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Occasional Paper No. 9201  
February, 1992

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Revised from a paper presented at the University of Missouri  
INTER-CAMPUS SYMPOSIUM on:

"New Thinking" About European Security  
Restructuring Defense Strategies fro the 1990s

March 7-9, 1991  
University of Missouri-Columbia  
Columbia, Missouri

Supported by a grant from the University of Missouri Weldon Spring Fund

## THE EUROPEAN COMMUNITY AND PERIPHERY STATE RELATIONS

Birol A. Yesilada

### INTRODUCTION

Six members in 1952, nine in 1973, ten in 1980, and twelve in 1986: the European Community (EC) is the world's largest trading bloc that brings together more than 325 million people.<sup>1</sup> The twelve member states of the EC are Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom. Today, the entire world is watching with great interest and concern as the EC moves rapidly to integrate the economies of its member states, through Project 1992 and recent treaties signed during the 1991 Maastricht Summit on Economic and Monetary Union and Political Union, and expand its influence in global affairs. These decisions concern the future security considerations of the EC as Europe is experiencing dramatic changes. This paper only deals with the economic side of EC's security considerations.

The efforts of the EC states to integrate their economies have caught the attention of several countries in the periphery of the Community: the EFTA states, new democracies in Eastern Europe, the Baltic states, Russia, Ukraine, and the non-member Mediterranean countries (NMBCs). Almost all of these countries have shown interest in improving their

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<sup>1</sup>It should be noted that this claim to world's largest trading area may be fast changing as the EC and EFTA complete the European Economic Area (EEA). Until, agreements on EEA are finalized, however, the EC is the largest trade area in the world. Throughout this paper, the terms EC and Community will be used interchangeably.

relations with the Community, and some of them have applied for full membership in the EC. Turkey applied for membership in 1987 and Austria followed suit in 1988. Since then, Cyprus and Malta submitted their applications in 1990. Finally, Sweden followed in 1991 as part of its evaluation of the EEA negotiations. Others, such as Hungary, Poland, and Norway, may soon apply as well.

In EC-periphery country relations it is crucial to note that the Community has associational or co-operative trade agreements with most of the countries on its periphery and similar agreements are to be signed with the emerging democracies of East-central Europe. Furthermore, the EC and EFTA (Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland) agreed to create a trade region, larger than the EC, known as the European Economic Area (EEA). The speed at which the EC is moving along with economic integration, expanding its economic and political influence in the region, and the reciprocal attention it receives from the peripheral states has not been unnoticed by the other important powers of the world. Already, the United States is trying to create a counter trade area in the Americas and Japan is working on a similar plan in Asia.

Currently two sets of issues dominate the EC agenda: deepening of integration and the expansion (widening) of the Community membership.<sup>2</sup> While these two sets of issues may seem to be mutually exclusive, they are interrelated in the sense that the EC officials link the future success of economic integration to the Community's ability to expand into additional markets. In a similar fashion, the periphery states are interested in joining the EC

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<sup>2</sup>David M. Wood and Birol A. Yesilada, "European Integration in the 1980s and 1990s," *Business in the Contemporary World*, vol. 3, no. 3 (Spring): 93.

to benefit from the expected economic benefits of integration.

### **Deepening of Integration in the EC**

The "deepening" of economic integration in the European Community is a result of important global changes. First, the decline in US hegemony undermined the geopolitical security considerations on which the EC had relied since its establishment.<sup>3</sup> As the US's required hegemonic role, globally as well as regionally, eroded during the 1960s and 1970s no other credible candidate from among the EC members emerged to take on such a leadership role. Second, the demise of the Bretton Woods system occurred at a time when complex interdependence began to characterize relations among the member states.<sup>4</sup> During the 1970s, the EC states tried to cope with global economic turbulence by adopting nation-specific recovery policies. Such efforts not only failed to bring economic recovery to the Community but also contributed to Europessimism--stagnation in economic integration.

