in both the new and existing member states would have to be substantially reduced.

So, basically, enlargement must be seen as a major force impelling the return of CAP towards a more free market approach. Nevertheless, one has to bear in mind that this is already the route to follow if an agreement is reached at the GATT level. *Enlargement would then be another positive force in the direction of a more radical reform of the (revised) CAP.*

However, in terms of balance of interests between countries we can foresee a significant change. The number of new pro-CAP³ member-states (exporters: Norway; Iceland; some of the former Yugoslav Republics; Turkey; Poland; Hungary; Bulgaria; Romania; Estonia; Latvia; Lithuania; Ukraine and Moldova — with a population of 225 million and an area of 2927 thousand square kms), would largely exceed the much smaller number of new CAP-opponents (importers: Sweden; Austria; Switzerland; Finland; Cyprus; Czechoslovakia; Byelorussia — with a population of 55 million and an area of 1257 thousand square kms). This more protectionist prone membership would therefore cause

³ We define as pro-CAP those countries which are net exporters of food and as opponents those that are net importers. However, given that some of the net importer countries still have higher levels of protection than the EEC it may happen that to face their own farmers' political power some of the net importers may become CAP supporters.





a serious budgetary problem, if existing members do not anticipate a much deeper reform of the CAP so that on the arrival of new members the EEC prices could already be close to world market levels.

Nevertheless, to avoid shock effects, and hence easing the transition, this should be done over a long period of time, to benefit from the possibility of increased intra-area trade in food, resulting from higher living standards in eastern Europe and from taking over some share of the US market in the former Soviet Union.

In conclusion, it seems that the *transitional problems could be manageable and should not be dramatically emphasized*.

Turning now to the question of the structural funds it is important to clearly answer the following question:

Would the economic cohesion objective degenerate into an unbearable burden on those countries financing the structural funds and/or jeopardize the level of transfers for the present recipient member-states?

The answer has to consider not only the present regulations of the Structural Funds (which certainly will have to be revised, even after the so-called second Delors package) but also the present level of net transfers and the new applicants own capacity to absorb those transfers.

A simple exercise to give a broad idea of the financing required is to relate net transfers to the level of imports (for recipient countries) and exports (for donor countries)⁴. Using data for 1989 (to be taken as a typical year) and a classification of countries based on size and level of development we estimated the annual transfers reported in Annex II.

It can be seen that under the radical option of enlargement for all (even with a part of Russia) *the necessary increase in annual net financial transfers would be of around 3.8 billion ECUs*⁵ at 1989 prices. This is, no doubt, a significant amount and it would require an effort on the part of the present donors (and future member states from EFTA) and/or even a small sacrifice for present recipient member-states. For example, if the cost was to be supported only by present and foreseeable (EFTA) donors, on an across the border basis, they would have to double their net donations.

However, although this means a huge increase, this must be looked at in relative terms as well. In fact, since transfers are now very low, even the main net contributor for the EEC budget (Germany) would still be paying less than 1.3% of her export earnings. If we match this to the potential increase in the volume of exports to be expected if the economic conditions in the former Communist states stabilize one has to realize that this burden could have a reasonable return for donor countries.

Furthermore, this level of financing could still be eased if some present EC net recipients of the structural funds (e.g. Italy and UK) could give up their net receipts, and, others accepted a small reduction of the present level of receipts. Besides, in the case of full membership, the present level of financial assistance to former communist countries under the PHARE, TACIS and Food Aid programs (over 800 million ECUs a year) could be included in the total transfers bringing the net annual requirements to around 3 billion a year. So, under these circumstances the required volume of transfers could be financed with an across the border reduction of 10% in net transfers to EC and EFTA recipient member-states and an increase of only 58% of net transfers from donor member states.

In our view this is quite a bearable burden for everybody, if the ideal of European Union and the concomitant solidarity are to have a real meaning.

We therefore conclude this section by saying that although there are real problems to be faced by specific interests or sectors of the existing member-states, these are not of a sufficient magnitude to offset all the potential general benefits that could arise from an European-wide enlargement.

