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THE POTENTIAL OF THE SPANISH PRESIDENCY: OPENINGS TOWARDS EUROPEAN UNION

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Europe expects ...

Spain gives the impression of knowing how to set objectives that can be achieved in the Community and then going on to achieve them. The case of cohesion, from the securing of a commitment in the Single European Act even before Spain formally entered the Community, to the doubling of the structural funds during the German Presidency earlier this year, is a striking example. The part played by President Delors does not detract from the Spanish achievement, for the alliance of a major member government with the Commission is a key to successful operation of the Community system, which the Spanish government knew how to employ.

Europe expects, then, that the Community's business will be conducted effectively during a Spanish Presidency. Among the most prominent items will, of course, be the carrying forward of the single market programme. It is also most important that the agri-budgetary reforms of 1988 be rigorously pursued, despite any temptations to relax when world markets for some farm products are strong and the pressure on the Community budget therefore less severe. Any laxity in setting agricultural prices for 1989/90 would reopen the running sore of budgetary crises in the 1990s, discredit the Community and risk crowding out expenditure on newer policies such as cohesion. Few member states have a greater interest than Spain in ensuring that this does not happen.

This paper does not, therefore, presume to proffer advice on how to conduct business already in the pipeline. It considers, rather, what opportunities there may be for initiating qualitative shifts in the Community's activities or institutions -- after the pattern of the shift to enhanced cohesion. There is no lack of examples of Presidencies that have initiated such shifts, from the impulse given by France towards direct elections in the 1970s, through the majority vote called by Bettino Craxi to convene the Intergovernmental Conference in 1985, to the establishment of the Delors committee under the German Presidency in 1988, which should lead to significant steps to monetary union.

With the 1992 programme in full swing and old crises resolved by the agri-budgetary reform, there is a promising new perspective for such qualitative shifts in the 1990s, and hence for openings towards them which may be sought during the Spanish Presidency.

A new perspective: European Union in the 1990s

It now seems more than likely that the single market will be substantially completed by 1993. The creation of monetary union by stages is strongly promoted by France. The further development of cohesion is a consequence that will surely be drawn by Spain as well as the other southern member states.

In the field of security, recent steps of Franco-German cooperation could be broadened into movement towards a European pillar of the Atlantic alliance, as indicated by Chancellor Kohl's allusion to the idea of a European army. Pressure for this will become more intense as the US reduces expenditure on its European security commitment. Military integration, including France and Spain in the European pillar, would be the way to enhance European effectiveness without increasing European expenditures, with the added bonus of more economical arms production. More positively, a defence union in Western Europe would be the best guarantee of European security, including a solution of the German problem, if it becomes possible to thin out Soviet troops from Eastern Europe and American troops from Western Europe. Politically, such integration is the guarantee that European Union is irreversible. Movement in this direction is certainly desirable. The Franco-German initiatives indicate that it may be possible.

Military integration among West Europeans would, however, be difficult and perhaps dangerous, if not seen as part of a policy aiming at peaceful and prosperous relations between them and their partners in Europe and the world. Such a policy is implied, therefore, in relations with the US and other industrialised democracies, with the Soviet Union and Eastern Europe, with the neighbours in the Mediterranean and with others in the third world.

Such economic and security integration would have to be accompanied by a strengthening of the European institutions to make them more efficient and democratic. This means, building on the Community institutions, majority voting in the Council, codecision of the Council with the Parliament, and adequate executive powers for the Commission. In short, this is the perspective of European Union in the 1990s. It seems reasonable to consider it, or at least substantial progress towards it, not only because such a Union is in the interests of the Europeans and, the Eurobarometer surveys show, the majority of citizens in the Community would like to see it, but also because the key elements of such a Union now have the support of major member governments.

The French desire for monetary union is shared by Italy, on political grounds. Germany, while accepting in principle the idea of monetary union, is reluctant to commit itself, but would find it hard to refuse if steps towards monetary union were accompanied by moves towards security cooperation and political union. Italy has a strong commitment to institutional reform, stressing the role of the European Parliament and supporting its Draft Treaty for European Union. Spain completes the list of key elements in Union with its support for the policy of cohesion, implying movement towards the social dimension and a development of the budget into what can be called a public finance union.

