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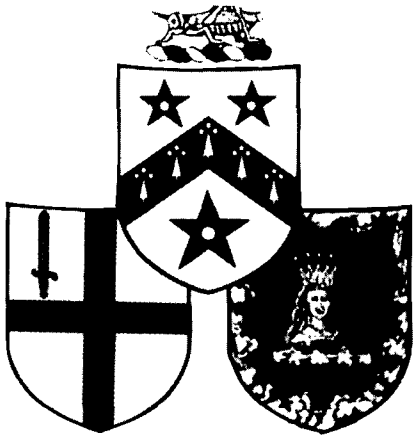

AFTER MAASTRICHT:

THE FUTURE EVOLUTION OF THE EUROPEAN COMMUNITY

A Lecture by

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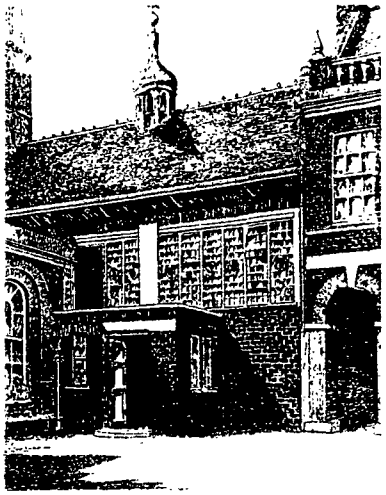
GRESHAM COLLEGE



A Little History

Gresham College was founded in 1597 and there has been since that time a continuous succession of Gresham Professors, with a brief interruption during World War II. The College is named after Sir Thomas Gresham, son of Sir Richard Gresham, Lord Mayor in 1537-1538, who originally conceived the idea of building an Exchange modelled on the Antwerp Bourse. Eventually this was brought to fruition by Sir Thomas, on land provided by the Corporation of London, and was given the royal appellation by Queen Elizabeth.

Sir Thomas was appointed Royal Agent in Antwerp by Edward VI, a position which he held throughout Mary's reign and the first nine years of Elizabeth's. He performed signal services for the monarch by raising loans while at the same time enriching himself.

His fine mansion in Bishopsgate was the first home of Gresham College. It was there that the professors gave their lectures until 1768, their salaries being met from rental income from the shops around the Royal Exchange which Sir Thomas had bequeathed jointly to the City Corporation and the Mercers' Company. This period saw the formation and early development at Gresham College of The Royal Society and also the tenure of chairs by a number of distinguished men, including Sir Christopher Wren.

In later years lectures were given in various places in the City until the construction of a new Gresham College, opened during 1842, in Gresham Street. Following World War II lectures were resumed in Gresham Street until 1965, when the centre of activity moved for a time to the City University. In 1984 a base was established in the Barbican.

From 1987 Gresham lectures and other activities were conducted in several locations, until in 1991 Gresham College became established at Barnard's Inn in Holborn, an old Inn of Chancery, subsequently part of Mercers' School and described by Dickens in *Great Expectations*.

To the seven ancient professorships, in Divinity, Music, Astronomy, Geometry, Rhetoric, Law and Physic, was added in 1985 the chair of Commerce, funds for which are provided by the Mercers' School Memorial Trust.

The College is governed by a Council and has the Lord Mayor of London as its President. Gresham, a prominent citizen and Mercer, left his estate and control of his benefaction to the City Corporation and the Mercers' Company, which operate through The Joint Grand Gresham Committee.

Under a new dispensation in 1980 the Council has been seeking ways of broadening the scope of activities of the College, which accordingly is now engaged in a number of projects in addition to the Gresham lectures.

