CHAPTER V

THE AMSTERDAM TREATY : ISSUES, OPTIONS AND RESPONSES

After adopting the Single Act in 1985 and negotiating the Maastricht Treaty in 1990-92, West Europeans once again found themselves confronting the unending task of re-examining the institutions, reviewing the existing structure that holds the existing 15 Member States together and seeking to find answers to the unresolved issues and challenges of the 1990s. The years following the signing of the Treaty on European Union revealed how bright promises gave way to apprehensions in face of new threats. The Maastricht Treaty after completing its hazardous journey towards ratification exposed its deficiencies as a blue print for a federal community. The Treaty resulted in an elaborate compromise between the United Kingdom, France, and Germany. A fixed timetable was agreed for the Economic and Monetary Union (EMU) by 1999 and the European Parliament extended its powers to block or amend EU laws. But at Anglo-French insistence, matters of internal and external security remained subject to loose cooperation between national governments. The only ambitious design was to build a federal Europe, with a Common Foreign and Security Policy (CFSP) and this rendered a political dimension to the EU. Combining the political and economic dimension of the EU was a gamble and a hope.1 The hope was that the methods of integration that

1 See M. Brenner, "EC-Confidence Lost", Foreign Policy, no.91, Summer 1993, p.23.
formed the basis of economic harmonization could be applied to political unification. The gamble was "making West Europe's huge stake in both its own solidarity and conciliation with the East hostage to that hope". The gamble gradually seemed to fail due to the contradiction between the attitudes that made economic integration possible and those needed to forge a legitimate political union. The strategy laid down at Maastricht was bold in its goal but fearful in its method for attaining that goal. The leaders of the 12 Member States committed their people to a plan for relocating the sovereign authority that governs them without serious public debate about either the aims of this exercise in constitution-building or the basis for its legitimacy. It was perhaps rightly pointed out by Jacques Santer when he said,

> It is not the willingness of political leaders to find satisfactory answers to many of these questions. But I am concerned about our ability to involve the citizens in our project...we must clarify what we are up to and why we believe it is in their long-term interest. We must listen to their reactions and concerns...we cannot make progress if we have two agendas - one for the citizens and one for the political leaders.

The sovereignty gap lay at the heart of the debate over Maastricht and the EU's crisis over democratic legitimacy was accentuated by the Member States that were no longer able to employ

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2 Ibid.
standard powers of the state. Supranational institutions in Brussels continued to lack independent sources of authority. The TEU which promised greater privileges to a sceptical citizenry symbolized how a EU so conceived cannot authoritatively resolve interest disputes above a certain level of intensity. Mounting popular scepticism about the Maastricht mission of the EU owed much to the economic downturn in the early 1990s. On the one hand, political elites viewed the supranational organisations like the European Central Bank as a necessary step towards political union, while the citizens, on the other hand, were concerned with the immediate economic hardship. The French legislative elections in March 1993 that forced the ruling Socialists to take a back seat were the most significant signs of a political mood which was also evident in Germany, Great Britain and Italy. That disillusionment revealed the fragility of the foundation for the Maastricht design for a fully integrated West European economy.

The economic and financial issues came into the forefront with some of the Member State's reluctance to increase the budget (Germany) and reform the CAP (France). The EU also witnessed fractious disputes

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5 For background analysis and theoretical perspectives on political legitimacy and public opinion see, Daniela Obdradovic, "Political Legitimacy and the EU", *Journal of Common Market Studies*, vol.34, no.2, June 1996, pp.191-216

6 For instance, in the post Maastricht period, the farmers, fishermen and steel workers saw their respective economic position threatened from new sources. This also holds for a large mass, who for a long time did not show much inclination to embrace their neighbours of the erstwhile communist states.

over how to fulfil its collective needs by the changing direction to aid to assist the fledging democracies in Eastern Europe.\textsuperscript{8} The strains placed on the economic fabric of the EU by such contentious issues highlighted both the strengths of parochial interest and weaknesses of governments.\textsuperscript{9}

**THE IGC, 1996: AGENDA AND ISSUES**

The Intergovernmental Conference (IGC) 1996, which was conceived as far back as 1991 was intended to assess the functioning of the TEU and to address the institutional changes necessary for further enlargement.\textsuperscript{10} A number of key issues were likely to emerge after the IGC, for example, decisions concerning moves towards the EMU, enlargement negotiations with the applicant countries and proposals for the EU budget. In addition, the CAP and the Structural Funds, which were not part of the IGC agenda were recognized as two main policy areas that needed to be revised with successive enlargements.\textsuperscript{11} The EMU formed one of the basis of the context of IGC. Although it was not on the IGC agenda itself, yet it had a strong background presence and influenced negotiations between France and Germany, both of which have been crucial actors in shaping the EMU and in particular


\textsuperscript{9} Also see EC, Commission Report for the Reflection Group, IGC, 1996 (Luxembourg: Official Publications of the European Communities, 1995) pp.3-4


\textsuperscript{11} For a detailed and critical analysis on the complications arising in the EU as a result of enlargement see, M.Haynes and K.Pinnock, "Towards a Deeper and Wider EU", Economic and Political Weekly, vol.33, no.8, 22 February 1998, pp.415-430.
with regard to their positions in the IGC.\textsuperscript{12} The issue of EMU determined the pace of progress at the IGC, on the one hand and affected the pace and attitude towards enlargement.\textsuperscript{13} The progress of EMU could also bring in questions of an inner-core and outer-core with only some of the Member States joining it and others opting out if EMU goes ahead on schedule. In view of this, the IGC would directly or indirectly address the issues of a "multi-speed" Europe and "variable geometry".\textsuperscript{14}

The question of successive enlargement of the EU to the CEEC presented major institutional challenges to the plethora of problems ranging from budgetary arrangement to the balance between commonality and flexibility, from operational capacity of an enlarged EU to the role of unanimity in decision-making which were some of the vital questions that 1996 IGC sought to answer.\textsuperscript{15} Monetary union

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\textsuperscript{13} EU Commissioner Hans van der Broeck has said that without progress on EMU or on political union, enlargement is unlikely. See, Hans van der Broeck, "Briefing at the European Commission, Representation in the UK, 17 November 1995, Press Release. Also see, EC, "The Issues as The Amsterdam Summit Approaches", Speech by Padraig Flynn, Commissioner for Employment and Social Affairs, Institute of Economic Affairs, Dublin, 18 April 1997. According to Flynn, IGC is a "window of opportunity through which the EU can pass before it plunges into the EMU".