If these interests of major governments are cumulated, they add to a dynamic for the creation of European Union. But it will not escape notice that one such government is missing from the list. Mrs Thatcher has expressed her distaste for almost all the elements of European Union except for completion of the single market. This certainly presents a difficulty. But if the other major governments are determined to proceed, as they were when it was decided in 1985 to amend the Treaties, she evidently does not want to be left behind. There is also the possibility that a core group would move towards Union in a two-speed Community, in the expectation that the others would catch up later. Reactions to her Bruges speech indicate that the six founder-members at least would be reluctant to accept her veto on their progress in developing the Community. Thus it can hardly be recommended that the dynamic for such development be allowed to dissipate between now and 1992. Not only is the conjuncture, apart from Mrs Thatcher's attitude, generally favourable, but the period 1989-91 includes a series of Presidencies each of which is apt to carry the development forward in one way or another: Spain, France, the Irish Republic, Italy, Luxembourg and the Netherlands. Spain is the first to come after the year in which the single market programme was consolidated and the agri-budgetary crisis resolved. The Spaniards are thus well placed to make a distinctive contribution to the launching of a new, and perhaps decisive, phase in the uniting of Europe.

It is in this perspective that we can consider what openings may be available to initiate movement in the key sectors that are relevant to the establishment of the European Union.

OPENINGS FOR MOVEMENT IN KEY SECTORS

Monetary union

The Delors committee will present its report to the European Council in Madrid, after consideration by the Finance Ministers. While it is to propose concrete steps for the realisation of monetary union, there is a wide range of possible options. The British, and perhaps the German, government would prefer to wait until the capital markets have been fully integrated and then consider what more may be required. The French, and probably the Italians, would favour a decision on a European central bank. If that is accepted, there is a case, which could well be argued by the Deutsche Bundesbank, for requiring not only the central bank's autonomy, but also a rigorous European macroeconomic policy in the context of a serious reform of the Community institutions.

Spain, like Britain, Greece and Portugal, is still outside the exchange rate discipline which is at the heart of the European Monetary System. It would therefore be understandable if the Spaniards were hesitant to take any strong initiative in this field. They may well feel, however, that they would like others to lead in developing a monetary union to which they would in due course belong. If this is so, it is fortunate that the French Presidency follows the Spanish. For the French can be relied upon to promote steps towards the monetary union, and the Spaniards can help them by coordinating their approach to the treatment of the Delors report by the Council of Finance Ministers and the European Council under the Spanish Presidency. The particular contribution for which the Spanish Presidency seems well adapted is to ensure that due attention is given to the need for member states that may remain outside in the first instance to be able to join when they are ready, for a policy of cohesion that matches the importance of the monetary integration, and for an adequate development of the Community institutions.

Cohesion, the social dimension, public finance union

This year's decision to double the structural funds was a resounding success for Spanish policy in the Community. It is too early for further decisions on this scale. The policy must rather be to ensure that the door remains open for such decisions in the future and, perhaps, to plant seeds for them in the form of financially more modest, pilot projects.

While a budgetary benefit for member states at an earlier stage of their industrial development was certainly justified, the significance of the cohesion

policy is wider than that. The adjustment to change in a single economy will not be evenly distributed, and the institutions required to manage the economy will not work unless they are based on enough solidarity to share a part of the adjustment costs. The losers will not necessarily be concentrated in the industrially less-developed regions, even if many are likely to be found there.

The argument against mere hand-outs is, however, a strong one. Help for the losers to adjust so that they can stand on their own feet in the future is a much better idea. That is the intention of the Community's cohesion policy, and the implication of the word 'structural' that qualifies the funds. It is of the utmost importance that this philosophy of positive adjustment is seen to succeed -- not only for the economic success of those who are receiving the funds, important though that is, but also because the Community is likely to need a more general policy of cohesion through the 1990s and beyond. It is not too soon to start thinking about such a policy and considering the relevance to it of the present phase of cohesion.

The adjustment of capital and land depends on the adjustment of people, who are indeed the end and not just the means of economic activity. The European Community needs, moreover, not only the adjustment of losers, but also the development of its manpower so that we are competitive with the high-achievers in Japan and with the Americans who, with their cultural homogeneity, do not have to surmount such obstacles as we do in order to work together. All this points in the direction of a European manpower policy, with enough sharing of the costs to ensure a fair deal for the losers, and with emphasis on overcoming the cultural and linguistic barriers that hinder our working together, as well as on achieving the highest international standards of excellence.

The Social Fund has gained valuable experience relating to the training of workers and is in a phase of rapid expansion, as is the equally relevant ~~programme which has been set up~~ present programmes succeed before going on to do more. One new departure that would be much less costly but perhaps equally high-yielding would be to establish Hautes Écoles Européennes that would enable future business, administrative and political leaders to work easily together. A rapid start could be made in this direction by building on institutions which are already active in this field but lack the resources to operate on the scale required. The Spanish Presidency could be a time for the planting of such seeds and for starting a process of thinking about Europe's manpower needs in the future.