On 13 November 1991, I gave a Gresham lecture entitled "Towards a New Constitution for Europe", in which I attempted to review the most important features of the negotiations then proceeding on the two draft treaties - on Economic and Monetary Union and on Political Union - which were to be presented for adoption at the Maastricht summit meeting on 9 and 10 December last. I tried to set the negotiating difficulties in the context of the dramatic changes in the external conditioning factors that have faced, and will continue to face, the future evolution of the Community. I do not wish to go over this ground again this evening; for those interested copies of the earlier lecture are available. Tonight I would like to consider, within the time constraints, some aspects of the outcome of the Maastricht meeting and to set that outcome in the context of (i) the Community's position in the final stages of the GATT multilateral trade negotiations - the Uruguay Round, (ii) developments with respect to the establishment of the European Economic Area (EEA), following upon the initialling of the proposed EEC/EFTA Treaty on 22 October last, and (iii) the pressures for the enlargement of the Community in the near future.

To turn firstly to *the outcome of the two Inter-Governmental Conferences at Maastricht.* The Conference on Economic and Monetary Union had to consider the changes to the constitutive Community Treaties that were necessary to create an institutional framework within which *a single monetary policy* could be created with *a single unit of currency* and under the management of a single body. As I stressed in the earlier lecture, EMU was not seen as an end in itself but as a natural extension to the directions taken in the Single European Act of 1986. It was to be founded on the internal market with the principle of subsidiarity invoked in order to secure close co-ordination of the economic policies of the Member States in pursuance of common Community economic objectives. It was to be complementary to the progress toward political union since it would provide the internal agenda which would underpin the external agenda negotiated in the other Conference which was considering the treaty on Political Union.

This complementarity is highly visible in the fundamental changes that have been made to the "objectives" provisions of the 1957 EEC Treaty. The name "European Community" replaces that of "European Economic

Community". The "activities" of the Member States and of the Community are now to include:

(i) the irrevocable fixing of exchange rates, leading to the introduction of a single currency, the ECU;

(ii) the definition and conduct of a single monetary and exchange rate policy designed primarily to secure price stability; and

(iii) the support for the economic policies of the Community in accordance with the principles of an open market economy with free competition.

Under the Maastricht agreement all Member States are to regard their national economic policies as a matter of common concern, to be co-ordinated and monitored by the Council of Ministers which will issue recommendations on conduct and guide-lines, by qualified majority.

Title II of the present EEC Treaty will be completely redrafted and entitled "Economic and Monetary Union" instead of, as now, "Economic Policy". A European System of Central Banks (ESCB) and a European Central Bank (ECB) will be established to define and implement the monetary policy of the Community - in the second stage with the primary objective of maintaining price stability. The ESCB and the ECB are to be independent of both Community institutions and the national authorities of the Member States; the former will consist of the ECB (or "Eurofed") and the national central banks of the Member States. The ESCB will conduct foreign exchange operations, promote the smooth operation of payment systems, monitor the supervision of Community credit institutions, and hold and manage the official foreign reserves of the Member States. The Treaty sets out a number of general guide-lines for the national fiscal policies of the Member States, with a requirement that the latter shall report actual and planned deficits, and debt levels, to the Commission - which will then make recommendations for action to be taken by the Council. There is an important Protocol on excessive deficit procedures to be applied whenever a Member State reports a value of 3% or more for the ratio of the planned or actual government deficit to gross domestic product at market prices. Action here (involving

various penalties, including fines) pay be taken by the Council acting on a recommendation from the Commission by a majority of two-thirds of the weighted votes of the Member States, excluding the votes of the Member State concerned.

Stage I of the Community's movement toward EMU began on 1 July, 1990, with the coming into effect of two Council Decisions on the progressive convergence of economic policies and performance and on increased co-operation between the central banks of the Member States. The second stage of this movement will begin in January, 1944, and it is then that the excess deficit procedures will commence. At that time a European Monetary Institute (EMI) will be established, which will co-operate with the Commission in reporting to the Council on the performance of Member States with respect to the *convergence criteria* necessary for the entry into the final stages of EMU. These criteria, which are the subject of an important Protocol to the Treaty, include sustainable price performance, average rates of inflation, the budgetary position of governments (excessive deficits) and the convergence of long-term interest rates. It is on the success of this process of convergence that entry to Stage III will be evaluated. The Council, by qualified majority, is to decide by no later than 31 December, 1996, whether the conditions for entry into Stage III have been met. If, by the end of 1997, the date for the beginning of Stage III has *not* been set, the third stage will begin on 1 January, 1999. Another Protocol to the Treaty declares "... the irreversible character of the Community's movement to the third stage... and) (that)... all Member States shall, whether they fulfil the necessary conditions for the adoption of a single currency or not, respect the will of the Community to enter swiftly into the third stage of Economic and Monetary Union, and therefore no Member State shall prevent the entering into the third stage"