\textsuperscript{14} "Multi-speed" denotes common commitments to policies but differing timing of implementation and "variable geometry" refers to the possibility of some countries not participating on the basis of opt-outs in a policy. For a more detailed discussion, see, Helen Wallace, "Flying together in a larger and more diverse EU", (Netherlands Scientific Council: Working Document, W87, 1995).

alongside enlargement was likely to dramatically sharpen the sense of diversity of the EU. There have been urgent calls for new and more flexible forms of integration as the EU's structure have undergone very little change since its inception in 1957. Two issues were the focus of discussions at the IGC, 1996. The first was whether to anticipate the impact of monetary union and enlargement by planning far-reaching changes in decision-making and the institutions. The other was how to effect any changes that are necessary without damaging the interests and rights of the existing Member States of the EU.

**Issues:**

The issues discussed in the context of 1996 were matters which struck at the root of national sovereignty and went well beyond national interests. One crucial question which aroused differing opinions from different Member States was regarding the areas whose jurisdiction could not be transferred to the EU and what powers were to be placed under the domain of the Union.\(^{16}\) The main institutional reforms targeted in the 1996 IGC dealt with problems of democratic deficit, voting procedure, decision-making, role of the Parliament, Council and the Commission, Justice and Home Affairs, and the CFSP.

One of the major deficiencies in TEU was the democratic deficit where the national governments (represented by the Council of Ministers) and a Community executive body (the Commission) stand against a weak Parliament. The question of democratic deficit arises in

view of the absence of any democratic legitimation of the sovereignty of the EU which must emanate from the citizens of the Member States via the national parliaments - a goal the TEU failed to achieve.\textsuperscript{17} As was observed by the Federal Constitutional Court of Germany during the Maastricht Treaty ratification the democratic legitimation of the EU is provided by the European Parliament which is elected by the citizens of the Member States. In order to overcome the democratic deficit, it is essential to bring the EU closer to the citizens and closely associating the national parliaments and the European Parliament.\textsuperscript{18} All aspects of subsidiarity also play an important role. A primary task for the 1996 IGC was to find out the level at which political tasks could be carried out more efficiently and to delineate the powers at the various levels more clearly. This would bring in the basic question of whether the EU should be organized on an intergovernmental basis or whether a federalist approach would be required to define the policies of the EU. Institutional questions are of paramount importance in view of the problem of creating greater legitimacy for the process of European unity. This includes the tasks of finding means to incorporate national parliaments into the process of integration and simplifying the much complex decision-making process and positions regarding majority-voting.


\textsuperscript{18} See Klaus Haensch, "The Relations between the European Parliament and National Parliaments," Speech at European Policy Forum, 23 January 1995, \textit{Europe Documents,} no.1920, 27 January 1995, p.6. Haensch stressed the need to develop these relations but rejected a number of proposals which in his opinion would make the system less transparent and more complicated.
The view that the EU's decision-making process needs a fundamental overhaul has been broadly accepted. The system was originally designed for the EC of Six. It needs to be streamlined now with the expansion of EU membership. The TEU aimed at making the system more efficient. For instance, the areas where a 'qualified majority' was required had been expanded. This also implied that the national veto had been restricted in certain areas. Nevertheless, the system has become even more complex due to the piecemeal granting of powers to the European Parliament. In some fields, especially the budget, the Parliament is the most crucial actor.\(^\text{19}\) In other matters, the Parliament and the Commission can overrule the Council of Ministers. But overall the Council retains the key legislative powers and the Commission has the "power of initiative" but burgeoning the legislative powers reduced the effective workability of the system. Although, the system of legislative and implementing procedures has functioned relatively well, it has three major weaknesses,

- the continuing divergence between the legislative and budget procedure,
- the complexity of the decision-making system,
- the lack of logic in the choice of the various procedures and the different fields of activity where they apply.\(^\text{20}\)

A linked question was how to redistribute voting weights in favour of countries with large population such as the UK, France, Germany, Italy and Spain. The voting powers are roughly calculated according to the size of a country's population. Smaller Member States


\(^{20}\) EC, n°, pp.28-31.
have a disproportionately higher number of votes in the Council of Ministers, for instance, Luxembourg with a population of 450,000 has 2 votes while Germany with 80 million population has 10 votes. Larger Member States are pressing for the balance to be reweighted according to the size and population. They point out that under the present system a coalition could outvote big countries representing 40 per cent of EU population. In a EU of 28-30 members, a qualified majority could outvote Britain, France, Germany and Italy while former communist states of CEEC could be enough to form a blocking minority.21 In view of future enlargements, where Poland is the only applicant country with a large population, the bigger Member States want the voting weights adjusted lest the smaller members" gang up on them".22 This would strengthen the bigger countries' ability to block decisions but smaller countries such as the Benelux are insisting that a shift in voting weights must be accompanied by more majority-voting.23

A decision-making mechanism used in the Council of Ministers in certain fields allow laws to be passed without the need for complete unanimity. But unanimity is still required in many important areas,


23 The introduction of Qualified-Majority-Voting in the Council of Ministers in matters relating to the internal market as a result of reforms of the Single European Act reduced the capacity of smaller members to block certain measures which are more often pushed by the big members. See, A. Moravcsik, "Negotiating the SEA: National Interests and Conventional Statecraft in the EC", International Organisation, vol.45, no.1 Winter 1991, pp.19-56.
thus enabling a single Member State to block an important decision. It is argued that more majority-voting is needed to prevent institutional paralysis. The system of Qualified Majority Voting (QMV) can be implemented only if supported by around 70 per cent of the votes which means 62 out of 87 votes. It follows that 26 votes against the motion means a 'blocking minority'. The large Member States note that Germany, the UK, and the Netherlands together make up two-fifths of EU’s population but it cannot block a decision. By contrast, Ireland, Luxembourg, Sweden, Greece, Austria and Finland can block and with only 12.5 per cent of the EU’s population. Therefore, the 'imbalance' is likely to aggravate as the EU expands. Hence, the larger Member States feel that decisions should need ‘double majority’ (in terms of the Union's population and votes in the Council) or even 'super-qualified-majorities' with higher percentages both ways. The smaller Member States agree to QMV only if it is included in areas like social and environmental matters. However, some Member States wish to preserve their 'veto'. The IGC has the task of defining those areas where majority-voting should be applied in future.

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25 To understand how individual Member States can safeguard their influence in a larger EU, see, Torsten Peters, "Quantifying Influence in the EU", Aussen Politik, vol. 47, no.2, 1996, pp.117-126.