On all accounts it seems that the burden of adjustment to be met by new non-EFTA members might be more serious and raises the question of sequencing the adhesion process, since these applicants are not in a condition to face a

⁴ This seems a better criteria than extrapolating from present level of transfers on a per capita basis. This would omit the real economic size of the country and its capacity to absorb, without all the transfers being offset by higher inflation and excessive import penetration. A calculation made on the "per capita basis" by Vignon (1991) for the PECO's and the Mediterranean countries leads to much more higher values than those mentioned here.

⁵ This value can be compared with the total amount of Official Aid provided by the USA, Japan and the 8 EEC members of the OECD/CAD, which was, respectively, 7.0; 8.1; and 20.3 billion ECUs in 1989 (Source: World Bank, 1991).

rapid adoption of existing and forthcoming EEC policies. This brings us to the fundamental question of defining a strategy for enlargement.

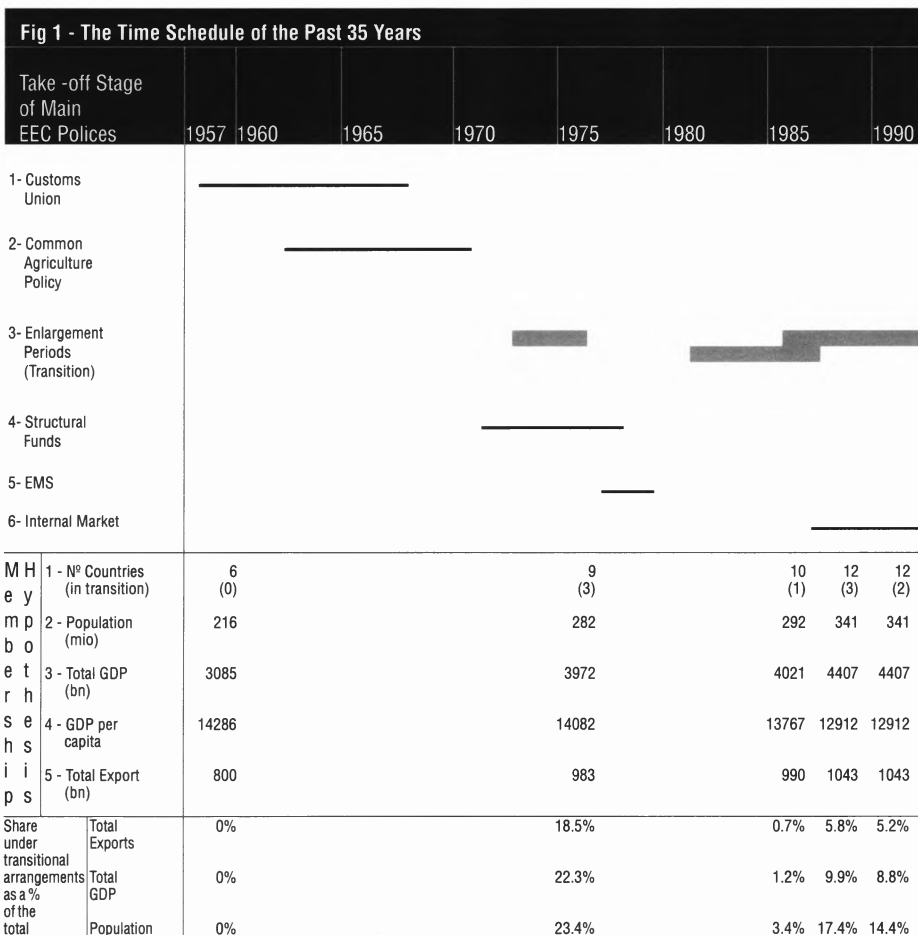


3 - A Strategy for Enlargement

In order to address this question it is important to bear in mind the past path of European integration, and the level of deepening already achieved and foreseeable (after Maastricht). If one looks at the time schedule of the past (see figure 1 below) we realize immediately that economic integration took a long time. This leads us to raise three interrelated questions, that is: a) *can the existing EEC member states afford going this slow?*; b) *is it possible to go faster?*; and c) *should there be a fast track for those able to use it?*

Indeed, we can find these questions underlying all the propositions that have been made recently concerning the possibility of future enlargements, without jeopardizing the present level of integration. Basically, the enlargement process can be resumed in the proposition of three basic strategies, as follow:

- 1 *the one by one approach* (or, deal with them as they apply).
- 2 *the step by step approach* (possibly with three or four rounds of enlargement)





3 *the once and for all radical approach* (that is, taking everyone in at some specific date in the near future, e.g. the turn of the century).