During the early 1980s, the EC members concluded that if the Community was to regain its lost competitiveness in industrial productivity, above the United States and Japan, there was no alternative but to create a true common market. That is, if the EC was to hold its own and regain lost momentum, it had to provide for economies of scale under a truly integrated and interdependent economy. As a result of pressures from industry, the EC officials led by the President of the EC Commission Jacques Delors, proposed a plan to

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<sup>3</sup>Wood and Yesilada, "*European Integration.*" pp. 91-92.

<sup>4</sup>Complex interdependence refers to interstate relations defined by Robert O. Keohane and Joseph S. Nye, Jr., *Power and Interdependence*, 2nd ed, (Glenview, Illinois: Scott, Foresman/Little Brown, 1989), Ch. 2.

achieve this goal. This was the White Paper, published in June 1985, which set out the necessary program for a Europe-wide deregulation of industry and finance designed, together with a clear time table for action. Subsequently in a historic move, the member states signed the Single European Act in Luxembourg in February 1986 which represented the first major amendments to the Rome Treaties of 1957. The Act detailed 282 measures (known as Project 1992) designed to eliminate restrictive policies and lift non-tariff barriers by the end of 1992.

There are sound economic reasons behind the Community's desire to complete Project 1992. According to a study by Paolo Cecchini expected economic benefits from this project are:

1. The potential economic gain to the Community as a whole from the single market is estimated to be in the region of 200 billion European Currency Units (ECU, 1 ECU = 1.28 - 1.36 \$US) or more, in 1988 prices. This is equal to a 5 percent increase in the EC's Gross Domestic Product (GDP).
2. Total savings from the abolition of administrative formalities and border controls is estimated to be around 13-25 billion ECUs.
3. Savings from increasing the scale of production of manufactured products will be around 2 percent of EC's GDP.
4. Those savings will deflate consumer prices by an average of 6 percent while contributing to output, employment, and improvement of living standards.
5. Integration will provide 2-5 million new jobs, depending on the macroeconomic policies accompanying the 1992 program.

6. It will boost the EC's trade with other countries on a scale of around one percent of GDP.<sup>5</sup>

These findings of Cecchini are considered conservative by Richard Baldwin of Columbia University. He estimates that the net long-term effects of Project 1992 could be as much as five times greater than the estimates of Cecchini.<sup>6</sup>

Since 1986, considerable progress has been made towards the completion of Project 1992. By August 1991, the Council of Ministers and the European Parliament approved 198 of the required single-market directives. The directives will take effect when they are approved by the national parliaments of the member countries. In accordance with these directives, the EC eliminated many physical barriers to trade among the members. At the same time, financial barriers are quickly disappearing. The results can be seen in the increase in intra-EC trade as percent of total EC trade: 54 percent in 1985, 58 percent in 1988, and 60 percent in 1989. Also, there has been a growing urge to merge business across the Community. According to the *Economist*:

the number of mergers and acquisitions made by Europe's 1,000 leading companies leapt from 300 in 1986-87 to 622 in 1989-90. Many of these mergers were national. But in the 12 months to the end of June 1990, the number of cross-border mergers and acquisitions in Europe exceeded domestic ones for the first time.<sup>7</sup>

The European Commission also reports that the number of joint ventures involving

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<sup>5</sup>For a detailed discussion of these benefits see Paolo Cecchina, *The European Challenge 1992: The Benefits of a Single Market*, (Aldershot, United Kingdom: Wildwood House for the Commission of the European Communities, 1989).

<sup>6</sup>Richard Baldwin, "The Growth Effects of 1992," *Economic Policy*, no. 9 (October, 1989).

<sup>7</sup>*Economist*, December 7, 1991.

companies from two different EC members increased from 16 in 1986-87 to 55 in 1989-90. Furthermore, during the first period, there were 88 large-scale mergers which created new companies with an turnover of more than 5 billion ECUs. During the latter period, the number for large-scale mergers was 257.<sup>8</sup>

The relative success of their efforts at establishing a true common market has, in turn, provided the EC leaders the incentives toward achieving Economic and Monetary Union (EMU) and Political Union (PU). These steps have been taken with the objective of gaining economic stability in the EC and increasing the Community's status and prestige in world affairs. The proposal for EMU was articulated in the 1988 Delors Plan which was later adopted at the 1989 Madrid Summit.