A major issue confronting the IGC is the size and composition of the Commission. Smaller Member States like the Benelux countries, Ireland and Portugal retain the right to appoint a EU Commissioner and to take their turn on the rotating EU Presidency for six months. If there is no change in the principle that each Member State provides at least one Commissioner, then one day the Commission will have more than 30 members. It remains to be seen whether the larger states would forego their right to have two Commissioners and the smaller states agree to be represented in groups or by rotation. The smaller states are apprehensive of the domination by the larger states in foreign policy matters and in the political union. There is no doubt a case for reducing the number of Commissioners but in a manner that would alleviate the fears of the smaller states in relation to the Big Four.

An important issue in the IGC was to review and modify the role of the European Parliament with a view to enhance transparency and democracy in the EU. Some proposals suggest a demolition of the Maastricht architecture which implies introducing more qualified voting, a simple system of legislation and an equal status with the Council of Ministers. The European Parliament has a weak legislative

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27 It was stated by Klaus Haensch, President of the European Parliament that "what EU needs is more parliamentary democracy, rather than greater powers". This implies that the Parliament must have a share in the decision-making along with the Council. All European decisions must have a two-fold legitimacy and the Parliament should not be the sole decision-making authority. See Klaus Haensch, "The EU needs more Democracy", DG-Information Culture and Audio Visual, Europe (Monthly Newsletter), November-December 1994.

authority and exerts very little influence on the executive function of the EU. If there is more majority-voting in the decision-making body, i.e. Council of Ministers, some national governments argue that there is a need for a democratic counterweight in Brussels. The European Parliament is the natural choice, despite the dissatisfaction with its performance. The broader point is that decision-making in the EU is complex with more than 20 procedures leaving ample scope for streamlining. The Parliament with some support in the Member States argue that these could be nationalised in three categories in EU legislation-extending the 'co-decision' procedure with the Council for all normal legislation where the Council decides by majority; giving the Parliament the power of assent where the Council decides by unanimity and reserving consultation mainly in areas of foreign affairs and intergovernmental cooperation.29

The need for stronger policies on justice and home affairs has been under-estimated so far. Here, the agenda has been set by certain facts; migration, increasing crime, terrorism, drug-trafficking resulting to the need for internal security and external border controls. There is an urgent need to incorporate certain fields of internal affairs and legal-policy-making step-by-step into community processes. At present the 'third-pillar' is a matter for intergovernmental cooperation and the results of which have proved inefficient and very time consuming. The

29 See Barber, n.22, pp.23-24.
consensus is that the EU needs to overhaul its decision-making in internal security matters also.\textsuperscript{30}

The conflict in Yugoslavia demonstrated that viable security structures within the EU are more necessary than ever before.\textsuperscript{31} A CFSP enshrined in the TEU is more than just a 'second pillar', achieved in the field of European Political Cooperation, as it institutionalises a role for the Commission. The common framework aimed at in the TEU supposed to become a reality through the CFSP, but unfortunately the Member States have tended to take foreign policy initiatives either alone or in small groupings, thus side-stepping joint action.\textsuperscript{32} The CFSP has suffered among other things, from a 'lack of political will', difficulties with the decision-making system and crippling budgetary procedure.\textsuperscript{33} To establish a firmer basis for the EU's CFSP was an important agenda in the 1996 IGC.\textsuperscript{34} This would mean increased efficiency and solidarity, more continuity and transparency which would necessitate the extension of majority-voting in this field. In the


\textsuperscript{32} Examples of this are the Contact Group for Bosnia, preparations by the larger EU states for the CSCE Summit in Budapest on 5-6 December 1994, Greece's unilateral embargo on Macedonia and the incoordinated French initiative in Rwanda.

\textsuperscript{33} For details on problems concerning CFSP budget see \textit{Agence Europe}, no.6345, 27 October 1994.

\textsuperscript{34} Goals defined by the European Council in IGC, \textit{Europe-Hebdo Overseas Selection}, no.771, 2 April 1996, pp.2-3.
field of defence, a step-by-step integration of the WEU into the EU within the framework of the Atlantic Alliance has been suggested.\textsuperscript{35}

Given that the institutional issues took a centre-stage in the 1996 IGC, it was hardly surprising to note that the Commission's main recommendations were for the reform of the legislative system. The two main elements of the Commission's opinion were the replacement of the unanimity principle by Qualified-Majority-Voting as a general rule and the introduction of the streamlined decision-making process. The Commission also advocated pushing forward the subsidiarity principle and involving national parliaments more closely in Union business. It also stressed on the essential point that deepening and widening are inter-twined and urged the Union to be closer to its citizens. To achieve this, it advocated the integration of the Social Protocol to the Treaty. The Commission also proposed a transfer of justice and home affairs to the Community framework in order to attain the objectives relating to the problem of cross-border immigration and drug-trafficking problem. Following this logic, it also proposed that the Schengen Agreement be incorporated into the Treaty. Most significant was its opinion restating a "multi speed Europe" when it opined that the "EU must not forever be bound to advance at the speed of its slowest members".\textsuperscript{36} It also emphasised the need of having an institutional


\textsuperscript{36} \textit{Europe-Hebdo Overseas Selection}, no.768, 11 March 1996.
system which will work in an expanded Europe. For this to succeed, the President of the Commission, Jacques Santer urged that the IGC process has to be backed by a 'clear political will'.

The Commission's opinion on the 1996 IGC offered reason for hope since the national positions of the core-group of countries - France, Germany and the Benelux countries, seemed to coagulate around the fundamental principles and guidelines which were at the basis of the Commission's opinion. However, it also offered reason for doubt as some of the suggestions of the Commission appeared unconvincing on further analysis. The Commission's proposal concerning the improvement of the visibility of CFSP does not meet a major objective. The Commission's solution based on the strengthening of the Presidency along with the Commission, itself raises the question as to how the larger members who play a major role in world affairs be convinced with an EU President with increased power especially when he might belong to a smaller Member State (like Greece, Portugal, or in future Slovenia) whose foreign policy has not always been on the same wave length as some of the larger countries. Another aspect that was avoided in the Commission's agenda was how to reconcile the radical divergences between the participant states at the IGC and to what extent should compromises be sought without jeopardising the essential goals.