The first two approaches have the commendable objective of delaying membership for those applicants with more serious adjustment problems or those that might put into cause the existing economic and political balances. They both require the setting up of formal or informal membership prerequisites that go much beyond the present article 237. Among these requisites we should include conditions so that new members had to achieve full membership of the Custom Union and establish the free movement of capital in a very short transitory period, say over a maximum of five years. These two strategies for enlargement have the advantage of leaving to the potential new members some scope in deciding when they want to join, that is, when they feel fit to meet the requirements.

Fig 2 - One (imaginable) Time Schedule for the Next 35 Years

Take-off Stage of Main EEC Policies	1992	1995	2000	2005	2010	2015	2020	2025			
1- Internal Market	[Timeline bar from 1992 to 1995]										
2- European Economic Space (EFTA membership)	[Timeline bar from 1992 to 2000]										
3- EMU (Third Stage)	[Timeline bar from 1995 to 2005]										
4- Political Union I	[Timeline bar from 1992 to 2000]										
5- Political Union II	[Timeline bar from 2000 to 2025]										
6- Transition to Market Economy and Democracy	[Timeline bar from 1992 to 2005]										
7- Association Mediterran. (Mediterr. membership)	[Timeline bar from 1995 to 2010]										
8 - Association of 3 PECO's (3 PECO's membership)	[Timeline bar from 1992 to 2010]										
9 - Association other PECO's (Other PECO's membership)	[Timeline bar from 1995 to 2015]										
10 - Association of ex-USRR (membership of ex-USRR)	[Timeline bar from 1995 to 2020]										
11 - Associat. of ex - RUSSIA (membership ex - Russia?)	[Timeline bar from 2000 to 2025]										
M H e y	1 - Nº Countries (in Transition)	19 (7)	24 (5)	27 (8)	29 (10)	32 (13)	35 (16)	38 (11)	44 (17)	44 (15)	44 (9)
m p b o	2 - Population (mio)	374	454	518	550	558	625	627	735	735	735
e t r h	3 - Total GDP (bn)	5043	5177	5299	5391	5435	5735	5747	6324	6324	6324
s e h s	4 - GDP per capita	13485	11403	10224	9797	9737	9184	9167	8603	8603	8603
i i p s	5 - Total Export (bn)	1212	1237	1267	1291	1322	1480	1487	1659	1659	1659
Share under transitional arrangements as a % of the total	Total Exports	13.9%	2.0%	4.3%	6.2%	8.3%	18.1%	14.8%	23.7%	22.2%	10.8%
	Total GDP	12.6%	2.6%	4.8%	6.2%	7.2%	12.1%	7.8%	26.2%	14.8%	9.3%
	Population	8.7%	17.6%	27.8%	32.0%	33.0%	40.1%	17.3%	29.5%	25.1%	15.1%



The first strategy has the additional advantage of being a continuation of the past practices, allowing the possibility of present members favouring a fast path for some “more cherished” new candidates, and, would dispense the setting up of a general framework to be negotiated, to some extent, in a multilateral basis.

The second strategy has the advantage of being a more fair political deal, less discriminatory, and providing for a more organized sequence of parallel accession transitory periods (see figure 2 below for some of the possible rounds of enlargement).

However, these two strategies have three fundamental major drawbacks:

First, both would degenerate in overlapping transitional periods which would create an administrative nightmare of derogations and special measures. This could only be manageable if there was majority voting in all domains, which might not be politically acceptable in the near future by existing members.