It is at the beginning of the third stage that the ESCB and the ECB will commence upon their tasks - and the EMI will go into liquidation. The Council will then by unanimity without a derogation (from any Member State which has not by then met the convergence criteria) adopt the irrevocable conversion rates for the national currencies of the Member States. The ECU will then be substituted for those currencies and the ECU will become the sole currency of the Community.

As you will know, much of the public debate over EMU during at least the final stages of the negotiations leading to the Maastricht summit centred upon a "two-speed" movement arising from the United Kingdom's opposition to a commitment to accept a single currency. Let me now read to you the text of the Protocol which deals with this - the so-called "opt-out" clause:-

"The United Kingdom shall not be obliged or committed to move to the third stage of economic and monetary union without a separate decision to do so by its government and Parliament.

The United Kingdom shall notify the Council whether it intends to move to the third stage of economic and monetary union before the Council makes its assessment under Art. 109 F... [i.e. by 31 December, 1996, or later unless the United Kingdom notifies the Council that it intends to move to the third stage, it shall be under no obligation to do so. The United Kingdom shall not be included among the majority of Member States which fulfil the necessary conditions to move to EMU. The United Kingdom shall have the right to more to the third stage provided only that it satisfies the necessary conditions"

It should be added that a similar Protocol is attached to the Treaty in respect of Denmark, where a referendum on an amendment to the constitution may be required if that country were to decide to move to the third stage.

The "opt-out" provisions here should not be regarded as a success for Britain and a disaster for Europe. The overall irreversible time-table is a success for the integrationists although the applicability of the convergence criteria within that timetable must be highly questionable - both for certain of the existing Member States and for some of the countries which are seeking and will obtain, membership of the Community before the third stage of EMU.

The treaty on political union agreed at Maastricht refers to "The Union" rather than the "European Community". The heated, but scarcely illuminating, debate over the [f]ederal word ended with this compromise language in the preamble:

"By this Treaty, the High Contracting Parties establish among themselves a European Union.

This Treaty marks a new stage in the process creating an *ever closer Union among the peoples of Europe,* where decisions are taken as closely as possible to the citizens.

The Union shall be founded on the European Communities, supplemented by the policies and co-operation established by this Treaty".

Five specific objectives are adverbrated; (i) the promotion of balanced and sustainable economic and social progress, (ii) the implementation of a common foreign and security policy "which shall include the eventual framing of a common defense policy", (iii) the introduction of a status of Union citizenship to be held concurrently with the nationality of a Member State (the rights of such citizenship will be defined by the Council, acting unanimously, before the end of 1994), (iv) the development of close co-operation in home affairs and in the judicial field, and (v) the maintenance in full and the consolidation of the "acquis communautaire". In the areas (now, of course, revised to take into account the new provisions in both the EMU and Political Union treaties) where the Community does not have exclusive competence then the Community shall take action in accordance with the principles of *subsidiarity* - this is defined in Art. 3(b) for the first time in these words:

"...the Community shall take action... only if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community. Any action by the Community shall not go beyond what is necessary to achieve the objectives of the Treaty".

At the core of the treaty on political union in the attempt to create a single institutional structure flexible enough (i) to take account of the state of public opinion on the Future of European integration, which varies considerably between the Member States, (ii) to avoid a

premature definition of the final shape of European union at this stage but to permit continuing progress toward a federal-type organisation, and (iii) to allow for further institutional change to accommodate the future enlargement of the Community. There is to be, as I indicated in the lecture on 1#3 November, a fundamental transformation of the balance presently in effect between the Council , the Commission and the European Parliament. The new Arts. 155 and 189(a) and (b) are crucial/ The consultation procedure of the Single European Act is to be replaced by a co-decision making procedure involving the Parliament and the Council. Aside from this the Parliament is given new powers to amend or to veto certain acts of the Council, new powers to scrutinise Community finances and to inquire into alleged contraventions or maladministration in the implementation of Community law -except where a matter is *sub judice* The Parliament will appoint an ombudsman for this purpose who will be accessible to Union citizens - as will the Parliament itself to petitions from citizens.