The 1988 Delors Plan articulated the proposal for EMU that emphasized coordination of economic and monetary policies and, ultimately, the establishment of a central banking system and a common currency for the EC states. The heads of government of the EC states accepted the idea of the EMU during the 1989 Madrid Summit and also pushed forth the idea of political union. Furthermore, as the rest of the world looked in amazement at what was occurring in the EC, and tried to assess the potential impact of Project 1992 on world trade and welfare, the Community members signed other historic agreements during the Maastricht Summit in December 1991.

The EMU treaty outlines a timetable to complete economic integration and the European Monetary Institute will be formed by 1994 to coordinate monetary policies of member states. This institute will later become the European Central Bank by July 1998.

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<sup>8</sup>*Economist*, January 25, 1992, pp. 49-50.

Finally, by January 1999, the ecu will become a common currency for the EC (Britain, however, is given the right not to adopt the ecu even if the other EC states do).<sup>9</sup> The agreement on political union is far less ambitious than the EMU treaty and falls far short of calling for a federal formula for the Community. It states that the European Council will sit astride three pillars known as the European Union. The first pillar is the old Community with its new EMU orientation and responsibilities. The second pillar is for coordination of foreign and security policies. And the third is for cooperation on such issues as immigration and policing. The latter two pillars are to be intergovernmental entities over which the EC institutions (Commission, parliament, court, etc) will have less control than in the first area.<sup>10</sup> In summary, the Maastricht Treaty broadened the range of issues that require cooperation of the twelve member states but did not significantly expand the powers of the commission and the parliament. The Commission can now make proposals on industrial policy, visas, education, health, culture, and consumer protection. It can also participate in discussions on foreign policy and domestic security. The Parliament, on the other hand, has a veto power on the single market legislation, policies on the environment, and research and development policies.<sup>11</sup>

### **EXPANSION OF THE EUROPEAN COMMUNITY?**

Expanding the membership of the EC is beneficial to the current members and to

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<sup>9</sup>"EUROPE/Document No. 1752/1753. 20 December 1991.

<sup>10</sup>*Economist*, January 25, 1992.

<sup>11</sup>*Ibid.*

those peripheral countries that aspire to join the Community. The EC is interested in expansion because this would enhance Community influence in Europe. As previously mentioned, those who want to join the Community do so because of the expected economic benefits of Project 1992.

The view of EC officials on expansion is reflected in an opinion paper prepared by the Economic and Social Committee of the EC on January 25, 1989. This report specifically states that the Community is in a global competition with the United States and Japan:

even once it is reinforced by establishment of a barrier-free internal market, the Community will not be able to withstand competition from the two main strategic areas of America and Asia unless it expands its economic area and market. To create this strategic European area, the Community will have to turn to its neighbors: European Free Trade Association (EFTA), Eastern Europe, and the Mediterranean. In this latter region, the Community must rapidly make up for lost time: the Mediterranean is now a focus of US and Japanese trade, investment, economic aid, and above all, technological "colonisation."<sup>12</sup>

The recent activism of the EC officials in providing economic assistance and leadership to post-Communist countries of East-central Europe, the push for economic cooperation in the Mediterranean Basin, and a peace initiative in Yugoslavia all support the arguments of the Economic and Social Council. Certainly, the periphery states have indicated their desire to cooperate with the Community, either as associate members or full members of the EC. While the EC is eager to establish associational cooperative trade agreements with these states it is less willing to grant full membership to just anyone. In

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<sup>12</sup>EC Economic and Social Council, "Opinion on the Mediterranean Policy of the European Community," *Official Journal of the European Communities*, no. C221/16 (January 25, 1989), par. 2.5.

fact, the membership applications of Austria, Cyprus, Malta, Sweden, and Turkey are postponed until important progress is made on "deepening" of integration in the Community.

### Conditions for Membership

There are two requirements for membership in the EC: a country should be European and it must have a developed economy comparable to the member states' economies. In addition, there is a political requirement that aims at promoting democracy in the region. While the Treaties of Rome did not specify any explicit political conditions for membership in the EC, the Birkelbach Report of 1962 stated that "only states which guarantee on their territories truly democratic practices and respect for fundamental human rights and freedoms can become members of our Community."<sup>13</sup> Since its adoption by the EC, this report has been critical in determining the members' relations with other states.