Second, they would not meet the short-run economic and political aspirations of the people living in those countries left to a far date of membership. This would be particularly felt as a discrimination by the most recent democracies, which, desperately, need binding rules and expectations that secure their fragile democracies. In fact, promising them an European Political Space without any economic counterpart is not politically realistic, and, any kind of intermediate agreements — of the association/European type — are not seen as sufficient. They destroy any prospect for creating other alternative regional groupings in Europe, and, those outside the EEC, will not have a say in the construction of the future European Union (post-Maastricht). In fact, it could mean the missing of a unique historical opportunity of uniting the European people in the same “joint-voyage” to the future.

Third, and of foremost importance, both strategies can easily degenerate into an excessive lengthen of the horizon for future memberships. Existing member-states can attempt to secure and enlarge their perceived interests and role in the existing Community. The changing of existing balances of power and the attempts to group member-states around the larger nations⁶ could be a force undermining (or even disintegrating) the whole process of European union, leading some countries to opt-out.

For instance, it is quite evident that the presently less developed member-states have an interest in bringing in the EFTA countries and postponing as much as possible all the others, because the EFTA members would mean an increase in net transfers through the structural funds of around 17%, hence reinforcing the objective of economic cohesion.

On her turn Germany is also pressing for a fast track entrance to four of the PECO's (Hungary, Czech Republic, Slovakia and Poland) because they would allow the creation of an “informal Mittle Europa”⁷ which would almost become a majority power (it would have up to 36% of the population and a similar amount of votes). Furthermore, it had the advantage of easing from her shoulders the bilateral assistance that is now providing to those countries and their German minorities. In fact, the EFTA countries would bring in enough contributions to pay the implementation of the Structural Funds in those four Central and Eastern European countries (PECO's in the french acronym).

On the other hand France is more likely to favour bringing in Romania and attempt to build a so-called “Latin Pillar”, while Italy would look forward to bringing in Malta and some of the ex-Yugoslav republics.

Looked from an individual country perspective all these aspirations of existing member-states must be seen as reasonable. However, if each country starts pushing through their own interests there is likely to be confrontation, mistrust and disequilibrium. This is one of the fundamental reasons why we think that the apparent most difficult and wishful thinking strategy⁸, that is, — *the once and for all* — must not be dismissed at the outset and should be analyzed, at least theoretically, in more detail to asses its feasibility.

We conduct next the analysis of such strategy by reference to four of the proposals that have been presented recently (emanating, mostly from “French circles”), that is:

1 — *a Confederation of European States* (Mitterrand, in 1989) —proposed to cover the Community plus the other

⁶ This is particularly evident in relation to nations that in the past have attempted to build European empires (e.g. Germany and France) rather than in those with just colonial empires (e.g. Britain and Spain). However, even these, out of their need to look inward towards Europe, may try to promote groupings within the European Community.

⁷ Made-up of Germany, Austria, the Czech Republic, Slovakia and parts of Poland, Hungary and Switzerland.

⁸ This said, one should not forget the monstrous egoism of nations. However, to have a place in history, any statesman must be sufficiently ambitious to attempt making dreams become reality.



European states, including Russia, to work, on equal terms, for a common purpose, without compromising the future membership of the EEC for those wishing to do so. The "common purpose" could include the management of the present system of aid, which was seen as the root of a true Marshall Plan.

2 — *a domino process of concentric circles* (Delors, in 1990/1991) whereby there would be a simultaneous reinforcement of the existing Community into a fully fledged economic and political union, a reinforcement of other regional integration groups and the development of special links between the Community and those groups. The European Economic Space with EFTA would be a typical example. The Community would not claim any monopoly of Europe but it is seen as the core driving the whole process in a kind of game of patience.

3 — *an affiliated status* (Andriessen, in 1991) for those countries which are not in a condition to become full members in a short run. The basis would come from a successive signing of "European Agreements" embracing potential new applicants, which could evolve into a political dialogue. This kind of political cooperation could be dealt with in a multilateral framework.