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On 20 March 1996, the 15 Member States gathered in Turin, Italy for the ceremonial launch of the negotiations of the IGC. The main conclusions of the Turin European Council summarised the aims of the IGC as follows:

- bringing the union closer to its citizens in particular by the fulfillment of the objective of a high level of employment and ensuring social protection among other things; providing transparency and strengthening European citizenship;
- strengthening and enlarging the scope of CFSP by addressing the decision-making process;
- problems of CFSP budget and effective interplay of the various institutions of the EU, corresponding to the links between the EU and WEU;
- and finally, assuring the proper functioning of the institutions in view of enlargement which includes the scope of Qualified-Majority-Voting, weighting of votes, composition of the Commission and the role of European Parliament and the European Court of Justice and proper application of the principle of subsidiarity.38

The agenda that the IGC set for itself were bound to prove controversial. Despite current widespread opinion that the EU suffers from a 'democratic deficit' even a modest enhancement of the Parliament's role would likely be resisted by certain Member States. Restraining the veto power was a pragmatic proposal to ensure that an enlarged EU does not suffer from operational paralysis. Nonetheless, it touched a sensitive national nerve in some Member States. The essential problem was that there are competing and apparently irreconcilable visions of what the EU ought to be. One view is Germany's campaign for further integration which is driven by fears of

38 EC, Turin European Council Presidency Conclusion, 29 March 1996.
it being drifted at the centre of the continent. At this point, German
governments have also pressed its EU partners to be more flexible with
their respective national sovereignty to compensate for the sacrifice of
the D-Mark for a single currency in 1999. The other vision of EU is
backed by the UK which rests on looser form of integration in which
the Member States can still select areas of cooperation while resisting
further transfer of sovereignty in Brussels. The British are also joined
to some extent by the Nordic Member States in their scepticism towards
the EU. The position of France remains a crucial deciding factor.
Whether France would tilt towards the German approach or repeat the
experience of Maastricht would shape the outcome of the IGC.

It was not anticipated that the IGC would introduce major policy
competence into the EU. As the Reflection Group stated, the
Community should try to do not more but better. One view expressed
was that the IGC should make only a number of small changes. This
cautious approach was driven by worries about public opinion in the 15
Member States and problems of public dissatisfaction over the treaty
ratification and lack of agreement on major changes—notably by the

39 EC, "Commission sets out its stall for the IGC", Europe, no.157, May-June,

40 Franco-German relations appeared to be unpredictable with the coming to the
power of President Jacques Chirac, especially in matters relating to the EMU
and Germany's concept of a federal Europe. See The Economist (London), 27

The outcome of the IGC would act to improve the existing EU but was unlikely to bring about a resolution of major challenges caused by future enlargement. This depended largely on the attitude of the agenda of different Member States. Since the EU has always shown a remarkable capacity for achieving compromises between ostensibly irreconcilable positions, the IGC too would see a lot of hard inter-state bargaining in order to reach a certain level of harmony. One possible scenario likely to emerge out of the IGC was a multi-layered system with Member States choosing whether or not to participate in certain aspects of the integration process.

If the EU is to achieve its goal of moving towards an "even closer union", the emergence of some sort of federal system would become incumbent - a structure not supported by some 'Eurosceptic' Member States. On the other hand, reverting to a traditional intergovernmental structure would contradict the very ideal of the Treaty preamble to which all Member States are committed.

**NATIONAL POSITIONS**

The key actors in the IGC 1996 were the Member States whose positions and agenda underlined the diversity of views about the direction in which the EU is heading. The IGC faced divisions over the methods and political philosophy along much the same lines as in the Maastricht negotiations.

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42 See, L.Barber, "Drive for radical EU reforms falters", Financial Times, 5 November 1995.
Germany

For the German government, the IGC held both promises and threats. The hope stemmed from Germany's belief that the IGC would be able to advance integration in areas neglected in the Maastricht Treaty and close to Germany's desire of an 'even closer Union'. The threat lay in its domestic politics, in view of the German general elections in September 1998, as the IGC would have a bearing on a series of European issues that would dominate the election with unpredictable effects. While issues like enlargement, reform of the CAP and a potentially acrimonious debate over the EU budget could see Germany pushing for a more equitable burden-sharing with the risk of reducing support for the EU among German voters.43

The German government proceeded slowly in developing its aims and strategies for the 1996 IGC. An additional problem that influenced Germany's position was the unpredictability of French cooperation under Jacques Chirac, when some of the assumptions based on Franco-German relations had been upset.44 The formal goals for the IGC were decided by Germany after the Reflection Group of Member States senior Foreign Ministry officials reported on the prospects of the

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44 Refer footnote no.40. Also see, CIRAC-DFI-DGAP-IFRI (ed.), Handeln fuer Europa: Deutsch-Franzoesisch zusammenarbeit in einer veranderten Welt (Opladen: Leske and Budrich, 1995).
conference in late 1995.\footnote{See, EC, Reflection Group's Report, Messina 2 June 1995", SN 520/95 (Reflex 21), Brussels, 5 December 1995.} The main purpose of the IGC was to look at the possibilities for deepening the EU in four main areas: foreign and security policy, internal and judicial affairs, reform of the EU institutions and making the EU more democratic and transparent. In all these areas Germany's proposals revealed a strong federal tilt. The German government proposed the majority-voting principle to be applied as a rule for Community legislation.\footnote{Interview of Helmut Kohl. \textit{Time}, 30 September 1996, p.41.} The Council of Ministers already decides in many issues on the majority basis with weighted votes and it is bindingly committed to certain precisely laid down forms of cooperation with the Commission and the European Parliament. According to the German proposal, the Council resolutions should be bound to the majority of the weighted votes and to a sufficient majority of the population represented by the voting states. The German government favoured the introduction of 'double majority' which would ensure a maximum degree of democratic legitimacy so that the number of decisions lack the approval of one or two of the bigger Member States. The German government has proposed the application of QMV on all Council decisions. The German Foreign Office Minister Werner Hoyer argued that the pressure of possible outvoting would increase the willingness of Member States to compromise on certain decisions.\footnote{Werner Hoyer, "Perspektiven fuer die Regierungskonferenz 1996 und die europapolitische Agenda" \textit{Integration}, vol.4, April 1997, pp.189-196.}
This would prevent cases of "hostage taking" where a Member State blocks a required consensus based decision until it has been given concessions in a parallel required majority-voting. Inspite of Chancellor Kohl's efforts to quicken deeper integration, several German government ministers rejected a quick move towards majority-voting in sensitive areas like taxation, finance, social security and industrial policy though they support it in foreign policy decisions.48 German Interior Minister Manfred Kanther and Agriculture Minister Joachem Borchert expressed their reservations towards majority-voting. Kanther especially opposed the concept of security and asylum policies while Borchert feared that such a move could dilute Germany's regulation of small business, such as bakeries, opening them to competition from the less regulated foreign competitors.46 The German government proposed an enhancement of the Parliament's role in EU legislation as a counterweight to the decision-making Council of Ministers. The German position argued for the renewed powers of equal rights and equal co-decision of the Parliament alongside the Council. According to the German view, such reform would counteract Euroscepticism in the German population (which sees the decision-making process as incomprehensible) notwithstanding the problem that such an upgrading of the Parliament would inevitably delay and impede legislative process. In order to ensure the efficiency of legislative

