

The European Union: 50 Years of Peace, Prosperity and Partnership

Remarks to the 50th Anniversary of the
Signing of the Treaties of Rome by

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State of the European Union Roundtable

March 29, 2007
Hampton Room, Malott Commons
Scripps College

Dr. Christian Stocks:

Most of us will be able to recall without any difficulty certain dates which changed the course of history. Let me remind you of a few:

July 4, 1776 - Independence Day;

July 14, 1789 - the French Revolution;

October 1917 - the Russian revolution; and, a more recent example, November 9, 1989, the fall of the Berlin Wall, which marked the beginning of the end of the division of Europe.

The date, I am going to mention now is not so well known. It not only changed the minds and map of Europe and continues to change both today, it was also instrumental in bringing peace and prosperity to a war-ridden continent. It stands for the early beginnings of the European Union as we know it today, with 27 member states and nearly half a billion inhabitants. It may be regarded as the birth date of a newly emerging world power.

I am talking about March 25, 1957. What happened on that day? Nothing spectacular. Twelve years after the Second World War ended, the heads of government of six European nation states -- three smaller ones (Belgium, the Netherlands, and Luxemburg), and three larger states (France, Italy, and West Germany) came together in Rome, and signed a treaty. The Treaty basically said, if not in writing, then in spirit:

Wars have practically destroyed Europe.

We are determined to prevent such killing and destruction from ever happening again.

Let us try to win by peaceful means what we have not been able to win by force:

Let us cooperate to build a greater, prosperous, peace-oriented Europe.

Let us cease to dwell upon what separates us.

Let us concentrate on what we have in common.

Let us try to put the old stories about arch-enemies and disputes about frontiers to rest.

Let us try to think about our common future, and that it might be more promising if we cooperate rather than fight with each other.

And of course we know that the European Economic Community of 1957 later became the European Community, which then became the European Union.

In the course of the past 50 years, deepening and enlarging the European Union has been continuous process. Enlargement served not just economic purposes. Becoming a member of the EU helped the former dictatorships of Spain, Portugal, and Greece to a speedy integration into the European mainstream. The economic modernization of Spain and Ireland, just to give two shining examples, worked like a miracle and changed the fate of these two countries. Immediately after the fall of the Iron Curtain, the division line between free and democratic Europe and communist Europe, the EU stretched out its hand towards the re-emerging nation states in Central and Eastern Europe. Brussels and all the member states promised full membership to all those countries which were willing to undergo the complex process of changing one-party political systems to pluralistic democratic systems with checks and balances, their economies from socialist planning to free markets, their societies from systems, where the communist party took care of everything to systems that require constant choices and independent decisions by citizens.

The last large enlargement from 15 to 25 members took place in 2004. The three Baltic Republics, the Central European countries of Poland, Czech Republic, Slovak

Republic, Hungary, and Slovenia and the island states Malta and Cyprus became full members of the EU. This process was nearly too much of strain on the EU. For the people of the initial 15 EU member states it required sharing the large EU funds with countries in Central and Eastern Europe which badly needed them to modernize infrastructure, repair a totally neglected environment, reform agriculture, and reconstruct and repair cities.

But it worked. In the 1950s and 1960s, the cooperation between the six countries was mainly about trade and the economy. Now the EU embraces 27 countries and 480 million inhabitants, and it deals with a wide range of issues of direct importance to their citizens' everyday lives.

On January 1, 2007, Germany took over the European Presidency. Bulgaria and Romania joined what is now a 27-member bloc. Slovenia adopted the Euro, becoming a member of the European Currency zone. The Presidency aims high. There is a timetable to prepare for the passage of an EU constitution before 2009, a partnership agreement with Russia, and a greater European presence on the international stage, with particular emphasis on restarting Middle East peace talks. But the first priority is increased European integration.

Europeans often complain about the complexities of the European Union and the Brussels bureaucracy. They may say that integration is moving too fast or too slow, that Europe is ailing or overestimating its influence. Most of the very important improvements the Union has brought to the citizens of Europe are simply not recognized.