4 — *a continent-wide common market* (Attali, 1991) for the whole of Europe. This would arrive from a speediest celebration of free trade treaties between the EEC and all the other European countries. The process could be led by the EC Commission and could be done once and for all through an immediate multilateral negotiation. After this, or from this first step, other processes of European Union could be foreseen, namely the idea of a Confederation referred to above.

In principle all these proposals could be also included in the other two sequential approaches. However, they would be short of meeting the short-run aspirations of the new applicants to become full members of the European movement towards union and would miss this unique opportunity to bring inside the same wagon all those wishing to contribute to this new continental Europe. So, the *once and for all approach*⁹ should be looked at as an alternative path to, simultaneously, take into account the aspirations and the preoccupations underlying the propositions referred to above. In our view the *once and for all approach* to be taken seriously as a practical proposal requires the following *five golden rules*:

1 — A commitment to start, in the short-run, on a multilateral basis, discussions to build the architecture of a future European Union. That is, discussions should envisage the creation of a Continent-wide Community by the end of the century, at the latest.

2 — The "Acquis Communautaire" already achieved (post Maastricht) by the present twelve members of the EEC should be accepted as the founding stone of the new road towards European Union.

3 — The heterogeneity of such a wide Community should imply the recognition that a multi-speed process and a variable geometry on the adoption of policies would have to be considered as acceptable, although as a transitional stage, and conditioned by the full acceptance of the final goal of European integration — as defined in a Union treaty.

4 — Member-states that, at the start, were covered only by lower levels of integration (e.g. free trade area) should commit formally to proceed towards deeper levels of integration, within a reasonable period of time. A process whereby some members with difficulties could, temporarily, suspend their membership to some levels of integration could also be foreseen.

5 — Member-states at lower levels of integration could not question the agreements between those, at higher levels, to proceed into forms of deeper integration. (e.g. members that were not participating in the European Monetary Union could not question the move towards a single currency).

To be more specific such approach could even emanate from the present (post Maastricht) treaty on European Union, in the following (indicative) way:

1 — The treaty on European Union would be transformed into an *umbrella treaty*, covering the minimum common denominator that all European states could sign up immediately, and would be comprised of three parts:

1 — The setting of the ultimate goal for European Union.

2 — The commitment of all member-states to sign fully the EEC treaty and its developments.

⁹ Note that this does not preclude the possibility of another round for those that do not wish to join from the start. However, the penalty would be that they would only have such an opportunity after a long period, during which the founders would set up all the contours of the future continent-wide union.

3 — A part specifying the policy areas and the treaties that were to become immediately under the Union umbrella. The list of common areas for full membership at the start could include the following¹⁰:

- a) The EURATOM treaty;
- b) The ECSC treaty;
- c) European Political Cooperation (of the Single Act type);
- d) Other Titles of the EEC treaty as referred below in point 3;
- e) Common External and Security Policies;
- f) Cooperation in the fields of Interior Affairs and Justice.

2 — The European Union treaty would have a legal status and an institutional structure based on the existing European Community institutions, which would be joined immediately by all the new member-states. However, their right to vote would be limited to those matters covered by the Union Treaty and those parts of the other integration treaties to which they have already adhered to. A rule of (qualified) majority voting should be adopted in all decisions taken under the general union treaty.

3 — For the purpose of point 1.2 above, the EEC treaty should be considered as divided in the following policies (which *new* member-states could sign-up separately):

- Title I and VI — Free Movement of Goods and Common Commercial Policy;
- Title II — Agriculture;
- Title III — Free Movement of Persons, Services, Capital and Freedom of Payments;
- Title VI — Economic and Monetary Union;
- Title XII — Energy;
- Title XIII- Trans-European Network;
- Other Titles.

4 — Since this “variable geometry” adhesion to the EEC treaty would have a budgetary impact for those policies which are likely to have large costs (namely agriculture), a mechanism should be found to set an acceptable sharing of the costs. Contrary to some suggestions (e.g. Spaventa et al, 1986) there would be no need to have separate budgets or to even act on the spending side of the budget. In fact, given the need to move towards a system of own resources that takes more into account the relative wealth (GNP), it is not difficult to devise a new resource based on the exports and production of agricultural products, which can provide a reasonable sharing of the CAP costs.

