EU – past, present, future perspectives

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Hitotsubashi University, 10 December 2013
OUTLINE

• Overview of the origins and evolution of the EU in historical perspective

• EU institutions and functioning

• EU Enlargement and the Development Paradigm in Central and Europe

• Europe 2020 Growth Agenda

• An outline of EU-Japan Relations including the FTA negotiations
What is the European Union?

- A unique institution – Member States voluntarily cede national sovereignty in many areas to carry out common policies and governance.

- Not a super-state to replace existing states, nor just an organization for international cooperation.

- Shared values: liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law.

- Largest economic region in the world.

- World’s most successful model for advancing peace and democracy (2012 Nobel Peace Prize winner).

- World’s largest donor providing assistance to developing countries.
Sizing up the European Union

28 member states

over **500 million** combined population

24 official languages

22% of global GDP

4.2 million km$^2$ total surface area

20% of global exports and imports
A general overview of the history of European integration

- Europe- 2000 years of common history – the roots of a common identity (Roman Empire, Christianity, Renaissance…)
- XX Century European Integration Determinants and Projects
- 1951 Treaty of Paris establishing the Coal and Steel Community
- 1958 The Treaty of Rome (France, Germany, Italy, Benelux) – TOWARDS A CUSTOMS UNION
- ‘60s – Common policies on trade and agriculture
- 1968 The removal of the Custom Duties
- 1973 the enlargement with UK, Denmark and Ireland
- 1973 European Political Cooperation started
- 1979 The European Monetary System
- 1981 Greece joins the EC followed in 1986 by Spain and Portugal
- 1986 The Single European Act – TOWARDS A SINGLE MARKET
- 1992 The Treaty of Maastricht –EU, the Single Market, CFSP, EU citizenship, goal of Monetary Union
- 1995 Austria, Sweden and Finland join
- 2002 the EURO is launched
- 2004 - EU ``Big Bang Enlargement``
- 2005 – An EU Constitution ? ( EU President, EU Foreign Minister, etc)
- 2007- EU27
- 2009 – The Lisbon Treaty – a lighter version of the EU Constitution
- 2013 – the 6th Enlargement – Croatia

A Union based on economic integration – a more advanced Customs Union form

THE SINGLE MARKET – the core of the EU
EU INSTITUTIONS

Balance: National Interests Vs. Common Interests

• The Council of Ministers
  - The European Council

• The European Parliament

• The European Commission

  • The European Court of Justice
  • The Court of Auditors
  • The European Central Bank
  • The European Investment Bank,
  • The Economic and Social Committee
  • The Committee of Regions
  • European Ombudsman
European Commission – Promoting the Common Interest

- 28 Commissioners, representing the European perspective, each responsible for a specific policy area.
- EU’s executive branch proposes legislation, manages Union’s day-to-day business and budget, and enforces rules.
- Negotiates trade agreements and manages Europe’s multilateral development cooperation.

José Manuel Barroso
President of the European Commission
Council of the EU (Council of Ministers by field, e.g., agriculture, foreign policy, economy)

- EU’s main decision-making body, comprised of ministers of 27 Member States, representing Member State’s point of view.
- European Council meets at the level of heads of state and government to set the main political direction of the EU.
- Van Rompuy is the official President representing the Council for a 2-year term; but a country “presidency” rotates among Member States every six months.
European Parliament

The voice of the people

- European citizens directly elect members for five-year terms.
- With the Council, passes EU laws and adopts EU budgets.
- Approves EU Commissioners.

(Parliament in session pictured below)

European Court of Justice

Upholding the Law

- Highest EU judicial authority.
- Ensures all EU laws are interpreted and applied correctly and uniformly.
- Can act as an independent policy maker and overrule national law in areas (economy, agriculture) covered by the Treaties.
EU LAW

• Primary Legislation: The Treaties
• Secondary Legislation: regulations, directives, recommendations — proposed/drafted by European Commission and adopted by the Council in consultation or co-decision with the European Parliament.
• The EU “Democratic Deficit”
• The decision making/voting issues: the nr of votes, the QMV Vs Unanimity
EU POLICIES

INTERNAL MARKET

• 1957-The Treaty of Rome which provided for the creation of a "common market". In 1968 the Customs Union became a reality.