The Commission will be reduced to a membership of twelve with its President appointed by governments by common accord after consultation of the Parliament. As before the entire Commission is subject to a vote of confidence from the Parliament but from 1 January, 1995, its term of office will be extended from four to five years. A new Community agency, the Committee of the Regions (not technically an institution), will be established with nominated representatives from regional and local authorities in the Member States; this will have an important role to play under the new Treaty provisions on regional development and "economic and social cohesion" - under a separate Protocol a "Cohesion Fund" will be set up by the end of 1993 to support environmental and infrastructural projects in Member States with a per capita GNP of less than 90% of the Community average.

The provisions in the political union treaty on a Community foreign and security policy, on which I had some very critical comments to make in November last, are interesting both for what they do and they do not articulate. The objectives of this policy follow the basic principles of the UN charter but are to be achieved by "systematic co-operation" between Member States and by "gradually implementing" joint action programmes. When the Council defines a "common position" on an issue Member States must ensure that their national policies conform to it. If

the Council decides - by unanimity - that joint action is necessary then such a decision is binding upon Member States. It is noteworthy here that Member States are urged not to vote against a Council resolution in this area where a qualified majority already exists. It is the Council that will represent the Union in the field of the common foreign and security policy - and therefore in international organisations and conferences - and the Council will be provided from time to time with guide-lines furnished by the Heads of State or Government meeting in the European Council summits.

The role of the Commission here, as I endeavoured to point out in November last, is a non-exclusive right of initiative (on, for example, policy inconsistencies) and the duty of ensuring harmony and compatibility between the common external economic policy and the common foreign and security policy. The Parliament will be kept regularly informed on the development of the letter and has the right to be consulted on "the main aspects and the basic choices" of the foreign and security policy. A separate declaration attached to the political union treaty gives a non = exhaustive list of the subject areas of possible joint action under the new procedures: these include industrial and technological co-operation in the field of armaments, the control of the export of arms and the transfer of military technology, non-proliferation issues, negotiations on arms reductions - especially in the context of the Conference on Security and Co-operation in Europe (CSCE), UN peacekeeping forces involvement, humanitarian intervention measures, relations with the territories of the former Soviet Union, and transatlantic relations.

Of especial significance, both for the immediate future and in the longer-term, are the provisions in the treaty which envisage the development of the Western European Union (WEU) as the defence component of the Political Union and as an essential support for the European arm of the North Atlantic Treaty Organisation (NATO). Assuming compatibility between the decisions of WEU and NATO then the obligations of Member States under the letter will not conflict with their obligations under the common foreign and security policy of the Union. My overall impressions on reading this section of the political union treaty are of a very substantial softening (or weakening) of some of the earlier decision-making or procedural proposals. The route of

co-operation and consultation that has finally been chosen will, in my view, make it easier for the Member States of the Community to move toward the framing of an integrated defence policy. WEU, in its present form, dates from 1955 when four Protocols modifying the original Brussels Treaty of 1950 came into force. WEU has been considering its future role (indeed its revivification) and its institutional reform since 1984. It its role is now essentially to be a "defence bridge" between NATO and the Community then the composition of WEU - as well as the restructuring of its relationships with NATO and the Secretariat of the Community's Council of Ministers, becomes of urgent significance. So does the implementation of the objectives of the North Atlantic Co-operation Council which is building a bridge between the former Warsaw Pact countries and the NATO Member States and which has been setting its agenda at Brussels this week.