In its relations with periphery countries, the EC tries to improve ties by establishing association agreements for cooperation. There are two kinds of association or cooperation agreements extended to non-member countries by the Community.<sup>14</sup> The first type provides for foreign assistance and designated areas of trade between the EC and non-member states. Countries in this category are not targeted for eventual accession to full membership. Countries that benefit from the Lomé Conventions and Global Mediterranean

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<sup>13</sup>As cited in Laurence Whitehead, "International Aspects of Democratization," in *Transition from Authoritarian Rule: Comparative Perspectives*, Guillermo O'Donnell, Philippe Schmitter, and Laurence Whitehead eds., (Baltimore: The Johns Hopkins University Press, 1988), p. 5.

<sup>14</sup>Birol A. Yesilada, "The EC's Mediterranean Policy," in *The State of the European Community: Policies, Institutions, and Debates in the Transition Years*, Leon Hurwitz and Christian Lequesne, eds., (Boulder and London: Reinner/Longman, 1991), pp. 360-361.

Policy are in this category. The second type of association prepares non-members for possible membership in the Community or the creation of a customs union between the nonmember state and the EC. Agreements with Austria, Cyprus, Malta, and Turkey fall into this category. As stated earlier these countries have all applied for full membership in the Community.

### **EC and EFTA Relations**

Perhaps the best indication of the EC's desire to expand its membership and its sphere of influence is the current negotiations with EFTA countries to create the European Economic Area (EEA). The EEA idea dates back to 1984 when it was first suggested at the joint EC-EFTA ministerial meeting in Luxembourg. According to René Schwok:

The event that triggered the new development of the EEA was the speech of January 17, 1989, by Jacques Delors to the European Parliament in which he proposed to EFTA "a new form of association, with common decision making and administrative institutions." At that time, Jacques Delors reactivated the EEA in order to avoid the EC's historic mission--political union--being endangered by neutral members. In January 1989, before the end of Communism in Europe, Jacques Delors was especially unenthusiastic about attempts by Austria, a neutral country, to apply for EC membership.<sup>15</sup>

With the collapse of communism in Europe, concerns about neutral countries' impact on EC security policies disappeared to a large extent and after 16 months of negotiations the two communities agreed to create the world's largest trading area, the EEA. The original agreement, encompassing 19 European states and 380 million citizens, called for free flow of

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<sup>15</sup>René Schwok, "EC-EFTA Relations," Ibid. p. 229.

capital, services, workers and most goods throughout the EEA as of January 1, 1993--at the time when the EC's common market would take effect. This new trade area would account for 40 percent of world trade. However, the agreement has been sent back to the negotiation table due to a reservation registered by the EC Court of Justice.<sup>16</sup> The crucial concerns of the Court centered on the proposed joint EC-EFTA tribunal to resolve certain EEA-related disagreements. The agreement calls for 5 of the 13 EC judges to sit on the EEA court. This raises the question whether the EC judges of the joint tribunal will still be allowed to rule on an EC case if a similar case is already decided by the previous body. The current negotiations are attempting to resolve this problem.

In the context of greater European Community it is important to examine the implications of the EEA on European integration. EFTA supports the EEA because it can accelerate its integration into Project 1992 and will provide the EFTA states with better odds in becoming full members of the EC. For the EC, the EEA will increase its status and influence in Europe and expand its economic base and power. According to the original agreement, products originating in the EC and EFTA countries (with some restrictions for agricultural products, fish, energy, coal and steel), will move freely throughout the new EEA as of January 1, 1993. At the same time, both the EC and individual EFTA countries will maintain their individual tariff schedules for imports from third parties. Furthermore, the EFTA countries would remain outside of EC's Common Agricultural Policy (CAP).

The agreement also specifies that EFTA will adopt EC laws and rules on competition, anti-trust, abuse of dominant position, public procurement and state aid, company

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<sup>16</sup>*Eurocom*, vol. 3, no. 11 (December, 1991).

regulations, consumer protection, education, environment, research and development, and social policy. As a control mechanism for compliance with these changes and also as a judicial body to settle disputes the independent EC-EFTA tribunal will be established.