• 1979-The Principle of Mutual Recognition of national standards and rules (Cassis de Dijon Case)

• 1985 The EC White Paper on the completion of the internal market.

• 1993 The Internal Market largely accomplished: Free movement of goods, services, persons, capital

• Besides non discrimination and mutual recognition principles, EC Directives were adopted to harmonise national rules (health, safety, environment protection)

• Decision making: The EU Council by QM voting in co-decision with European Parliament.
The Euro and the Economic and Monetary Union (EMU)

1986 **Single European Act**
Sets objective of establishing an internal market

1992 **Maastricht Treaty**
Sets out how to achieve EMU, lays down convergence criteria

1999 **Introduction of the euro**
The euro is officially introduced as a virtual currency in Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

2002 **Banknotes and coins**
Introduction of euro banknotes and coins, replacing national currencies
What Are the Benefits and “Costs” of Adopting the Euro?

- **Price stability** and security of purchasing power
- Elimination of transaction costs
- Price transparency across countries
- Elimination of exchange rate risks

Countries cannot have an independent monetary policy!
How Do Countries Qualify for Membership of the Euro Area?

*Countries must fulfill the convergence (or “Maastricht”) criteria*

**Price Stability**  
(low inflation)

**Interest rate convergence**

**Public finance discipline**  
(low government debt and deficit)

**Exchange rate stability**
Of the 27 EU Member States today, 17 have adopted the euro (Latvia to be the next, on 1 Jan 2014)

What about the other 10?

Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain

Denmark and the United Kingdom have opted out and are not obliged to adopt the euro.

Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Sweden aim to adopt the euro eventually, when they are ready.
The European Central Bank – managing the Euro

• The European Central Bank (ECB) is the central bank for the euro area.

• The ECB’s main task is to maintain price stability in the euro area, i.e. keep inflation low.

• This is done by steering interest rates, thereby influencing economic developments (by affecting borrowing and lending by consumers and companies)

• The ECB operates independently from Member State governments.
FACING THE “EUROCRISIS”
European Stability Mechanism (ESM) / European Financial Stability Facility (EFSF)

- The European Stability Mechanism (ESM) is an international financial institution established by the euro area countries. Its purpose is to provide financial assistance to euro area member states experiencing, or threatened by, severe financial difficulties. All euro area member states are members of the ESM.

- The ESM was launched on 8 October 2012 as the main instrument providing new financial assistance to countries experiencing financial difficulties. To fulfil its task, the ESM raises funds either by issuing financial instruments or by entering into financial or other agreements with ESM members, financial institutions or other third parties.

- The ESM Board of Governors is made up of finance ministers of euro area member states.
- The ESM has its headquarters in Luxembourg.

- The European Financial Stability Facility (EFSF) is a Luxembourg-based private company that was established by the euro area member states on 7 June, is the predecessor of ESM. The EFSF issues bonds or other debt instruments on the capital markets.
TOWARDS A “BANKING UNION”

• Swift progress towards a Banking Union, comprising single centralised mechanisms for the supervision and restructuring of banks, is indispensable to ensure financial stability and growth in the euro area.

• European Commission Proposed a roadmap for the Banking Union with different steps:

• 2012 - The agreement on a **Single Supervisory Mechanism (SSM)** – to be fully operational by 2015

• 2013- Proposal for “**Single Resolution Mechanism**” (SRM) to complement the SSM. The Single Resolution Mechanism (SRM) will ensure that – not withstanding stronger supervision - if a bank subject to the Single Supervisory Mechanism faces serious difficulties, its resolution can be managed efficiently. The SRM will take over when ECB, as the supervisor, would flag a bank, which needs to be resolved in the euro area or established in a Member State participating in the Banking Union. An agreement to be reached in 2014
EU EXTERNAL ACTION:

THE ECONOMIC DIMENSION
(Communitarian/Supranational)

THE POLITICAL DIMENSION
(Intergovernmental)
EU EXTERNAL RELATIONS COMPETENCES

Express External Competences

Expressed Treaty provision: common commercial policy (commercial agreements, association agreements, export policy, measures to protect trade, tariff rates). Extended to: development policy, research and technology, cooperation on education, health etc.
The EU in world trade

20% of world trade:

First exporter

A MAJOR
TRADING POWER

Second largest importer
EU Trade policy

Historic development

From tariffs and quotas...