I show you today three symbols of the ongoing process towards an ever closer Union. People like them, but would in fact appreciate their importance, only if they disappeared. The first item is the European passport. I am a citizen of the Federal

Republic of Germany, but with my European passport I can travel freely between member states of the European Union without even showing it. Try to imagine how difficult that was even in free Europe some fifty years ago. Going from West to East was very complicated, and crossing a border going from East to West was practically impossible.

The second item is a Euro. In the past, travelling from Finland to Spain by car meant that one had to carry at least six different currencies. Nowadays travellers proudly pay in euros and do not even think about the hassle one had to go through only a few years ago.

My last symbol of EU integration is the European driver's licence. It looks the same in all European countries that hand it out. A few years ago, an Italian policeman could not read a Swedish driver's licence. Law abiding travellers were required to carry International drivers' licences which had to be renewed every year. Today, the policeman may take a brief glimpse of an EU license, and he will recognize an EU citizen immediately. Now he knows what he is looking at. People who are proud of their European identity see this as a big improvement. I, as a good European, certainly do.

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Dr. David M. Andrews:

I would like to take this opportunity to make three points about Europe's past and present. Two of these points are very simple; the third somewhat less so. I then pose a question about the broader significance of today's celebration—a question about Europe's future, and about the future direction of world politics.

My first point is that Europe—by which I mean here the European Union—is unloved by Europeans. There has been much press commentary about this matter recently, the gist of which is that the Europeans do not seem to know how good they have it. The EU may not be solely responsible for the peace and prosperity Europeans have enjoyed for the past half century, but it no doubt ought to get some of the credit. But it rarely does, as reflected by public opinion polling results from across the member states.

My second point is that the European Union's decision-making system is broken. I do not mean by this that the EU is unable to make important policy decisions; it is able to do so, and in fact it does so regularly. But the manner in which the European Union makes decisions is increasingly regarded as illegitimate—in part because the representatives of European governments repeatedly refer to it as illegitimate.

There is an element of self-fulfilling prophecy here. Perhaps the system can be fixed—although there are important reasons to doubt it, which I will not get into here. Perhaps some alternative system of decision-making, outside the treaty framework and at least for some important issues, can be devised—although this prospect poses problems of its own.

I should perhaps add that there is a fairly obvious connection between these first two points. The fact that Europe is unloved cannot be unrelated to the discourse that governments engage in about Europe. “Europe,” meaning the EU, is a convenient scapegoat for problems that arise elsewhere; witness the rhetoric in the ongoing French presidential campaign. This perennial problem is enhanced by the current deadlock over European institutional reform. As long as leading European governments claim that the system is broken, their citizens are likely to believe them. My third and final point has to do with the historical significance of the present occasion. In celebrating the 50th anniversary of the Treaty of Rome, we are not merely celebrating the founding document of what has since become the European Union. We are celebrating a fundamental transformation of European politics. And hence my question: are we also celebrating an equally fundamental transformation of world politics—albeit a transformation still in embryonic form?

The creation of the modern state system is conventionally dated to 1648, when the Treaty of Westphalia brought to an end the Thirty Years War. The institution of sovereign statehood was a response to the remarkable changes in European society, technology and thought that had occurred over the long sixteenth century. What once had been Christendom was refashioned as European international society—a society of sovereign states, governed by an emerging law of nations.

The law of nations was not intended to abolish war; but it was intended to limit the causes for which war might justifiably be fought, and the means by which wars might justifiably be conducted. This manner of organizing politics—the division of the world into territorially-defined polities, and the development of norms and rules to govern the interaction of these polities—began in Europe but ultimately spread to the ends of the earth. Through a combination of conquest, colonization and emulation,

the institutions of European international society have become the institutions of global international society.

But just as the rest of the world has adapted to both the structures and norms of European statehood, Europe itself has abandoned them—in two significant ways.

First, war among the member states of the European Union is no longer imaginable.

This is no small feat. The postwar reconciliation of France and Germany stands out in particular as one of the defining features of the contemporary international landscape.

War—or the threat of war—had been a perennial feature of European politics; it substantially predates the foundation of the Westphalian state. But war is no longer recognized as a legitimate means for settling disputes among the European powers.

Indeed, one of the preconditions for consideration of a state as “European” has become the renunciation of war as a policy instrument—at least in the Europeans dealings with one another. Clausewitz is dead; long live Immanuel Kant.