Furthermore, EFTA countries and the EC agreed to mutual recognition and freedom of movement of professionals throughout the EEA. One exception is Switzerland which has very strict immigration laws. This country is given five years to comply with the above requirements.<sup>17</sup>

While negotiations are continuing to resolve existing ambiguities in the agreement, some EFTA countries are moving rapidly to register their applications for full membership in the EC. Sweden applied in 1991. Finland will consider the issue in Spring 1992.

Switzerland indicated that she will apply for membership and Austria asked for the start of negotiations to consider its application. Finally, Turkey, which applied for membership in 1987, signed a free trade agreement with EFTA countries on December 10, 1991 and potentially improved its chances for eventual accession to full membership.

### **The EC and East-central Europe**

Recent revolutions in East-central Europe served as catalysts to modify radically EC's policies toward this region. Soon after the collapse of communist regimes in East-central Europe, the EC-officials initiated an economic reconstruction program for the former communist states. The EC Commission played a leading role in the organization of international assistance to restructure the economies of Poland and Hungary. This program,

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<sup>17</sup>*Eurocom*, vol. 3, No. 10 (November, 1991).

known as PHARE, expanded to include other East-central states as they abandoned communism. The scope of the restructuring program also expanded from development credit to cooperation and reconstruction. Finally, the EC went a step further and proposed a "global policy," similar in nature to the Global Mediterranean Policy, which emphasizes the importance of establishing mutual associational relationships with those of the East-central European states. The prerequisites for establishing such relationships, on the part of the East-central states, are progress on political democratization and economic reforms toward a market system. As Françoise de La Serre explains "more than anything else, the experience the EC has accumulated in terms of trade and cooperation policy with third countries or in the field of operations (food aid, for example) has allowed it to become the privileged interlocutor for eastern Europe."<sup>18</sup> Certainly, the EC has made substantial gains in this area in its competition for influence with Japan and the United States.

One year after negotiations started, the EC initiated association, or "European Agreements," with Czechoslovakia, Hungary, and Poland.<sup>19</sup> These 10-year agreements are designed to facilitate reform process in the three countries and to pave the way for eventual accession to full membership in the EC. These agreements are similar in scope to the associational agreements which helped Greece, Portugal, and Spain to join the Community. Furthermore, agreements with Czechoslovakia, Hungary, and Poland underline the EC's goal in expanding its influence into East-central Europe.

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<sup>18</sup>Françoise de La Serre, "The EC and Central and Eastern Europe," in *The State of the European Community: Policies, Institutions, and Debates in the Transition Years*, Leon Hurwitz and Christian Lequèsne eds., (Boulder and London: Reinner/Longman, 1991), p. 310.

<sup>19</sup>*Eurocom*, (December, 1991), p. 2.

The three agreements are similar in their structures but vary in content according to the specific needs of each country. They emphasize the fact that Hungary and Poland are more dependent on agricultural exports, and thus more vulnerable to EC's CAP restriction than Czechoslovakia. Over time, these countries will adapt their administrative laws to comply with Community legislation--particularly the competition laws. In the meantime, the three countries will continue to receive financial assistance through the PHARE program until the end of 1992. Furthermore, the three countries will receive Community assistance in the following areas of common interest: product and safety standards, educational and training programs, regional development, environmental protection, drug trafficking, and transportation and telecommunications.<sup>20</sup> At the time of writing this paper, the EC is negotiating other "European Agreements" with the Baltic States and there are signs that future talks will take place with other East-central European countries.

It is important to realize, however, that recent developments in Yugoslavia complicate EC's economic and political security policies in the region. Germany's unilateral decision to recognize the independence of Slovenia and Croatia and then force the EC to adopt the German position as a Community policy, presents a dangerous precedent for foreign policy making. While it is not the purpose of this paper to analyze in great detail the political security issues of the EC, it is crucial to note that the behavior of the German government added to instability in Yugoslavia and, more significantly, provided great uncertainties regarding the Community's willingness to help stabilize the volatile Balkans. Furthermore, German policy towards Croatia and Slovenia is not only effecting the Community's Balkan

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<sup>20</sup>Ibid.

policy but also the Global Mediterranean Policy (GMP) because Yugoslavia is part of both policy areas.