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process, Germany suggested the reduction of decision-making procedures to three types instead of the existing twelve. Accordingly, there would be only consultation, assessment and co-decision by the European Parliament in future.\footnote{Carlo Masala, "Institutional Reform of the EU", \textit{Aussen Politik}, vol.48, no.3, 3rd Quarterly 1997, p.230} In its efforts to increase the role of the Parliament, the German government’s initiative had been limited by the Federal Constitutional Court during the Maastricht ratification that the national parliaments must retain competence for tasks of local and substantial significance. The German government also favoured an extension of the Commission's right of initiative.\footnote{Cf. Joint letter by Klaus Kinkel to Italian Foreign Minister Lamberto Dini, \textit{Frankfurter Allgemeine Zeitung}, 27 February 1997.}

A key German desire has been the introduction of the 'flexibility clause'. This is intended to ensure that those willing and able to proceed are not excluded from any common policy while those outside, cannot exercise their right to veto and thereby block the integration.\footnote{Flexibility should be an option when other options fail in order to preserve the acquis communautaire. See W. Hoyer, \textit{Weekly Information Service}, no.8, 26 March 1996, pp.18-19.} It is for this reason to deepen cooperation in certain areas that Germany is a strong advocate of majority-voting so that certain issues do not face any hindrance from uninterested members. The 'flexibility clause', so strongly favoured by Germany stems from their much controversial 'hard-core' concept.\footnote{See, Christian Deubner, \textit{Deutsche Europa Politik: Von Maastricht nach Kern Europa} (Baden-Baden: Nomos, 1995). Also see A. Shrivastava, "Uncertain future for the hard-core", \textit{The Wall Street Journal}, 8 December 1995.} According to Karl Lamers,
The core Europe idea is now accepted by the key countries with the exception of Britain...there has to be a core to hold the whole thing together.\textsuperscript{55}

Pursuing the 'flexibility clause' in the 1996 IGC, arises from German fears that the proposed enlargement of the EU would dilute the EU's capacity for concerted action and policy making. Axiomatic to the German case is the determination to enable the EU to have a more viable CFSP. The inauspicious state of cooperation in foreign policy matters within the EU and the Bosnian disaster have added thrust to the German resolve.\textsuperscript{56} A major objective of Germany was to extend the competence of EU in CFSP by changing the voting structures and foregoing the veto. Werner Hoyer and the members of the Free Democratic Party proposed Qualified-Majority-Voting in this area in order to avoid the lowest common denominator decisions or blocking EU actions by a single Member State. However, in cases where an EU member feels a vital security interest is involved, there should be scope for 'constructive abstention'. A Member State would not be able to hinder an agreed EU policy but it would be able to abstain from its implementation. Germany favoured building of the WEU to become the

\begin{footnotesize}
\textsuperscript{54} For text see, "Agence Europe", \textit{Europe Documents}, no.1895/96, 7 September 1994.

\textsuperscript{55} Cf. Ian Traynor, "Leading Europe's fast track", \textit{The Guardian}, 21 September 1996.

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defence policy arm of the EU. Former Foreign Minister Klaus Kinkel proposed the appointment of a single person as a Secretary-General of the EU's Council of Ministers and the Secretary General of the WEU.\textsuperscript{57} Contrary to this, the Christian Democratic Union (CDU) ruled out the idea of a 'Mr. Europe' or an appointed official for EU's external affairs.\textsuperscript{58} According to German Defence Minister, Volker Ruehe, the 1996 IGC should retain the veto power in defence matters.

On internal security, Germany proposed a "single integrated space" which would guarantee the movement of EU citizens while forging a joint approach among Member States on asylum, visa and immigration matters. Greater integration of internal and judicial matters is necessary in view of the problems concerning terrorism, organised crime and drug trafficking. Germany's desire to push ahead this issue is understandable for Germany is by far the only country that has absorbed more asylum seekers and refugees from problem-ridden states like Bosnia. Measure to achieve an overhaul in this internal security structure included a reduction of national veto rights and entrusted the Commission with the right to initiate policies. The Free Democrats went as far as to demand a European constitution with a bill of basic rights.

With regard to EMU, Germany proposed to achieve the EMU

\textsuperscript{57} Europe-Hebdo Overseas Selection, No. 732, 13 June 1996.

\textsuperscript{58} Ibid, no. 792, 24 September 1996.
through the strict observance of the convergence criteria. It has always stressed on the feasibility of a monetary union dependent on a political union. However, Finance Minister Theo Waigel softened Germany's stance on EMU rules by adopting a more flexible approach in a meeting at Noordwijk in April 1997. On German insistence EU members agreed on a Stability Pact to reinforce fiscal discipline amongst members of the single currency on Euro zone. In order to clinch a deal on a watertight pact to enforce budgetary discipline in a single currency zone, Chancellor Helmut Kohl stressed on an "effective pact to show that the governments are committed to a forward-looking and permanent stability". Under the Stability Pact, governments should keep their budget deficits within tight confines and failure to do so would inevitably trigger punitive fines. Germany held the whip hand on two of the most contentious issues facing the heads of EU members ---- how to achieve a stable currency and how to streamline EU's decision- making process. Franco-German calls for a flexible-cooperation to build a 'core Europe' which could relegate Britain to a second division appear to be more elusive than the Stability Pact.

In view of predictable differences between the Euro-enthusiasts and the Euro-sceptics, the German government was in favour of a lean


61 Imre Karacs, "Briton smoothes way for Kohl", The Independent, 7 December 1996.
Outlining a 21-point list of specific reform proposals, Foreign Minister Klaus Kinkel warned the EU partners that the IGC goals should not be too ambitious. The main objective was to concentrate on key issues of making the EU more effective in common action in foreign policy and internal security. Institutional reforms should make it more able to absorb new members while action should be taken to overcome 'Euro-fatigue' among voters by making the EU more open and transparent. In particular, the subsidiarity principle should be spelled out in a protocol to the EU treaty to enable the policy-makers with more transparency in any policy. Kinkel underlined that the IGC was "a step, not a final stage" in European integration. It was important not to set goals that were too low. But equally unrealistically ambitious objectives could jeopardise other parts of the EU's agenda for the end of this century.  