The abolition of war, or at least of war amongst themselves, is one way in which European politics, and the practice of European statehood, has been transformed. But this transformation is not limited to European states’ external relations. It extends to their internal arrangements as well.

Jean Bodin held that sovereignty was both absolute and perpetual. It was vested in a commonwealth and was, by its very nature, indivisible. But European governance has, since the foundation of the European Union, been premised on an opposite conception: the divisibility of sovereignty and the possibility of joint decision-making in areas once deemed the sole prerogative of the member states.

Put differently, the member states of the EU are not constitutionally independent. The debate about a European constitution, or a constitutional treaty, brings this matter to popular attention—perhaps unwisely, from a Machiavellian standpoint. But the

matter did not begin with this recent debate, nor is it likely to end there. Rather, the idea of shared decision-making and of jointly legislating the rules that govern domestic behavior is central to the European project.

So I return to my question: will 1957 and the Treaty of Rome eventually loom as large in the history of international relations as 1648 and the Treaty of Westphalia does today? Will the European model—a model of such deep solidarity among states that sovereignty is shared, and war is excluded as an instrument of policy—emerge as the shape of things to come?

To an extent it already has. States are lining up to join the European Union, and have willingly adapted both their internal practices and their external policies to do so. The extraordinary transformation of political life in Central and Eastern Europe is the clearest evidence of this attractive power exerted by the European example—an attractive power that is by far Europe's strongest foreign policy instrument.

But will Europe continue to exert this attractive power? And equally important, will those states that are willing to conform to European norms continue to be welcomed if they do so?

These questions bring me back to my initial two points. Europe is widely unloved by its citizens, and its institutions are often publicly derided by the governments of its member states. In such an atmosphere, little wonder that there is little appetite at present for the further enlargement of the European Union's borders.

But this could change. Much depends, in the short term, on the success of Chancellor Merkel's initiative to revive the constitutional treaty, and on how this initiative is received in the capitals of Europe's member states. In the longer term, the picture is less clear. But the next 50 years of European integration will help us better understand the significance of its first half century.

Is the European Union an experiment in the consolidation of peace and prosperity among a limited number of members—an experiment that has already largely been completed? Or does it have a broader significance, as an exemplar for the future development of world politics? In either case, today let us celebrate its accomplishments—and make a pledge to return again in 50 years, to make a further report.

The Claremont-UC Undergraduate Research Conference on the EU

April 20, 2007
Hampton Room, Malott Commons
Scripps College

Hannele Tikkanen:

There have been five enlargements of the EU since its foundation by Belgium, France, Germany, Italy, Luxembourg and Netherlands. The first enlargement brought in Denmark, Ireland and the UK in 1973. Greece joined in 1981, Portugal and Spain in 1986 and Austria, Finland and Sweden in 1995. The fifth enlargement brought in Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia in 2004. That enlargement, like a good movie, had a sequel in January 2007 when Bulgaria and Romania joined the EU.

Each enlargement is a remarkable show of determination by both the existing members of the EU and by the acceding ones. For the existing member states, bringing in new members means admitting new competitors to the market, admitting new votes to the decision-making table, and admitting new workers who will be free to work in their labor markets.

For the acceding countries it means fulfilling the so-called Copenhagen criteria which require that each country has

- **stable institutions** guaranteeing democracy, the rule of law, human rights, and protection of minorities;
- **a functioning market economy** and the capacity to cope with competition and market forces in the EU;
- **capacity** to take on the obligations of membership, including adherence to the objectives of political, economic and monetary union;

- **capability to adopt the *acquis communautaire*** (the full body of EU law and policies) and to implement effectively through administrative and judicial structures.

EU membership ultimately provides unfettered access to the Single Market for trade and also the right to live and work in any country in the EU, along with many other rights, privileges and responsibilities for member states and their citizens. In order to allow both existing members states and acceding states the opportunity to adjust to the new economic and political realities, the EU can provide for transition periods, delaying for a specific period full integration in certain areas, or, in extreme cases and as a last resort, invoke safeguard measures to address particular problems or threats to the functioning of the Union.