### **EC's Global Mediterranean Policy**

The GMP has been the blueprint for the EC's relations with the non-member Mediterranean Basin countries (NMBCs) since its adoption at the 1972 Paris summit. Resembling the EC's Lomé agreements, the GMP's primary purpose was to promote close trade and financial relations between the Community and the NMBCs. This policy was a crucial shift from the Community's bilateral relations with each country of the region to a multilateral approach where the Mediterranean basin was treated as a single region.

During the last two decades, the GMP has experienced significant changes that affected trade and other forms of cooperation between the EC and NMBCs. The membership of Greece, Portugal, and Spain in the EC further strained relations between the two regions as these Mediterranean countries obtained advantageous positions vis-à-vis other NMBCs. That is, the memberships of Greece, Portugal, and Spain negatively affected the NMBCs relations with the Community.<sup>21</sup>

In recent years, two important developments convinced Community officials to

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<sup>21</sup>For a detailed analysis of trade relations see Birol A. Yesilada, "The EC's Mediterranean Policy," pp. 361-365; Roy Ginsberg, "The European Community and the Mediterranean," in *Institutions and Policies of the European Community*, Juliet Lodge, ed., (New York: St. Martin's Press, 1983); Richard Pomfret, "The Impact of EEC Enlargement on Non-member Mediterranean Countries' Exports to the EC," *The Economic Journal*, 91 (September, 1981); and George Yannopoulos, "Prospects for the Manufacturing Exports of the Non-candidate Mediterranean Countries in a Community of Twelve," *World Development*, 12 (December, 1984).

re-examine the GMP. The first factor was Project 1992 and how it might further damage NMBCs' trade relations with the EC. And as mentioned earlier, the other issue was the competition in this region between the EC and its global rivals, namely the United States and Japan. The concerns of the Community are reflected in the speech of the vice-president of the Brussels Commission, Frans H. J. J. Andriessen on April 25, 1990. In his speech Andriessen underlined the growing Mediterranean character of the EC and explained how long-term ties between the Community and the Mediterranean Basin resulted in associational agreements with many countries of the region. However, these agreements have lagged behind their original goals over the last 10-15 years. Therefore, Andriessen argued, there was a need to readdress the GMP due to the fact that "increasingly closer geopolitical rather than political links will be forged between the Mediterranean countries in the coming decades [and that] the European Community will be involved in this process."<sup>22</sup> The significance of the Mediterranean Basin to the EC is also reflected in the address of Commissioner Abel Matutes, member of the Commission with special responsibility for the Mediterranean policy, where he explained that the NMBCs are the Community's third-largest customer and its fourth-largest supplier, providing 20 percent of its energy imports.<sup>23</sup>

In light of these developments, the EC decided to reevaluate its policy towards the Mediterranean Basin and eliminate problems that prevented progress of the original GMP of

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<sup>22</sup>Frans H.J.J. Andriessen, "Europe at the Crossroads," presentation given at the 10th annual Paul-Henri Spaak Lecture at Harvard University, April 25, 1990, pp. 11-12.

<sup>23</sup>European Commission, "The Community's Mediterranean Policy: New Initiatives," summary of an address given by Matutes to the symposium on human movements in the Western Mediterranean, Barcelona, November 9, 1989.

1972. The opinion paper of the Economic and Social Council called for the establishment of a truly interdependent relationship by adopting a joint development strategy. Specifically, the Council called for:

1. Solving the competition problems that will be caused by the gradual opening-up to NMBCs' agricultural and industrial exports.
2. Reformulating EC policies on CAP, industry, research and development, energy, transportation, and regional policy.
3. The Community must iron out disparities between the south and the center-north of the EC, providing the southern members a strategic role as a bridge between the economically most advanced parts of the EC and the developing countries of the Mediterranean Basin.
4. To bring together the various parts of the Mediterranean by developing a proper transport and communication network.
5. Achieve complementary relations between the various industries of the two areas by providing the NMBCs with access to innovation, advanced technologies, and allowing them to tap into local environmental and cultural resources.
6. Establish a truly "global" approach by disregarding pleas for special treatment from some of the NMBCs which claim to have closer ties with the Community for one reason or another.
7. Harmonize the Community's GMP with individual member states' policies to these countries. In this regard, the Community should play a leadership role.
8. Provide increased financial assistance to the NMBCs.<sup>24</sup>