... to “behind the border” issues

The new shape of trade policy

Developed from trade liberalisation in goods...

... to services and rules on investment, intellectual property, public procurement
EU Trade policy - How it works

The negotiating process

The Commission is the negotiator
- On behalf of the 25 Member States

The Council is the decision maker
- **Mandate** = determined by the Council on the basis of a Commission proposal
- The Commission **negotiates** on the basis of this mandate
- the Council **approves** the result of the negotiation (generally by qualified majority)

The European Parliament
- is **informed** by the Commission of trade policy developments
- gives “**assent**” on major treaty ratifications (when covering more than trade)
The exclusive Community competence covers trade policy; for now, the rest is left to the EU Member States.

Examples of Member State trade activity include:

- organising trade fairs;
- promoting national exports;
- promoting inward investment;
- providing tailored advice on importing and exporting to/from their country.
EU Trade policy - basic features

- Multilateral
  - WTO
- Bilateral/regional
- Unilateral
EU EXTERNAL ACTION

THE POLITICAL DIMENSION
(Intergovernmental)

TOWARDS A COMMON FOREIGN AND SECURITY POLICY
THE INSTITUTIONALISATION OF POLITICAL COOPERATION ON EXTERNAL ISSUES

- INTERGOVERNAMENTAL FORUM (EPC)
  1970-1973 (Eastern Europe and Middle East mostly)

- INFORMATION SHARING (European Council)
  1973-1981 (global approach)

- NORMS
  1981-1986

- ORGANISATIONS (EPC Secretariat)
  1986-1991

- GOVERNANCE
  1993-CFSP – 2009 External Action Service
EU on the International Scene

• Not a state but very “state like”
• An international “civilian” actor
• A global economic power with a global interest.
• Enhanced instruments: An extensive diplomatic network around the world
• Legal Personality since 2009
• A Foreign Minister
• A Single currency
• A Single voice in the international trade
• A heavy weight in the International Organizations (28 votes)
THE EU ENLARGEMENT
Any European state which respects the principles of liberty, democracy, human rights and fundamental freedoms, and the rule of law may apply to join the Union.
Widening the Union - EU Enlargements


- Denmark
- Ireland
- United Kingdom
- Greece
- Portugal
- Spain
- Austria
- Finland
- Sweden
- Cyprus
- Czech Republic
- Estonia
- Latvia
- Lithuania
- Malta
- Poland
- Slovakia
- Slovenia
- Bulgaria
- Romania

Accession 2013:
- Croatia

Candidates:
- Iceland
- FYR Macedonia
- Turkey
- Serbia
- Montenegro

Potential candidates:
- Albania
- Bosnia & Herzegovina
- Kosovo*

* under UNSCR 1244
-The “BIG BanG” 5th EU Enlargement  
``BACK TO EUROPE``

- POLITICAL SENSE/EUROPEAN REUNIFICATION

- THE 5th ENLARGEMENT - AN ATYPICAL ENLARGEMENT: the diversity and number
THE NUMBER AND DIVERSITY OF APPLICANT STATES

• 10 diverse former socialist countries: Hungary, Poland, Czech Republic, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Bulgaria, Romania

• 2 Mediterranean islands: Cyprus and Malta

• Special case: A large Muslim country Turkey
Different transitions in central and eastern Europe

Two alternative approaches to economic transition:

1. **Shock therapy**: Rapid demise of socialist economic institutions and their replacement by market institutions (Poland and Hungary, to a lesser extent)

2. **Gradual and incremental transition**: step by step change of institutions (Czech Republic and especially Bulgaria and Romania)

No system has yielded magical results
  • Loss of economic weight of most CEECs
    – Severe recession in the early 1990s
    – Steep rise in unemployment
    – Transition to capitalism has often implied the loss of one generation’s worth of income
  – EU ACCESSION – A STRATEGIC INSTRUMENT FOR ECONOMIC DEVELOPMENT AND STABILITY
EU ACCESSION CRITERIA
- THE CONDITIONALITY-

• 1. POLITICAL
• 2. ECONOMIC

• + ADMINISTRATIVE CAPACITY

- PREPARING FOR MEMBERSHIP = RADICAL TRANSFORMATION-
TECHNICAL STEPS

(-POLITICAL DETERMINATION +ASSOCIATION AGREEMENT)