The fifth enlargement in 2004 has proved to be a win-win process for both old and new members states, as shown by studies carried out by the European Commission, World Bank and others. It has boosted growth and created new jobs in the European economy. It is true, however, that with enlargement, income disparity in the EU widened. On the other hand, economic growth of the EU10 (2004 accession) was almost 4 percent per year in 1997-2005, compared to an average of 2.5 percent for the EU 15 (members before 2004). The catching-up process has been significantly accelerated and disparities between old and new members reduced.

As mentioned earlier, free movement of workers is one of the cornerstones of the internal market. With the fifth enlargement, many feared large migratory flows from new member states. This has proved to be mainly unjustified. For most new members, migration has represented less than 1 percent of the working population.

We celebrated on March 25th the 50-years anniversary of the Treaty of Rome that created the EEC, the European Economic Community which extended cooperation

from coal and steel management (1951) and laid the foundation for the current European Union where people, goods, services and capital will eventually move freely in a single market. There have been many recent references to the "mid-life crisis" of the Union; but as my Ambassador, Mr. John Bruton, pointed out in his weekly message honoring the 50th anniversary, the EU is actually a very young institution. It is a work in progress, and it is at a very early stage in its constitutional development. It is at a formative stage similar to that of the United States under Articles of Confederation between 1781 and 1789. But there is one huge difference: the US at that time consisted of thirteen states and four million people, mostly speaking one language. The European Union now consists of twenty-seven nation states with twenty-three official languages, and nearly 500 (493) million people!

Even as some barriers still remain on our way to a true single market in regard to some cross-border services and energy, now, at last, even those barriers are in the process of being removed by initiatives of the Barroso Commission.

Further, the EU has enjoyed many achievements in its 50 years. It has created the world's only multinational democracy. It has facilitated an economic environment in which, since 1957, European (EU15) GDP per capita (current aggregate GDP is 13.5 trillion USD) has risen by nineteen times in real terms, whereas US GDP per capita (current aggregate GDP is 12.4 trillion USD) has risen by fifteen times.

The average European enjoys a life expectancy that is four years longer than that enjoyed by the average American. In polls, Europeans routinely register a higher level of satisfaction with life than any other group of people in the world. Thanks to the EU's strong commitment to economic and social cohesion, income inequalities in Europe (EU-15) are in general lower, and in most member states well below, the level of income inequality in the United States.

Transatlantic Economic Partnership

Quoting from the latest study of Daniel Hamilton and Joseph Quinlan (“The Transatlantic Economy 2006”)--the "bible" of transatlantic economic relations -- despite all the transatlantic political bickering, the hype associated with the rise of China and India, and constant warnings of a transatlantic divorce, the bilateral economic bonds of the US and Europe have grown ever stronger since the beginning of this decade.

Since hitting the cyclical bottom in 2001/02, transatlantic trade, investment and corporate profits have soared, with both the US and Europe leveraging off of each other's strengths. Strong economic growth in the US has been a catalyst in boosting corporate earnings in Europe, which in turn has helped promote more investment and employment growth across the region. Meanwhile, the latest EU enlargement, coupled with micro reform in various key nations such as Germany, has been a windfall for US multinationals.

However, it is not only multinationals that profit from the US/EU economic partnership. Hamilton and Quinlan estimate that the transatlantic economy generates roughly \$3 trillion in total commercial sales a year and employs up to 14 million workers (8 million directly employed by US and European foreign affiliates, the rest indirectly) in mutually "insourced" jobs on both sides of the Atlantic. These workers enjoy high wages, high labor and environmental standards, and open, largely nondiscriminatory access to each others' markets.

Impressive as the trade figures are, the core of the transatlantic economic relationship is investment. Over the first half of this decade, Europe accounted for just over 57 percent of total US foreign direct investment (FDI) outflows. In turn, Europe accounted for 75 percent of total US FDI inflows over the same period. For example,

while US FDI to China has increased sharply over the past few years, total US investment in China was just 23 percent of total US investment in Belgium in 2005. The same year, US investment in France was almost 17 percent greater than what US firms invested in India.

While US affiliates on the whole target local European markets, many are increasingly leveraging some European nations as export platforms. US affiliate sales in Ireland, Belgium, the Netherlands, Switzerland and Hungary are greater in third markets and the US than in the local markets. The same trend is visible in Finland and Sweden.