Security and foreign policy

A further theme which is related to that of cohesion and on which forward thinking is also required is that of the Community's budget after 1992, when the present arrangements both for the structural funds and for the contribution to Britain are due to end. There is a strong case for considering cohesion as a general problem, with respect both to the element of adjustment policy, as argued above, and to that of financial compensation, as manifested also in the British contribution, and of which the Finanzzausgleich in the Federal Republic is a well-known example. The last thorough examination of the principles of public finance in the Community was the MacDougall report of 1977. 1990 or 1991 would not be too soon for a new report of this kind, if the arrangements that will follow 1992 are to measure up to a period when the Community has a single market and is likely to be developing a monetary union and other aspects of European Union. The Spanish Presidency may wish to consider whether it should prepare the Community to launch such a study and report.

The Single European Act provides for the coordination of positions 'on the political and economic aspects of security' (art.30.6(a)(SEA). Reasons were given earlier for moving towards European defence cooperation and integration. If Spain favours this, the Spanish Presidency could make an important contribution by pressing coordination of the political and economic aspects as far as they will go in the Community context. Spain's position is particularly significant as a member state that shares with France political problems about military integration under the North Atlantic Treaty Organisation. Given this constraint, the military integration that may be seen to be required has to take place within a European context. Spain is therefore uniquely placed to help widen out and Europeanise the process of military cooperation on which France has embarked with the Federal Republic. The Community will not at present be directly involved in this. But it should be a major element in European Union in the 1990s, so the most should now be made of the limited possibilities under the Single European Act.

A further way of linking security integration with the Community could be through common arms procurement. The Community is gaining unrivalled experience of opening public procurement to competitive tendering, thus reducing purchasing costs and fostering efficient suppliers; and programmes such as ESPRIT, RACE and BRIT do much to help cooperative research. Thus there is firm ground on which to begin to build a common arms procurement policy among Community members and using Community institutions.

It has been suggested that, as West Europeans move towards security integration, this should be complemented by policies aiming specifically at detente. Several Community member governments have recently opened large lines of credit for the Soviet Union and the Italian Prime Minister has spoken of a Marshall plan for Eastern Europe. Mrs Thatcher's adverse reaction can be seen in two ways. One is that the Marshall plan, which was designed for advanced market economies that had only to get back on track after the disruption of the Second World War, is a bad analogy for the relationship that needs to be forged with a Soviet Union whose main problem is the inadequacy of its own internal method of organising its economy. The other way is expressed by the proverb 'if a lady says no, she means perhaps; if she says perhaps, she means yes; if she says yes, she's no lady'. Putting the two together, there may be an opening for a more focused action by the Community in the context of the trade and cooperation agreement now being discussed with the Soviet Union. A proposal for a Community Export Bank, to help with the finance of export or cooperation projects involving more than one member country, has been in the Council's pending tray for a number of years. Now that the Community is discussing a cooperation agreement with such a major partner as the Soviet Union, the time may be ripe to put the proposal on the Council's agenda again. The Community may have a political interest in putting some substance into such a cooperation agreement; and the Export Bank is a soundly based proposal from the economic and business viewpoints -- which could also be useful when the time comes to give some collective European underpinning to a rescheduling of Polish and Hungarian debts. The negotiations for an agreement with the Soviet Union will be a live issue during the Spanish Presidency, which may wish to give them a push forward in such a way.

Another important negotiation during the Spanish Presidency will be the current Gatt round, which will have particular significance for Euro-American relations during the first months of the Bush Presidency. The firm line that the Spanish Presidency can be expected to pursue with respect to the common agricultural policy should be a considerable help.

The renewal of the Lome Convention will be important for relations with the third world. It may also have implications for the European Parliament, as regards its relationship with the European Development Fund, as discussed below. Finally, the Spanish Presidency might be able to strengthen Community policy towards other third world regions, including South and Central America, in parallel with progress in the Lome negotiations.

Institutions

The Council does not usually do much to accommodate the European Parliament's aspirations to enlarge its role, as the chamber of the Community citizens' directly elected representatives. Some governments have, however, supported the Parliament's claims, as the Dutch did when they insisted, starting in 1965, on codecision of Parliament and Council with respect to the Community budget, and as the Italians did during the negotiations for the Single European Act. Support for the Parliament and for its role in constituting the European Union remains an Italian policy; and it seems possible that the Spaniards would wish to join the Italians in this. Spain is, like Italy, large and important enough to feel that it should play a part in shaping the Community's institutional relationships, without, perhaps, sharing the presumption of Britain, France and Germany that it will play a dominant role in the Council and hence an inclination to keep all the power concentrated there. More fundamentally, having fought hard to establish democracy in Spain, Spanish leaders may feel that the principles of parliamentary government should not be foregone in the European construction. Thus the following paragraphs are based on the assumption that the European Parliament's role should be enhanced.