5 — The Union Treaty should define, through Declarations, the commitment to develop special relations with other European based organizations, in particular, with the Council of Europe, the Western European Union, and the CSCE.

These are some of the main points showing that a project for a continent-wide European Union it is not impossible and *that it can even be developed from the existing European Community*. Such a continent-wide union would bring together more than 650 million people¹¹ and over 34 member states¹², where the average per capita income would exceed 9200 ECUs at 1989 prices.

The general economic benefits to be expected from free trade and increased specialization and competition in such a large area are likely to be immense. So, these need to be highlighted when pondering the *real* risks of such a challenge.

In conclusion, one should have wide views on this matter when discussing future developments in Europe. Indeed,

¹⁰ This indicative list could be extended or reduced during the negotiations.

¹¹ Excluding those extending over Asia, Russia and Turkey.

¹² This seems an immense jump but it should be compared with the USA which comprises 246 million people in 51 States, and with India which congregates 832 million people but much more nations and languages.





there is scope for those that believe in the possibility of building peacefully a multi-nation state in Europe, within a reasonable time horizon, and those that give a stronger weight to enlargement in the deepening/widening debate to join efforts in exploring the feasibility of what we have called the radical option of a once and for all enlargement. The debate is now temporarily buried under the conventional wisdom of "let us first deal with the membership of EFTA member countries", but we believe that it will always re-surface in new or old forms. The EEC Commission, which has so far had a leading role in developing a community of twelve nations, should seek to go on at the forefront of such a new challenge.

References

- Andriessen, F. (1991), *L'Europe Centrale et Orientale et la Communauté*, interview au *Courrier du Personnel*, 532, Bruxelles, CCE.
- Attali, J. (1991), Interview, *Le Soir*, 9-11 novembre, Bruxelles.
- Commission of the EEC (1991), *A strategy for enlargement — Preliminary Report of the SG study group on enlargement*, mimeo, Brussels, 14th November.
- Delors, J. (1991), *The Vision of a New Europe, Reform of the Community: on the way to a European Union*, address to the Alpbach Forum, 27th August.
- Lesourne, J. (1991), *L'Europe dans le Monde, Discours prononcé le 29 novembre 1991 à la conférence organisée par Eurostat sur "Le capital Humain à l'aube du XXIe siècle"*.
- Mendes, A. J. Marques (1987), *Economic Integration and Growth in Europe*, London, Croom Helm.
- Mitterand, F. (1991), *Toujours Plus d'Europe*, interview à *l'Expansion*, 17 octobre.
- Nuti, M. (1991), *Prospects and problems of EC enlargement to Central Eastern Europe*, mimeo, DG II, CCE, Brussels, 22 October.
- Spaventa, L. et al. (1986), *The Future of Community Finance*, CEPS papers n°30.
- Vignon, J. (1991), *Evaluation indicative des transferts structurels de la CE en faveur des pays d'Europe centrale et orientale*, mimeo, Bruxelles, 23 juillet.
- Wallace, H. (1991), *The Europe that came in from the cold*, *International Affairs* 67:4.
- World Bank (1991), *World Development Report*, Washington.