I referred earlier, when discussing the EMU Treaty, to the Protocol giving the United Kingdom an opportunity to "opt-out" of movement to the third stage of monetary union. The second part of the " "two-tier" Europe" debate that dominated the final stages of the negotiations before Maastricht is reflected in the compromise language of the *separate Protocol on social policy* that is annexed to the political union treaty. Here the eleven Member States of the Community - apart from the United Kingdom - agreed to "... have recourse to the institutions, mechanisms and procedures... "of the Community for the purpose of formulating and implementing policy in areas such as the promotion of employment, improved living and working conditions, information and consultation of workers, equality of the sexes in employment and the integration of persons presently excluded from labour markets. The United Kingdom government refused to accept an extension of the limited social policy provisions in the constitutive EEC Treaty (as amended) into new areas of employment legislation foreshadowed in the principles and provisions of the Social Charter. The result of the negotiations is that the unreformed existing provisions on social policy go into the political union treaty but the eleven Member States undertake in a separate international agreement to create new laws which will not be Community-wide but which they are obliged to translate into their respective national legislation.

We have here both a political and a legal minefield. The two British Commissioners and the 81 British Euro-MPs will not participate in making these new laws. British companies which operate i the eleven Member States will be subject to the new national legislative enactments as they come into force. Existing Regulations and Directives in the area of employment law must be implemented within the United Kingdom, for they are part of the "acquis communautaire"; as they are progressively modified, amended and updated under the Protocol (which gives the eleven Member States full access to the European Court of Justice) they could be challenged by the United Kingdom as going beyond the original purposes of the social policy provisions of the constitutive treaty, as amended. Or the United Kingdom could be so challenged, under the competition rules of the Single Market, for maintaining labour legislation which gives it unfair advantages. Many social policy issues remain covered by the unanimity rule - social security, individual dismissal, collective redundancies and trade union rights are examples - and here the United Kingdom will remain fully involved at all institutional levels. It is to be hoped that those issues where qualified majority voting is possible under the Protocol health and safety at work are examples - will continued to be introduced in the Council of Ministers under unanimity and only if the United Kingdom uses its veto will the eleven take advantage of the provisions of the Protocol where unanimity - of the eleven - is generally required.

You will perhaps understand it if I say that I do not consider this social policy Protocol to represent a great diplomatic triumph. It will produce substantial difficulties in interpretation and implementation. It needs to be read in the context of the many other social and economic provisions of the political union treaty (where the twelve *are* obligated to each other) which deal with educational and vocational policies, regional development, public health, energy, the competitiveness of industry, and co-operation in asylum and immigration policies for non-Community nationals. If the United Kingdom, assuming a change of government, were to implement the Social Charter of 1989, then, unless that action were taken immediately, there would be a body of social and employment legislation which it had taken no part in shaping. If the United Kingdom continues to object to the principles of the Social Charter there will, in my view, be a growing resentment between the

eleven at their being forced to follow a procedure on social policy dictated by another Member State which is outside that procedure.

The Uruguay Round negotiations, which had been suspended on 7 December, 1990, primarily - but not exclusively - because of an impasse between the Community and the United States over agreement on a common negotiating approach for agriculture, were set in motion again, with a new work programme, at the end of April, 1991. A new issue - specific group negotiating structure was announced on 7 April, and, at a meeting of the Trade Negotiations Committee (TNC) held on 7 November, 1991, it was decided that all seven of the revised negotiating groups should conduct continuous and simultaneous negotiations to establish sectoral agreements which would enable the presentation to Ministers of a complete revision of the draft Final Act of the Round that had been submitted to the Ministerial Meeting held in Brussels almost a year earlier on 3 December, 1990.