For the implementation of these policy recommendations, the Council called for a four-stage program--sort of a blueprint for the construction of the new Mediterranean Policy. These steps are:

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<sup>24</sup>EC. Economic and Social Council, "Opinion on the Mediterranean Policy," par. 3.1-5.7.

1. First stage which includes the adoption of a Community paper setting out general guidelines for revitalizing the Mediterranean policy. This means, approval by the Council of Ministers, following a proposal from the Commission in cooperation with the European Parliament. Furthermore, this stage would involve the establishment of a Mediterranean Cooperation Council.
2. Second stage where the Mediterranean forum is established. This includes preparation of specific guidelines for sectoral policies, launching of major pilot development agreements, and coordination and support over member states' policies towards the region.
3. Third stage which involves the establishment of a center or agency which will provide technical support for the development agreements.
4. Conclusion of the EC-NMBCs joint development convention with the creation of specific institutions for the above purposes.<sup>25</sup>

In accordance with the suggestions of the Economic and Social Council, the EC Council of Ministers held policy discussion on the GMP and reaffirmed the Community's desire to strengthen cooperation with the NMBCs. At the end of this meeting, the Council of Ministers called upon the EC Commission to submit to it specific proposals for the implementation of the GMP. The Commission responded by proposing the following guidelines:

1. Supplying technical support for economic, fiscal and financial reforms and reducing the social cost of structural adjustment, particularly improving food supply.
2. Using the European Investment Bank or EEC finance bodies to promote private investment by means of joint venture operations.
3. Choosing top priority sectors where more investment is needed (environment,

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<sup>25</sup>Ibid., par. 8.

communications, and extending the region's industrial network).

4. Continuing access to the Common Market, particularly through traditional farm trading patterns, while improving access for industrial products.
5. Involving these countries more closely in the aims of the Internal Market by promoting and improving exchanges of information on standardisation and technical harmonisation, for instance.
6. Improving the economic dialogue already established with some countries in the fields of agriculture, energy and taxation and extending the dialogue to regional organizations such as the Arab Maghreb Union or the Arab Cooperation Council.<sup>26</sup>

It is evident that the EC has recognized the failure of the initial Global Mediterranean Policy of 1972 and is trying to revitalize it by making some crucial policy reorientation and reformulation towards the Mediterranean Basin. Since the declaration of the above documents, EC officials have been busy attempting to launch a new regional cooperation in the NMBCs. However, the efforts of EC officials are not without confusion. Since their entry into the Community, Spain, Portugal, and Greece have been actively involved in determining EC policies towards the NMBCs. In recent years, France and Italy also entered this race and added to the confusion. According to Alfred Tovas:

both Spain and Portugal will try to maximize trade diversion in wine, fruit, and vegetables by proposing modifications in the CAP, but not necessarily in the highly visible Mediterranean Policy. Both will strongly defend the principle of Community preference in agriculture, which can only mean more protectionism against other Mediterranean producers of fruit, vegetables, and olive oil. All this implies a further raising of fences between the Community and the

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<sup>26</sup>EC Commission, "EEC/Mediterranean Countries: Refurbishing the Mediterranean Policy," *External Relations*, No. 1544 (November 29, 1989), p. 10.