The Single European Act has given the Parliament the opportunity to have more significant influence over much of the Community's legislation, particularly over the laws to complete the single market; and the Parliament has been working seriously to make use of this opportunity. But there remain ways in which member governments, and the Presidency in particular, can help the Parliament to take what may be seen as its rightful place in the legislative process.

One of these ways concerns the information that accompanies the communication of the Council's 'common position' to the Parliament under the cooperation procedure defined by the Single European Act. The Act requires the Council and the Commission to 'inform the European Parliament fully of the reasons which led the Council to adopt its common position and also of the Commission's position' (art.7.2(b)SEA). Yet up to now the Council has informed the Parliament neither of its reaction to each of the amendments proposed by the Parliament nor of the way in which each member government voted. It is understandable that those who see the process of Community legislation as a diplomatic negotiation should wish to defend its secrecy as far as possible. But the legislative process should surely be judged by the criteria which are normal for law-making in democracies; and by these criteria, secrecy about

the debate that leads to enactment is an extraordinary aberration. The Spanish Presidency would set a most beneficial example if it were to take the lead in providing the Parliament with really full information, on which the second reading debates could be based.

Should the Parliament, despite these explanations, vote to reject the text, the Council can proceed to override the rejection by means of a unanimous vote. It seems on the face of it unlikely that all twelve member governments would disagree with an absolute majority of the citizens' representatives. Yet such have been the dynamics of the Council as an institution that this appears only too likely to occur. Such an outcome, which would hardly do credit to the idea of a European democracy, could be avoided if at least one member government were to refrain from approving a text that the Parliament had specifically rejected. This would give the Parliament a de facto power of co-legislation, over an important field of Community activity. A Spanish Presidency that sees this as desirable could find various ways of steering the Council in such a direction.

The Parliament is already a co-legislator for the non-compulsory part of the Community's budget and for the budget as a whole. With the budgetary reforms and the 1989 budget already decided in 1988, the Spanish Presidency will be faced for the most part with budgetary routine rather than with decisions having a bearing on institutional relationships. One issue which is, however, quite likely to arise is the relationship of the European Parliament with the European Development Fund which dispenses aid under the Lome Convention. Up to now the EDF remains outside the Community budget and hence outside the scope of co-decision between Council and Parliament. It is questionable whether this procedure is consistent with art.199EEC, which stipulates that 'All items of revenue and expenditure of the Community ... shall be shown in the budget.' Certainly it detracts from the scope of the Parliament's budgetary powers with respect to an important sum, which is consequently removed from proper parliamentary scrutiny. The European Parliament, to which the Single European Act has given a power of co-decision over treaties such as the Lome Convention, might well make the budgetisation of the EDF a condition of its assent. If the Spanish Presidency wishes to contribute to the development of the Parliament's role, it could smooth the way for the Council's agreement to this reform.

European Union

Beyond such specific reforms and procedural improvements, there lies the question of the Parliament's role in constituting the future European Union. Timed in

relation to the European elections to be held in mid-June, it seems likely that the Italian Parliament will approve a law, requested by the necessary number of citizens' signatures, for the holding of a referendum on the granting to the European Parliament of a mandate to draft the European Union's constitution; and the findings of surveys show that the voters are likely to favour this by a large majority. If the Spanish government sympathises in principle with this approach, it could discuss with the Italian government how to secure support from other member governments for the drawing up of a constitution by, say, 1992, and the central role of the European Parliament in this. With clear opposition from Britain and Denmark, the European Council in Madrid would not agree to such a programme; nor does a hard core of member governments yet appear ready to force the issue. But the Spanish Presidency might, in consultation with the Italian government, prepare the ground for an initiative by the Italian Presidency in the second half of 1990, for example by proposing that the European Parliament prepare by then its ideas on the institutional implications of completion of the single market and progress towards economic and monetary union.

The question of European Union is also likely to be posed by the Turkish application for membership, which is, again under the Single European Act, subject to co-decision by the European Parliament. The Parliament will probably, with respect to all future applications for adhesion, insist on a 'deepening' of the Community to accompany the 'widening' -- as was indeed the policy when Britain, Denmark and Ireland joined. In the case of Turkey, given its size and character, the deepening would probably have to amount to the establishment of European Union or federation. The Parliament's participation in the process of designing the Union's constitution could, therefore, also be set in motion by the suggestion that the new Parliament that will result from the June elections should prepare its view of the institutional conditions that should apply in the event of Turkish accession.

A word in conclusion

It does not at present look as if the Spanish Presidency will be called upon to resolve any crises. The Spaniards could therefore play safe and emerge without discredit, even if without important achievements. But would this suit the Spanish character? This paper has suggested that there are a number of ways in which the Spanish Presidency could help to set a course for the creation of European Union in the 1990s. If the Spaniards wish to meet this challenge, history could see their first Presidency as a great one.