The plan was to table the revised draft Final Act on 20 December, 1991, and to present it to a meeting to be held on 13 January, 1992, which would decide whether or not a balanced, substantial and generally acceptable package of results had been put together. By the end of last year it was clear that the four basic elements of an eventual global package were clearly identifiable. They were:

(i) greatly improved *market access* to manufactured products, tropical products, natural resource - based products, textiles and clothing, and, especially, agriculture;

(ii) the improvement of *rule-making*, including (a) the establishment of multilateral rules and discipline in areas of increasing trade importance, such as intellectual property and trade in services, (b) the strengthening of existing rules and disciplines in the GATT system - especially in respect of anti-dumping, subsidies and countervailing measures, and safeguards, and (c) the strengthening of the disputes settlement system;

(iii) the bringing of *agriculture, textiles and clothing* - into a more specific and binding framework of international commitments;

and (iv) the provision of *proper institutional support* in order to secure the proper implementation of the outcome of the Round negotiations.

It should be noted that the *Multi fibre Arrangement* (MFA) has been extended from 1 August, 1991, until 31 December, 1992, with the expectation that the results of the Round negotiations would take effect thereafter.

Negotiations on agriculture, at the political and economic heart of the delay in concluding the Round, were bedeviled in 1991 by the necessity for the Community to complete its internal debate on the next phase of the reform of the Common Agricultural Policy (CAP). The argument has been largely about *internal support* (e.g. which policies are to be exempt from reduction commitments), *market access* (e.g. the methods to convert non-tariff measures (NTMS) to tariff measures - and the need for a safeguards "safety net") and *export competition* (e.g. the reduction of export subsidies per unit on quantities exported and the overall reduction of budget outlays for export subsidiaries).

At the meeting on 13 January, 1992, the 108 countries taking part in the Uruguay Round negotiations agreed to accept conditionally a draft package of sectoral agreements (amounting to some 450 pages of text) covering all of the areas under negotiation. Delegations were committed to reducing overall tariffs, including those on agriculture, by one-third, and to submit proposed item-by-item tariff schedules, within that objective, by 1 March, 1992. After a final balancing of concessions, a definitive schedule would be available by 31 March - which becomes therefore a new deadline for the completion of the Round negotiations.

However, it is generally recognised that the failure of any major country or group (the Community negotiates as a single entity) to include farm products on its proposed tariff schedule would make it impossible to complete the negotiations in time. At the meeting on 13 January the Community said that substantial improvements would have to be made in the draft provisions on agricultural support; to date it has been very slow in proposals for amendments to the draft. This has led to increasing irritation on the part of US critics and to a refusal on the part of certain other delegations (notably including Japan) to continue negotiations in

this sector. You will have seen the comments attributed to Vice-President Quayle during his visit to Europe in the second week of February last - when the state of trade relationships was, apparently, linked to the state of the transatlantic security alliance. You may, perhaps, not have noticed the emergence of at least a strong possibility that a commitment on the part of the United States to enter into a new North American Free Trade Agreement (NAFTA), which would include Mexico, may figure prominently in the forthcoming US Presidential election campaign. A completed treaty on this may be initialled in the near future. For the Uruguay Round it is essential that the Easter, 1992, deadline be not lost. The most recent pronouncement of Mr. Andriessen, Vice-President of the Commission, is ominous - "There are no chances of a negotiated deal without the Community; but even lesser chances of a deal negotiated against the Community". As Mr. Dunkel's "deadline" date of 15 April approaches the Community has still not complied with the GATT's requirement that revised proposals on agriculture should have been tabled by 1 March. The present "Dunkel" draft text provides for a 36% reduction in export subsidies by the end of the decade as well as a 24% reduction in the volume of subsidized exports. It mandates the conversion of all agricultural barriers to tariffs and it places severe limits on internal support payments to farmers. It is this last issue which the Community cannot accept and perhaps the last hope for a settlement here would be a compromise to allow transitional support without continuing large-scale production of already overstocked Community agricultural goods. The price of failure would be very high, for in the uruguay Round negotiations we have seen a real prospect of a new international trade organization, the Multilateral Trade Organization (MTO), coming into being to underpin GATT. This would have a full interantional legal status, alongside the World Bank and the International Monetary Fund, and would provide an umbrella for the current GATT and for the new councils to be established for the services and intellectual property sectors - as well as administering a much stronger and mmore efficient disputes settlement system. There is an inevitable and irrevocable link between the proposed new Title in the political union treaty on the common external economic policy of the Community and the movement towards the establishment of stronger and wider-ranging mechanisms to secure the progressive liberalisation of world trade.