**France**

The objectives favoured by France were less far-reaching than the German government. Since President de Gaulle, France preferred intergovernmentalism to supranationality when any reform of the EU was initiated. At the same time, France sought to agree to intensify integration on the basis of national coordination if it expected its own room for manouevre.  

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IGC, the French government and the French President favoured far-reaching reforms in terms of the structure of decision-making procedure of the EU Council. During the election campaign, President Chirac stated that he was willing to strengthen the role of the Council - which meant extending the term of office of the Council President and the Council’s right of initiative. This implied a corresponding weakening of the Commission’s legislative process. As regards the Council voting, the French government, like its German counterpart supported a ‘double-majority’. 64 Both the governments believe that through ‘double majority’, several smaller countries would be unable to make decisions with one large country which would then be binding for the other members of the EU.

According to France, the role of the European Commission should be scaled down to those responsibilities and powers with which it was expressly vested by the treaty. Although it should exercise initiative and executive powers, it should be accountable to the Council. Accordingly the Council would issue mandates with precisely specified content to the Commission which would thus be reduced to being the executive organ of the Council. 65 There is a clear reflection of French tendency towards intergovernmentalism. Like Germany, France

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64 It is still unclear between Germany and France whether the second majority on the basis of Council voting with weighted votes should relate to the population or the level of national Gross Domestic Product.

proposed that the Commission's role should have greater accountability to the organs of the EU than before and unlike Germany, bind the Commission to the directives of the Council. Moreover, the number of Commissioners should be reduced from 12 to 10. Scaling down the role of Commission was one common objective to which both France and Germany agreed upon. Whereas the German government combined this goal with a status of enhancing the powers of European Parliament, the French rejected any upgrading of the same. According to the French position, the distribution of power between the Council and the Parliament should on no account be shifted in the Parliament's favour, (something the German government support). The French intention seemed to change the existing institutions as little as possible and without strengthening the supranational organs. As far as the intergovernmentalist bodies of the EU are concerned, France suggested the need for a reweighting of votes. This proposal arises from the realisation that reweighted votes in the EU Council would make it difficult for other countries (namely Britain) to block resolutions for which a qualified majority was obtained. France also favoured an increase in the number of votes for the larger Member States from 10 to 11 or 12 to make it easy in future to reach the qualified majority of 63.

In a policy statement before the IGC in Turin, French Prime Minister Alain Juppe called for the reform of EU institutions and ruled out the creation of a 'European super-state'. Outlining his belief in a "two-speed" or "multi-speed" Europe, Juppe said there should be a
'second circle' within the existing one, around France and Germany which wanted to move further or more quickly than the others on subjects such as defence and single currency.\textsuperscript{66} To quote Prime Minister Juppe,

There will be a Union made up of the 15 present members and those who want to join. In the centre of this first circle, there would be another much smaller and changeable one, composed of few states around Germany and France -- countries ready to go further and faster than the others on subjects like currency and defence.\textsuperscript{67}

On the questions of reforming the institutions, French position appeared close to that of Britain. Limiting the role of the Commission to issues such as external trade and single market, France proposed a minimal role for the European Parliament, which should 'monitor' the implementation of policies rather than make it. Emphasizing the role of the national parliaments, French proposed the formation of a new body - a "higher parliamentary council", made up of deputies from national parliaments that would review legislation to judge whether it confirmed to the principle of subsidiarity.\textsuperscript{68} In an address to the European Democratic Union (the group comprising right of centre parties from Western Europe), Alain Juppe stated,


\textsuperscript{67} Paul Webster, "France threatens to isolate Britain in two-tier Europe" \textit{The Guardian}, 14 March 1996.

\textsuperscript{68} Mary Dejevsky, "France shifts EU stance closer to UK", \textit{The Independent}, 14 March 1996.
For us Gaullists, nation-state remains more than ever the place that is both essential and central for realizing the democratic contract, the social and political link between the citizens and those who represent them.\textsuperscript{69}

Summing up the French position, Juppe said that the expectations of the IGC in France tended to be either too fatalistic or too ambitious. France expected the IGC to achieve three objectives - "a more prosperous Europe, a more secure Europe and a Europe closer to the citizens".\textsuperscript{70} This reflects French aspirations for sharp and firm decisions on reforming the institutions before accession negotiations begin. The broad lines of French proposals for the Turin conference were outlined by French Minister for European Affairs, Michel Barnier who said a common foreign and security strategy was urgently required and this could be brought about by changing the voting structures to avoid immobility in the EU after more countries had joined. To Barnier, voting power in the Council of Ministers had to be changed to take into account the real weight of Member States while the use of QMV had to be enhanced. France also proposed the creation of a 'super Secretary General of the Council in charge of CFSP, who would be 'the official face and voice of Europe'. The formal statement presented by Barnier to the National Assembly placed France between the Euro-federalism favoured by Germany and the more Euro-sceptical path

\textsuperscript{69} Ben Macintyre, "Paris puts limit on power of Brussels", The Times, 14 March 1996. Also see The Economist, 14 January 1995, p.47 for former Prime Minister Giscard d'Estaing's references to a Europe of concentric circles around a 'European space of nation-states'.

\textsuperscript{70} Dejevsky, n.68.
taken by Britain. The French argument in favour of a “multi-speed Europe” around a Franco-German core brings it close to German desire for a “hard-core” Europe. The French proposal for the appointment of a 'Monsieur Pesc' (Mr.CFSP) was opposed by the Christian Democratic Union (CDU) of Germany which feared that France had former President Valery Giscard d'Estaing in mind for the role. The CDU conceded in a policy paper on 16 September 1996 that the appointment of a 'high representative' for foreign affairs would make the EU decision-making even more complicated.\textsuperscript{71} As against Germany's proposal for QMV in all areas, France put forward the proposal for 'constructive abstention' on foreign and security matters allowing those EU members unwilling to take part in a particular European operation to abstain rather than block the whole venture.\textsuperscript{72} In matters of defence, there was a convergence between the Franco-German proposal vis-à-vis the role of the WEU. France too favoured the membership of WEU as a pre-condition of EU membership and the former should form the executive arm of a European defence policy. It is in matters of defence that France differed most from the British position.

