

Editorial



Dr. Fritz Franzmeyer,
head of the "International Economics"
department stating:

"The End of an Integration Model"

The "northward extension" of the EU at the start of this year marks the end of an integration model: it has become the victim of its own attractiveness. The size and structure of its bodies and the complexity of its decision-making procedures have made the giant clumsy. Its cohesive forces are shrinking, while centrifugal forces grow in strength. This is the reason behind the EU's declared intention to make its organs leaner and to tighten up its operating procedures prior to "eastward extension", enabling the high level of integration to be maintained.

Yet it is not the major achievements of the EU – customs union and the internal market – that are potentially explosive. Given appropriate exchange rates and responsible behaviour by economic policy-makers and collective bargainers, they could withstand a widening of the circle of countries involved (with the exception of the "fourth freedom" of the free movement of labour, for which a special regime would have to be introduced). It is other design elements that would inevitably destroy any Union of the Twenty based on the status quo. Above all, the policy of "sweetening" each reduction of economic barriers and each new accession of members with compensatory financial allocations to those affected is now proving fatal.

The Common Agricultural Policy was misconceived from the outset, although without it the Community of the Six would certainly never have come about. Yet this "bottomless pit" was only extended under the growing pressure of the reduction in internal tariffs on industrial goods, which hit France particularly hard. Ireland's membership of the Community was rendered palatable to it by the creation of the Regional Fund. The Integrated Mediterranean Programmes were initiated to please Greece, while Spain and Portugal also benefited from the further, extraordinary extension of the Structural Funds. Last but not least, the price for the plans for European Monetary Union was the setting up of the Cohesion Fund.

A high degree of solidarity is certainly an essential element of any integration community. Yet two fundamental principles must not be forgotten, in the absence of which solidarity saws off the very branch on which it is sitting: efficiency and acceptance. In view of inflated costs and activity levels, both are lacking in the EU. The eastward extension of the EU will be impossible if progress is not made on the long-overdue task of tackling internal weaknesses – reform of the Common Agricultural Policy, better focusing and improved monitoring of structural policy. Instead the EU is now seeking to cover up its own inadequacies with reference to the alleged immaturity of the prospective Member States in eastern Europe and their inability to participate in an integration process at a high level. Without internal reform however, the "Club of Fifteen" will itself have seen its best years, and this, in turn, would reduce its attractiveness to those outside the EU.