• 1. OFFICIAL APPLICATION FOR MEMBERSHIP
  -EU ASSESSMENT

• 2. CANDIDATE STATUS
  -EU ASSESMENT

• 3. ACCESSION NEGOTIATIONS

• 4. ACCESSION TREATY
  -RATIFICATION

• 5. OFFICIAL MEMBERSHIP
EU ACCESSION NEGOTIATIONS

- 35 EU Legislation chapters
- The negotiation Position Documents
- Formal Process – Atypical Negotiations
- The Accession Conference sessions /opening and provisionally closing the acquis chapters
- Conclusion of the negotiations and the Draft Accession Treaty
THE ``CONDITIONALITY``

- The carrot and stick approach
- Defined stages and different ``conditionality`` dynamics (democracy: an ab initio condition):
  - recognition of eligibility
  - pre-negotiation phase
  - negotiations
  - post-accession

(Turkish case: candidate status and opening negotiations as a major ``carrot``)
- Continuous monitoring and reporting-
THE SIGNIFICANCE OF THE EU 5th ENLARGEMENT

• 15 years process - A genuine modern revolution in CEES

• ENLARGEMENT = The EU most successful foreign policy tool / no international organization has established yet such elaborate and intrusive systemic development and democracy promotion policies as the EU

• An ideal laboratory for the domestic effect of external drivers

• A method which can be extended beyond the EU ``circles`` of candidate and candidate aspiring countries - towards an universal *modus operandi*?
``Enlargement``-Like Strategies

- The Stabilization and Association Process (Southeastern Europe)
- Wider Europe Neighborhood Strategy (Ukraine, Moldova, Belarus, Caucasus, Mediterranean area, Middle East)

- Reduced ``benefits`` same ``conditions``- will it work?
QVOVADIS EUROPE ?

• THE NEXT ENLARGEMENTS

• 2013 Croatia becomes the 28th EU Member

• EU 29? EU35 ? EU 40 ?
EU : an active international ``democratic hub``

• Comparing with US, EU can offer the membership perspective as the main incentive form democratic transformation (the membership carries substantive benefits)

• EU has elaborated a sophisticated strategy for Europeanization with complex instruments: ``conditionality``, guidance and monitoring.

• The structuring of a ``concentric circles`` of Europeanization strategy

• The spill over of conditionality to all EU international agreements with third countries

• Rethinking the role of regional integration

• Towards an ``universal blueprint`` of democratization and comprehensive security promotion
EU 2020 GROWTH STRATEGY

Synergies with Japan ?
Europe 2020: 7 flagship initiatives

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<tr>
<th>Smart Growth</th>
<th>Sustainable Growth</th>
<th>Inclusive Growth</th>
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| **Innovation**
  « Innovation Union » | **Climate, energy and mobility**
  « Resource efficient Europe » | **Employment and skills**
  « An agenda for new skills and jobs » |
| **Education**
  « Youth on the move » | **Competitiveness**
  « An industrial policy for the globalisation era » | **Fighting poverty**
  « European platform against poverty » |
| **Digital society**
  « A digital agenda for Europe » | | |
Japan’s *New Growth Strategy* - *Convergences with EU 2020 ?*- 

**GREEN INNOVATION** - **LIFE INNOVATION**  
Science, Technology, IT - Employment and Human Resources

- The *Strategy* is based on Japan’s strengths and comparative advantages, focusing on three main potential sources of growth: the environment, health and tourism.

- It provides a clear and ambitious vision for the future by capitalizing on Japan’s exceptional strengths, notably a high level of investment in human capital and R&D and outstanding educational results.

- Important place given to science, technology and innovation as a platform to support growth.
INNOVATION!

« The Europe I believe in »

By 2015, I want Europe to have become not just a "knowledge society", but an "innovation society”...

Jose Manuel Barroso, European Parliament, 13 October 2009
What is “Innovation Union”?