Mediterranean Basin, a very dangerous strategy for the Community because of its energy dependence on the area as well as the importance of the basin's market for European goods and services.<sup>27</sup>

The positions of the three newest members of the EC are indeed dangerous for the EC not only because of energy and market dependence but also because of geopolitical considerations. The recent Gulf crisis proved how important the region is for security interests of the Community. The proposals of the Economic and Social Council and the EC Commission are aimed at minimizing such problems. Their efforts seem to have produced some results. Recently, the Mediterranean members of the EC, led by the Italian Foreign Minister Gianni De Michelis, called for the establishment of a Conference on Security and Cooperation in the Mediterranean. This idea is modelled after the Conference on Security and Co-operation in Europe. The Italian and Spanish officials fear that growing economic and demographic disparity between the members and the NMBCs would be damaging to the long term interests of the EC. While they argue that such a conference should include all of the eastern Mediterranean states, even extending to the Persian Gulf and Iran, the French maintain that the cooperation needs to start with a more narrow focus--namely the Maghreb (Morocco, Algeria, and Tunisia). Despite the appearance of some confusion over the GMP, it is clear that Mediterranean Basin has once again become an important issue on the EC agenda.

With regard to the GMP, events in Yugoslavia are once again presenting potential problems for the EC states. The German decision to force de facto EC recognition of

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<sup>27</sup>Alfred Tovas, *Foreign Economic Relations of the European Community: The Impact of Spain and Portugal*, (Boulder: Lynne Rienner, 1990), p. 108.

Slovenia and Croatia has given incentives for other Yugoslav states to seek independence. Bosnia-Herzegovina and Macedonia have indicated their desire to become independent states. Thus far, Bulgaria and Turkey have recognized the independence of Macedonia. If Bosnia-Herzegovina declares its independence, Turkey will probably extend its recognition. The EC, on the other hand, is less eager to recognize the independence of these states. In the case of Macedonia, Greece is opposed to the very name of the new state because it allegedly damages Greek culture and carries with it the potential threat to the territorial sovereignty of Greece.<sup>28</sup> It is clear in this case that Greece will block EC recognition of Macedonia as an independent state.

The problem of Bosnia-Herzegovina is somewhat more complex. This Yugoslav republic has 1.9 million Muslims, 1.3 million Serbs, and 800,000 Croats who have different loyalties. The Serbs are asking for the creation of a Bosnian confederation of three communities or they will declare their own independence if Bosnia-Herzegovina attempts to become an independent state. The Croats are interested in joining Croatia. Muslims, on the other hand, emphasize the indivisibility of the republic. However one looks at the situation in Bosnia-Herzegovina, it is clear that the republic is the ethnic tinderbox of Yugoslavia. The Yugoslav army has been building up its presence in the area which houses 80 percent of its weapons industries.<sup>29</sup> Faced with growing tension in the republic, the President of Bosnia-Herzegovina, Alija Izetbegovic, stated that if the Serbian or Croatian forces/irregulars

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<sup>28</sup>*New York Times*, (February 3, 1992), "As Republic Flexes, Greeks Tense Up."

<sup>29</sup>*The Christian Science Monitor*, (November 20, 1991), "EC Deadline Pushes Bosnia to the Brink."

begin a military campaign against the Muslims he will call upon Turkey's help. It is interesting to note that this message was warmly received in Ankara. Such outcome would undoubtedly cause friction between some members of the EC and Turkey and, therefore, damage the GMP.

## CONCLUSIONS

The above analysis shows that expansion of the EC membership is inevitable for several important factors. First, it is in strategic and economic interest of the Community to maintain good relations with its periphery. Second, the EC needs to expand its economic base by absorbing new areas into its framework in order to compete with the United States and Japan--not only in regional terms but also on a global scale. And third, the periphery states are interested in attaining membership in the EC because economic integration in Europe (Project 1992 and Economic and Monetary Union) promises economic benefits to all who are taking part in this process. In this regard, it is important to note that even those countries which can not become a member of the Community, such as the non-European states of the Mediterranean Basin, are interested in establishing associational agreements with the EC. Such agreements will give these countries preferential treatment over other trade partners of the Community. However, expansion should not be expected to take place very soon. Before any new members are added into the Community, substantial progress must be made in the "deepening" of integration between the 12 members. Given the timetable for economic and monetary integration, it is probable that no new countries will become full members of the EC until the end of this century. Furthermore, the Community needs to sort

out the complex problems of the Balkans and provide sound leadership in the process before the Balkan conflicts damage, or "Balkanize" so-to-speak, the Community's economic and political policies in East-central Europe and the Eastern Mediterranean Basin.