The Single European market has, on the one hand, opened France to foreign investments and has enabled it to compete in the European and world markets. On the other hand, the EU has made it difficult for France to continue with its policies of state subsidies and

\textsuperscript{71} Europe-Hebdo Overseas Selection, No.792, 24 September 1996.

\textsuperscript{72} See The Economist, 11 May 1996, p.53.
anti-competitive regulation. The proposed reforms of the CAP could prove detrimental to an agriculture-sensitive France. Regarding a proposal by Jacques Santer concerning the introduction of co-decision for the CAP, Michel Barnier expressed 'serious reservations' adding: "[This] is the least one can say...The French government's position has not changed for 15 or 16 years and I do not think it will change".73

There seemed to be a broad consensus among French political parties regarding the objectives it had set for the 1996 IGC. The only divergence visible amongst the main parties was over the EMU. As regards EMU, it had been posing problems for France. Faced with soaring unemployment and budget deficits, France began to realise the pitfalls of being inside a currency zone designed and likely to run along the lines of the Bundesbank.74 France was likely to suffer from more unemployment and dislocation and restricted market-access than Germany.75 During the French Parliamentary elections in 1997, French political scene was dominated by fine divisions amongst French political parties. To Jacques Delors of the Socialist Party, a currency union would establish an "economic government to coordinate macro-economic policies to support monetary policies". Meanwhile amongst the Gaullists, Phillipe Seguin favoured the idea of Europe dropping "its

monetary obsession and tackle more pertinent issues like unemployment". Meanwhile Jean-Marie Le Pen of National Front, denounced the idea of Europe "dominated by Germany and organised into Laender-like provinces ignoring existing nations which would make Hitler's dream come true".\textsuperscript{76}

**Britain**

Britain, often labeled as the 'reluctant European' treats the EU with healthy scepticism. It takes a fundamentally different view of European integration. The British government’s White Paper on 'European Policy': ‘A Partnership of Nations’, presented to the Parliament in March 1996 pointed out the British aims and objectives targeted for the 1996 IGC. The British attitude towards reforming the institutions were minimalist. It did not favour QMV, since Britain would lose the veto power - one of the most vital instrument in the EU.\textsuperscript{77} This argument was justified by British Foreign Secretary Malcolm Rifkind on the grounds that the democratic legitimacy of decisions had to be guaranteed. Every decision in EU agreed upon by a majority accounted to outvoting a democratically elected government. In the long term, this would undermine the legitimacy of the EU.\textsuperscript{78} At the same time, Britain expressed reservations to the introduction of

\textsuperscript{76} David Buchan, "Europe at the heart of French politics", Financial Times, 16 June 1997.

\textsuperscript{77} Masala, n.50

\textsuperscript{78} Speech by British Foreign Secretary, M.Rifkind to Konrad Adenauer Foundation, Sankt Augustin, 19 December 1997 reproduced in International Politik, vol.3, 1997 pp.120-124.
'double-majority' with regard to institutional reforms. Like France, it favoured a containment of the role of the Commission. The White Paper suggested that the Commission's proposal should be declared null and void if it is not accepted by the Council within a certain period. Similar to the French proposal, the British government sought to enhance the importance of the national parliaments as the main agencies of European legislation. The national parliaments should be consulted before the Commission initiated a law, and integration of the former in the work of the European Parliament should be bindingly specified in the revised treaty. Along the lines similar to the French government, the British government also rejected any extension of powers of the European Parliament. A persistent problem for Britain had been the historic tendency of the European Court of Justice to augment its own federal powers. In view of this, it proposed to curb the 'retrospective judgement' from the European Court of Justice. The British government also took a cautious approach in reforming the decision-making process of the EU. While supporting a reweighting of votes in the Council, the British government suggested that the larger Member States should continue to have the same share of votes and the smaller members should be given a "more appropriate influence".79

At a meeting of the European Foreign Ministers, Malcolm Rifkind stated that Britain would oppose most of the plans in

connection with establishing a common home affairs and justice policy. Entrusting the EU with powers over immigration and asylum would be positively damaging. This view is shared by France, which also confirmed its reticence towards the Commission’s idea of a Community competence to justice and home affairs.\textsuperscript{80} Rifkind also reaffirmed British opposition to give the Commission the power to make common policies on job-creation. Calls for the WEU to become part of the EU had been opposed by Britain.

\textbf{Italy}

Setting its objectives for the 1996 IGC, Italy proposed measures which were firmly federalist in nature. Italy sought to introduce QMV especially in foreign policy matters, unlike the proposals by France and Britain. Contrary to Franco-British proposals and similar to the German proposal, Italy proposed an enhancement of the powers of the European Parliament. As far as defence was concerned, Italy endorsed the Franco-German proposal supporting the merger of the WEU with the EU itself, which would place the Euro-army at the disposal of Brussels. Boris Biancheri, the head of Italian Foreign Ministry, reinstating that the federalist moves were indispensable for the EU, said: “If we fail, we go back to a medieval system where there are no rules and disorder will reign”.\textsuperscript{81} Italy's objectives showed a strong

\textsuperscript{80} Europe-Hebdo Overseas Selection, No.748, 23 October 1998, p.11.

\textsuperscript{81} Bruce Johnston & C. Lockwood, "Italians put on a show of Euro-enthusiasm", The Daily Telegraph, 27 March 1996.
support for an extension of the powers of the European Parliament and the European Court of Justice (as opposed to the proposals made by France and Britain). Italy's position was justified by Italian Foreign Minister, Susanna Agnelli when she said,

The work of the Parliament and the European Court of Justice is inadequate as far as the freedom of the citizen is concerned....we have to simplify the way we work, introducing decisions by majority. 82

In another statement, Agnelli added that majority-voting in the Council should become the general rule except for issues of a constitutional character and suggested that different degrees of integration were possible --- an 'avant garde' of Member States moving quickly towards integration would be a "logical" part of the process.