Flowing from the importance of foreign investment and affiliate sales that drive the cross-Atlantic trade flows, a substantial share of transatlantic trade is considered intra-firm or related-party trade, which is cross-border trade that stays within the ambit of the company. Quinlan and Hamilton give examples of related-party trade: BMW or Mercedes of Germany sends parts to BMW of South Carolina or Mercedes of Alabama, e.c. or Michelin sends intermediate components to its plants in the greater Cincinnati area. Almost 60 percent of US imports from the EU consisted of related-party trade in 2005, while over 30 percent of US exports to Europe in 2004 represented related-party trade. This helps to explain why Ireland is the number one export destination for Minnesota, Washington, Maine and New Mexico: each of these states host companies engaged in close intra-company trade with the Celtic Tiger.

The picture of transatlantic economic ties would not be complete without services. While the US had a \$124 billion trade deficit with EU in goods in 2005, it enjoyed a \$22.4 billion trade surplus in services with Europe the same year. Europe accounted for 40 percent of total US service exports and 44 percent of total US service imports in 2005. Five of the top ten US export markets for services in 2005 were in Europe.

The UK ranked first, Germany fifth, France sixth, Switzerland (non – EU) eighth and the Netherlands tenth.

In the services sector, investments and foreign affiliate sales of services on both sides of the Atlantic have surpassed traditional exports. The EU and US service economies have never been so intertwined as they are today, especially in financial services, telecommunications, utilities, insurance, advertising and computer services. In fact, US affiliate sales of services in 2005 were over 80 percent larger than US services exports to Europe. The same trend is true for European affiliate sales in the US. In 2005 they totaled \$260.6 billion, more than double US service imports from Europe the same year (\$ 123 billion). The US companies are taking full advantage of the world's largest single market, which has a single set of rules on trade and a single business environment.

Further, there will eventually be a single currency (the Euro) reducing business transaction costs and making pricing throughout the Euro area more transparent compared to the challenges and costs of dealing in multiple currencies. The first of the EU10 to adopt Euro is Slovenia, welcomed to the Euro area early in 2007.

Accession to the EU is also a powerful tool in modernizing societies. The membership conditions include requirements of stable institutions guaranteeing democracy, the rule of law, human rights, and protection of minorities. Further, accession requires the existence of functioning market economies and the capacity to cope with competition and market forces in the EU. This prepares the new members states for external competition and makes them more interesting targets for investment both inside and outside the EU.

The single market is still a work in progress, but there is a political commitment to improve its functioning in areas of financial services, professional qualifications,

company law and financial reporting, public procurement and intellectual and industrial property protection.

In an economic relationship as deep as the one between the US and the EU, there are bound to be problems. The most common complaints we hear from our US colleagues are market access problems for certain agricultural products, such as beef. However, we have also some complaints about the US trade practices, such as Buy American regulations and the increasing impact of growing US national security restrictions on the flow of EU investments. Further, there are trade disputes making headlines. Airbus and Boeing, two giant companies established on opposite sides of the Atlantic, are charging each other in the WTO of illegal subsidies.

Less visible to the public, but well known to companies, are problems regarding the different regulatory frameworks that create barriers in Europe and the US to trade and investment. To tackle these, Chancellor Angela Merkel of Germany has suggested that there should be an agreed-upon objective of creating a barrier-free market between the US and the EU. The aim is to make the systems of regulating business and protecting consumers compatible with one another on either side of the Atlantic. Ambassador John Bruton gives the example of EU and US rules that require new models of cars to be crashed twice, once to comply with the EU standards and again to comply with the US standards. The same principle applies to the testing of cosmetics and medicines.

There is already good work being done in this area, such as the trans Atlantic dialogue between the US Office of Management and Budget and the EU Forum on Regulatory Cooperation. There is a financial services dialogue which is rapidly making progress in removing barriers in the regulatory field, and several other valuable sectoral dialogues on issues ranging from food safety to pharmaceuticals and

telecommunications equipment. The Merkel initiative is intended to give much needed political impetus for this work.

I am optimistic about current progress and I believe it will continue in the long run.