The European Economic Area

The concluding stages of the Uruguay Round and the Maastricht negotiations took place during a period when the strengthening of economic regionalism in Europe was being accelerated by the failure of the command economies in Eastern Europe and the implosion of the apparently monolithic economic of the Soviet Union. The restructuring of the economies of the former Soviet client states is at a very uncertain early stage. However, the most significant regional development in 1991 was undoubtedly the initialling, on 22 October last, of the EC/EFTA Treaty establishing the European Economic Area (EEA). The formal negotiations to this end had begun in June, 1990, and the Treaty has to be ratified by all of the nineteen national parliaments (those of the twelve Member States of the Community and of the seven Member States of the European Free Trade Association - Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland) before it can come into force on 1 January, 1993, simultaneously with the opening of the Community's single internal market.

Unfortunately, immediately after the initialling of the EEA Treaty (which I examined in outline in the lecture given on 13 November last) judges of the European Court of Justice in Luxembourg expressed the view that certain elements of the Treaty - and in particular those dealing with the jurisdiction of the proposed new EEA Court of Justice - were incompatible with the requirements of Community law. The new Court would be comprised of five judges from the European Court of Justice in Luxembourg (the Community Court) and three judges from the EFTA countries. Their responsibility would be to interpret and settle questions of EEA law and EEA issues (which the Treaty does not define) with the Community Court in Luxembourg retaining its position as the supreme interpreter of Community law. Under the Treaty the EFTA countries will assume initially a massive body of Community secondary legislation (some 12,000 pages are scheduled) which, of course, will grow exponentially in the future. The European Court of Justice in Luxembourg, however, felt that there was a real danger that the EEA Court might effectively preempt its rulings on Community law, itself the source of EEA law. The Community Court also complained that EEA court rulings would have more effect in EFTA countries than in Community Member States and that, whilst the M.S. national courts

would be obliged to give effect to rulings given by the Community Court under the reference procedure of Art.177 EEC, the courts in the EFTA countries would not be under such an obligation. These complaints have been amongst the most dramatic of the many criticisms of the EEA's Treaty uneven appearance - on which I commented on 13 November.

However, the EEA Treaty has been widely welcomed as an important step on the way to a full membership and a complete integration of the EFTA countries into the Community. It no longer appears, as it did in 1984 when discussions on the concept of what was then called the "European Economic Space" began, a comfortable "half-way house". Austria and Sweden have already applied for Community membership, with 1995 as a target date. Finland will probably make such an application in 1992. Switzerland has indicated that its participation in the EEA is conditioned on this being seen as a step to full membership of the Community; here the ratification process will involve referenda in the various Cantons as well as the constitutional procedure at the Federal level. A report on the issue of membership of the Community is under consideration by the Norwegian Parliament.

Whilst the EEA may no longer be seen as a "half-way house" for the EFTA countries on their way to full membership of the Community, it could conceivably become such for at least some of the former member states of COMECON, which collapsed in 1989. The Community is currently in the process of concluding the so-called "second generation" Association Agreements with Czechoslovakia, Hungary and Poland. These agreements will *not* apply to the economic relationships between these three countries and the EFTA Member States. However, it is now being widely canvassed that, as the EFTA countries become full members of the Community, so, progressively, could countries such as Czechoslovakia, Hungary and Poland join the EEA, thus sharing in the economic advantages of the Area but not sharing in the political processes of the Community.

It is intended that the whole of the EEA scheme and structure should be reviewed at two-yearly intervals, the first review being at the end of the first year of implementation, i.e. at the end of 1993. At this point in time it may be predicted that the initial economic impact of the EEA will be felt in some of the small home markets of the EFTA countries, which

have little internal competition, and in certain regional markets of the Community (such as Hamburg, Copenhagen, southern Germany and northern Italy) which will benefit from their geographical proximity to EFTA countries. The longer-term consequence of the EEA Treaty must be that the great majority of the economic issues any EFTA country applying for Community membership would face are now settled in advance. Prospective or actual EFTA candidate countries will not be prepared to face lengthy delays in the consideration and processing of their applications.