- **Tackling weaknesses**
- **Under-investment**
- **Fragmentation**
- **Framework conditions**

- **Strategic approach**
  - **Partnership** with Member States
  - **From idea to market**

- Focus on **societal challenges**
- **Broad concept** of innovation
EU-Japan Relations

• Europe and Japan had a strong tradition of relations, that became weaker in post-war period

• Restart to relations in the 1970’s was overshadowed by trade frictions, but frictions increasingly gave way to cooperation and closer relations

• Cooperation key on global issues such as climate change and energy

• Tremendous scope for further broadening & deepening the relationship
EU-Japan Relations

- 1959 – Japanese Ambassador to Belgium appointed to CEE
- 1974 EC Delegation in Tokyo - ‘70s-‘80s Trade frictions
  - Post ‘89 – New World Order
- 1979 – The Mission of Japan to CEE is established and separated from the Embassy of Japan to Belgium
- 1991 The Hague Declaration – the shift towards political dialogue / Annual Summits mechanism, foreign ministers meeting twice a year
  - 1994 The Regulatory Reform Dialogue
- 2001 The EU-Japan Action Plan / from consultation to joint action in 4 major areas (security; trade; global challenges; people and culture)
- 2011 - EU-Japan Summit (‘Kizuna Summit’) - Ambitious renewal and upgrade of the EU-Japan political and economic ties
- 2012 - Announcement of FTA and SPA Negotiations
Frameworks and Dialogues between Japan and the EU

(1) Dialogues

Japan-EU Summit

Cross Sectoral Dialogues
- High-level Dialogue
- Regulatory Reform Dialogue

Sectoral Dialogues
- High-level Trade Dialogue
- Industrial Policy and Industrial Cooperation Dialogue
- Energy Dialogue

(2) Organization

The EU-Japan Centre for Industrial Cooperation
- Non Profit Organization established by METI and European Commision in 1987
- Joint Projects;
  Student in-company traineeships (Vulcanus)
  Management training programmes
  Business information dissemination services
  Support for the annual EU-Japan Business Dialogue Round Table
The New Partnership between Japan and the EU

Major Topics of Relationship between Japan and The EU

(1) Overview

**Multilateral Partnerships and Cooperation;**
- for tackling global issues and formulation of international rules as a “Global Partner” sharing fundamental values

**Bilateral Partnerships and Cooperation;**
- for realizing potentialities of trade and investment relationship between Japan and the EU

(2) Examples of Topics

- Trade rules;
  - e.g. WTO/DDA negotiation
- Anti counterfeit goods;
  - e.g. ACTA
- Climate Change
  - e.g. post Kyoto framework

- Environmental Regulations;
  - e.g. REACH, RoHS, EuP, WEEE
- Harmonization of Standards;
  - e.g. Accounting Standards
- Investment Policies;
  - e.g. Promotion, Regulations
- ITC Policies;
  - e.g. Software, Competition Policy
Importance of Trade For EU – Japan Relations

• Trade, a source of jobs and innovation
• However, EU-Japan trade relations have been in decline, due to changing global environment and division of labour trends.
THE REGULATORY REFORM DIALOGUE

- Since 1994/ exchange of proposals

- **EU focus**: unfair competition, market access, transparency (telecommunications, air transport, food industry/sanitary rules/food additives)

- **Japan focus**: fiscal issues/taxation, custom rules, technical standards, work visas
EU – Japan Free Trade Agreement

- Third round of negotiations
- Committed to negotiating a comprehensive FTA
- A chance to promote a better global trading environment
EU-Japan “Science Diplomacy”

- S&T Agreement signed on 30 November 2009 (after years of negotiation)

- The EU has been working together with Japanese ministries to make common coordinated calls for proposals and co-funding available in several research areas.

- Japanese participation in FP 7 is still reduced considering the actual potential

- Although in principle the Japanese entities are not eligible for funding which resulted in reduced interest for FP 7 participation, the 2011 FP7 Call for Proposals lists some highly technical areas for which funding is possible for the Japanese entities (as their contribution is considered indispensable): Aeronautics, Photovoltaics, Space, Superconductivity and Environment

- J-BILAT project (dissemination and awareness on FP7, building partnerships)
- J-BILAT II – promotion of Horizon 2020 (FP8) in Japan
- EU-Japan Centre for Industrial Cooperation nominated as Japan national Contact Point for Horizon 2020
CONCLUSION

The goal of **gradual** strengthening the EU-Japan ties to a level closer to the actual potential

- Towards and EU-Japan FTA …

- Towards a new Era of Cooperation – which priorities?