Annex I						
Countries/Republics	N° States	Population	Farmers	GND/GDP	Area	Farming Land
		Million	% working population	Billion ECUs	1000 Sq.Kms	1000 ha/SAU
EFTA:						
Sweden		8.600	3.8	172.2	449.9	3497
Austria		7.700	8.1	114.9	83.9	3489
Switzerland		6.800	5.7	161.0	41.3	2021
Finland		5.000	9.8	104.9	337.1	2568
Norway		4.200	6.4	82.6	324.2	964
Iceland		0.300				
Liechtenstein		0.028				
Total Group I	7	32.628		635.6	1236.4	
Mediterranean:						
Malta		0.350		2.0	0.3	
Cyprus	2	0.700		4.4	9.3	
Albania		3.300		2.5	28.7	
Yugoslavia:	8	23.300		53.6	255.8	
Turkey		52.422	50.6	71.8	780.6	36330
Total Group II	5	80.072		134.4	1074.7	
PECOs:						
Poland		38.000	28.2	58.4	313.0	
Czechoslovakia	2	15.600	10.6	37.2	128.0	
Hungary		10.600	18.4	25.8	93.0	
Bulgaria		9.000	19.5	32.3	110.9	
Romania		23.000	28.5	59.8	237.5	
Total Group III	5	96.200		213.6	882.4	
Ex - USSR:						
Estonia		1.573	13.7	9.4	45.1	
Letonia		2.681	16.2	16.1	64.5	
Lituania		3.690	18.7	18.8	65.2	
Bielorussia		10.200	22.0	56.5	207.6	
Ukraine		51.704	20.6	225.9	603.7	
Moldavia		4.341	32.6	17.5	33.7	
Total Group IV	6	74.189		344.2	1019.8	
Ex - Russia						
Carelia		0.795		3.8	172.0	
Maris		0.739		3.5	23.0	
Mordovie		0.964		4.6	26.0	
Tatarie		3.568		16.8	68.0	
Oudmourtie		1.587		7.5	42.0	
Tchouvachie		1.330		6.3	18.0	
Komis		1.247		5.9	416.0	
Bachkirie		3.895		18.4	144.0	
65% RSFS (Russia)		96.562	25.0	522.7		
Total Group V	9	110.687		589.4	909.0	
Total of Countries	34	393.776		1917.2	5122.4	
EUR 12						
Belgium		9.947	2.8	139.0	30.5	1363
Denmark		5.135	6.0	95.1	43.1	
Germany		76.870	3.7	1079.9	357.6	11885
Greece		10.046	26.6	49.2	132.0	
Spain		38.924	13.0	345.2	504.8	
France		56.304	6.4	870.3	544.0	30710
Ireland		3.506	15.1	30.8	68.9	
Italy		57.576	9.3	786.5	301.3	
Luxembourg		0.378	3.4	6.5	2.6	127
Netherlands		14.892	4.7	203.2	41.2	
Portugal		10.336	18.9	41.1	92.1	
U.K.		57.409	2.2	760.3	244.1	
Total EUR 12	12	341.323	7.0	4407.0	2362.2	
EUR 12						
EUR 12	12	341.323		4407.0	2362.2	
EUR 12 + EFTA	19	373.951		5042.6	3598.6	
" + MEDIT	24	454.023		5177.0	4673.3	
" + PECO's	29	550.223		5390.6	5555.8	
" + Ex-USSR	35	624.412		5734.8	6575.6	
" + Ex -RUSSIA	44	735.099		6324.2		