The establishment of the EEA will, in my view, bring the further (northern) enlargement of the Community closer in focus and nearer in time. It will also lead to a greater confrontation between the preferred time-scales of the Community and those of the EFTA countries. For the moment we can now say, after Maastricht, that actual negotiations for entry into membership of the Community could well begin in the second half of 1992 for Austria and Sweden (i.e. earlier than after 1 January, 1993, as earlier suggested by the Commission). The same could be true for Finland. The minority Labour administration in Norway apparently intends to wait until its annual conference in November, 1992, before arriving at a decision. Switzerland has yet to clarify its position with respect to the timing of an application for membership but there will be a referendum in December, 1992, on the EEA Agreement. Iceland, because of its continuing opposition to the Community's Common Fisheries Policy (CFP), will not seek membership but is looking farther afield for the prospects of a free trade agreement with the United States and with Canada. Iceland is content with the fisheries provisions of the EEA Agreement but will be watching carefully the impact upon that agreement of "defections" to the Community by such states as Austria, Sweden and Finland.

It must not be forgotten that the enlargement of the Community in this decade is not solely a question of applicability to Northern and to Central Europe. Turkey submitted a formal application for membership on 14 April, 1987. On 4 July, 1990, Cyprus submitted a similar application, as did Malta on 16 July, 1990. Morocco has indicated a similar wish. This is not the place to consider the merits of these applications nor the slow progress of the Community procedures on admission. It is clear, however, that the Commission's original views

(expressed in 1988, after the Corsendorick meeting) that until the end of 1992 at least the completion of the Community's legislative programme on the single market must take precedence, are now subject to substantial amendment. This, I believe, applies especially to the Commission's opinion, delivered in December, 1989, on the Turkish application. The strengthening of relationships between the Community and Turkey - including cooperation in industrial sectors and the promotion of political and cultural cooperation is proceeding and the Commission is supporting the completion of the Community-Turkey customs union by 1995.

Andrew Hill wrote very perceptively in the "Financial Times" recently that managing the Community very often appeared to be a test of the politician's ability to use a microscope and a telescope simultaneously. About one-seventh of the original 282 legislative measures on the single market still need to be agreed. The translation of these measures into national legislation is sluggish in some quarters. There is still substantial resistance to the complete abolition of frontier controls on the part of some Member States outside the Schengen Agreement. Progress in some of the most sensitive areas is slow - postal and telecommunications services, public procurement and transport are examples - and, of course, as the barriers come down between the twelve, so they are being erected elsewhere in Central and Eastern Europe. A final push - under the British Presidency of the Council - in the last half of 1992 will be required if a completion of the programme is to be claimed on 1 January, 1993. But the word "completion" is relative. Success will be measured not by the completion of *all* liberalisation measures but by the dismantling of all internal border controls.

After Maastricht we shall have to watch very closely the interaction between liberalisation and integration. As I indicated on 13 November, both of the Maastricht treaties, whatever their language, rest upon implicit assumptions of an accelerated progress toward at least confederation. Each of the treaties widens the ambit of Community authority in an unprecedented way. The transfer of power to the Commission and to the European Parliament is also very substantial and will revolutionise the institutional balance in the decision-making processes of the Community. I remain unconvinced that those new processes will adapt easily to the demands of enlargement. As one who is

primarily interested in the economic and political external relationships of the Community - and in the evolution of its legal status as an international actor - I view the short and medium-term obstacles to that evolution with considerable trepidation. [I hope to be able to address one of those obstacles in some detail in the lecture I shall give on 27 May next on "The Community and the Environment." The Community will come under considerable fire at the forthcoming UN sponsored "Earth Summit" which will be held in Rio de Janeiro in June, 1992. A very important GATT report on trade and the environment has just been published, this contains fierce criticism of the consequences of agricultural protectionism in the Community (and the US) as an important source of environmental degradation].

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- to foster academic consideration of contemporary problems;

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