Annex II					
Countries/Republics	Trade Balance in Food	Exports	Imports	Net Financial Transfers	
				Amounts	Criteria
	Mio ECU	Mio ECU	Mio ECU	Mio ECU	% Import or Export
FFTA:					
Sweden	-1731.1	46827.0	44527.0	-173	-0.37
Austria	-788.7	29451.0	35308.0	-109	-0.37
Switzerland	-1983.4	46754.0	52824.0	-173	-0.37
Finland	-682.0	21131.0	22326.0	45	0.20
Norway	400.7	24431.0	21313.0	-90	-0.37
Iceland	811.4			0	-0.05
Liechtenstein				0	-0.05
Total Group I		168594.0	176298.0	-501	
Mediterranean:					
Malta		926.7	1661.9	58	3.5
Cyprus	-85.1	868.6	2330.8	82	3.5
Albania		410.3	486.5	17	3.5
Yugoslavia:	8.4	12216.9	13459.5	155	1.15
Turkey	1437.3	10553.0	14306.0	29	0.20
Total Group II		24975.5	32244.7	340	
PECOs:					
Poland	294.6	11672.3	10256.4	118	1.15
Czechoslovakia	-665.7	13070.1	12924.9	149	1.15
Hungary	1179.4	4947.3	4711.7	165	3.50
Bulgaria	+	14540.5	13514.9	473	3.50
Romania	+	10292.7	7615.2	88	1.15
Total Group III		54522.9	49023.0	992	
Ex - USSR:					
Estonia	+	6955.8		243	3.50
Letonia	+	11262.6		394	3.50
Lituania	+	12537.3		439	3.50
Bielorussia	-	42977.1		494	1.15
Ukraine	+	103461.3		207	0.20
Moldavia	+	11467.0		401	3.50
Total Group IV		188661.2		2179	
Ex - Russia					
Carelia		2252.4		26	1.15
Maris		2093.7		24	1.15
Mordovie		2731.2		31	1.15
Tatarie		10108.7		116	1.15
Oudmourtie		4496.2		52	1.15
Tchouvachie		3768.1		43	1.15
Komis		3533.0		41	1.15
Bachkirie		11035.2		127	1.15
65% RSFS (Russia)		139027.1		278	0.20
Total Group V		179045.6		739	
Total of Countries		615799.3	257565.7	3749	
EUR 12					
Belgium	197.4	90851.0	93008.0	-236	-0.26
Denmark	3968.5	25942.0	24723.0	-96	-0.37
Germany	-9086.6	308682.0	244679.0	-1852	-0.60
Greece	-487.3	6883.0	14683.0	514	3.50
Spain	-60.2	42265.0	61599.0	708	1.15
France	7066.7	167994.0	182861.0	-437	-0.26
Ireland	2839.5	18753.0	15687.0	549	3.50
Italy	-9062.4	127799.0	138963.0	278	0.20
Luxembourg				0	-0.05
Netherlands	8201.4	105090.0	101550.0	-389	-0.37
Portugal	-893.5	11498.0	17145.0	600	3.50
U.K.	-7275.7	137532.0	178654.0	357	0.20
Total EUR 12		1043289.0	1073552.0	-3	
EUR 12					
EUR 12		1043289.0	1073552.0	-3	
EUR 12 + EFTA		1211883.0	1249850.0	-504	
" + MEDIT		1236858.5	12882094.7	-164	
" + PECOs		1291381.5	1331117.7	828	
" + Ex - USSR		1480042.7		3007	
" + Ex - RUSSIA		1659088.3		3745	

Annex III Membership Hypothesis

Membership to the EC	N° of members under transition	Population	GNP or GDP	GDP/GNP per capita	Total Exports	% Share under transition	
		Millions	Billion ECU	ECUs	Mio ECU	GNP	Exports
EUR6	0	216.0	3085.3	14286	800416.0	0.0%	0.0%
EUR9 (3)	3	282.0	3971.5	14082	982643.0	22.3%	18.5%
EUR10 (1)	1	292.0	4020.7	13767	989526.0	1.2%	0.7%
EUR12 (1+2)	3	341.3	4407.0	12912	1043289.0	9.9%	5.8%
EUR12 (2)	2	341.3	4407.0	12912	1043289.0	8.8%	5.2%
EUR19 (7)	7	374.0	5042.6	13485	1211883.0	12.6%	13.9%
EUR24 (5)	5	454.0	5177.0	11403	1236858.5	2.6%	2.0%
EUR25 (3+3)	6	491.6	5242.4	10663	1253921.0	3.8%	3.4%
EUR27 (5+3)	8	518.2	5298.5	10224	1266548.2	4.8%	4.3%
EUR29 (5+5)	10	550.2	5390.6	9797	1291381.5	6.5%	6.2%
EUR32 (5+5+3)	13	558.2	5435.0	9737	1322137.2	7.2%	8.3%
EUR35 (5+5+6)	16	624.4	5734.8	9184	1480042.7	12.1%	18.1%
EUR38 (2+6+3)	11	626.9	5746.6	9167	1487119.9	7.8%	14.8%
EUR44 (2+6+9)	17	735.1	6324.2	8603	1659088.3	16.2%	23.7%
EUR44 (6+9)	15	735.1	6324.2	8603	1659088.3	14.8%	22.2%
EUR44 (9)	9	735.1	6324.2	8603	1659088.3	9.3%	10.8%
EUR44 (32)	32	735.1	6324.2	8603	1659088.3	30.3%	37.1%