Southern Member States

For the Southern Mediterranean Member States like Spain, Portugal and Greece, membership in the EU made them net beneficiaries. 83 Moreover, their commitment to their national democratic institutions are not as strong as that of Britain. Against this background, the south Europeans have generally been slow to distinguish between the enthusiasm for membership in the EU and a commitment to the course set out in the TEU and this became clearer

82 Cf. Webster, n.67.

and critical during the 1996 IGC.\textsuperscript{84}

In Portugal, the main political parties remained committed to meeting the criteria for EMU but their right-wing party (PP-CAS) which made a significant entry in the Parliament in October 1995 questioned the cost in jobs and bankruptcies to a weak economy. The Spanish Popular Party leader, Jose Maria Aznar categorically stated their desire to take a more 'Gaullist' line which implied more intergovernmentalism than the stance taken earlier by Felipe Gonzalez and the socialists. In Greece, there was a growing scepticism and little conviction regarding its joining the single currency in 1999. Greece is the only Mediterranean country which has taken a firm line on a specific issue in a way that could jeopardize the outcome of CFSP in the IGC. Although CFSP remains a priority to Greece\textsuperscript{85}, its outgoing dispute with Turkey over Cyprus prompted Prime Minster Costas Simitis to say,

\begin{quote}
As long as our vital national interests are not safeguarded by the EU commitments, Greece will always keep its right of veto active.\textsuperscript{86}
\end{quote}

Rejecting the "multi-speed Europe" and pressure for creating a "hard-core" EU, Greece affirmed that unanimity cannot be dropped on CFSP when national interest of Member States are concerned.\textsuperscript{87} The

\textsuperscript{84} John Hooper, "South glimpses hidden costs of EU benefits", \textit{The Guardian}, 28 March 1996.

\textsuperscript{85} \textit{Europe-Hebdo Overseas Selection}, No.748, 23 October 1995.

\textsuperscript{86} Hooper, n.84.

\textsuperscript{87} \textit{Europe-Hebdo Overseas Selection}, No.731, 7 June 1995.
clout of the Southern Member States could most likely be curbed by their overwhelming dependence on the EU and by the dominance of the larger states.

Nordic Member States

A tide of Euro-scepticism in the Nordic Member States of the EU amid public discontent over the union's perceived failure to solve economic problems like unemployment, failed to capture attention of the Scandinavians. In Sweden, the issue of common currency replacing the Krona aroused deep antipathy as many Swedes felt duped by the pro-EU campaign which promised lower interest rates and more jobs if Sweden joined the EU. Finland, on the other hand, whose food prices fell by 10 per cent, saw this as a reason for EU's popularity and its positive attitude towards the EMU. Opposition to EMU was deep-rooted in Sweden where the ruling Social Democrats were largely divided over the issue. In Denmark, EMU participation was one of the several opt-outs engineered to persuade the Danes to ratify the TEU in 1993. Some Danish Ministers believed that EMU could confer important economic advantages but were concerned by public opinion. An official echoed Denmark's Euro-scepticism by saying, "the problem for Social Democrats and for Denmark as a whole is that we are split down the middle on Europe and have been ever since we decided to join in 1972." Sweden's economic problems led it to organise a concerted

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action before the Turin Conference, to force the inclusion of employment policy into the EU and tackle unemployment affecting 18 million people. Sweden's representative on the Reference Group which prepared the IGC agenda, Gunnar Lund said,

There is clear support in this group for amending the (Maastricht) Treaty (to include employment provisions) and a dominant view is that a separate chapter on employment would be the best way of achieving it.\textsuperscript{89}

As far as CFSP is concerned, the 'neutral' Member States have not signalled a clear commitment of joining the EU defence initiative.

**A CRITIQUE OF NATIONAL POSITIONS**

The IGC was perceived as a political climax which would decisively shape and remake the EU. The principal problem for the IGC was to find a workable EU-wide compromise in view of the wide divergences of objectives and proposals suggested by the Member States. While Germany and the Benelux countries hoped it would press on from the TEU towards an "ever closer union", Britain, Denmark, Sweden and Spain expressed their reservations towards deeper integration. France, on the other hand, found itself a balance between the two opposite positions. The institutional reforms designed to make the organs of the EU more efficient turned out to be the most tricky problems confronting the IGC. As the national proposals suggested, there was hardly any agreement between Germany, France, and Britain.

\textsuperscript{89} Hugh Carnegie, "Pressure to remove IGC block", *Financial Times*, 14 March 1996.
- the key actors in the IGC, over the most important aspects. There was neither a consensus nor a compromise between the 'big three' over questions relating to the status of the European Parliament or reweighting of votes in the Council. In so far as the role of the Commission and the Parliament was concerned, French and British position appeared closer than that of the French and Germans. Jacques Santer's allegation that "states are using the conference to restate their old proposals", leading to internal squabbles, became clear when France and Britain tried to block the European Parliament's presence at one of the conferences, causing a deadlock of action between Britain and France on the one hand, and a firmly integrationist Italy, on the other.

A very fundamental dilemma which had existed since the creation of the EU has been the balance between the large and small Member States. Even during the IGC, whenever the larger Member States proposed reforms in the Council, or the composition of the Commission or a reweighted voting pattern, they found themselves facing the smaller Member States who rightly fear that they would be deprived of influence and powers of co-decision with respect to further EU integration. A meeting organized in Sweden by the smaller

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90 Cf. A.E.Moutet and P. Buonadonna, "France sets the IGC pace", The European, 19 September 1996.

91 Neil Buckley, "Pressure to remove IGC Block", Financial Times, 14 March 1996
Member States to force the inclusion of a separate employment policy in the IGC highlighted their inherent doubts about the attitude of big members on issues confronting the smaller states over which the former had been hesitant to take any initiative. Secondly, the fact that the 'big four' were excluded from this meeting revealed the underlying fears of the smaller states whose role have always been to "trail along to the conferences hoping the big boys will take notice of their sensible but 'self-interested' pleas for a community of action".

The most important changes that the EU needed to incorporate were with regard to its institutions to enable it to cope with future enlargement. The primary institutional change was the modest extension of QMV to certain issues keeping unanimity only for matters as tax and social security. A second priority was to give the Commission powers for tackling negotiations on trade-in services which are the biggest sectors in most European economies. The third objective was to redress the balance between the smaller and bigger Member States. The French, German and British ideas would accentuate the differences between the Member States more strongly. A unanimous decision to change certain provisions like increasing QMV, enhanced power to the Commission and European Parliament and merger of the WEU, could become an obstacle as Britain's veto was

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92 See, Carnegie, n.89.
impregnable. Although ways had been found to circumvent individual obstinacy through the opt-out clause rendered to Britain and Denmark on the creation of a single currency or protocols attached to the TEU (like Social Policy, defence etc.), the challenge was to reconcile Britain's aim of a larger and looser EU with the goal shared by Germany and the Benelux of a larger and more federal Union while a vacillating position of France would become crucial between these two extremes. UK's intransigence triggered the campaign by Germany and France for more flexibility.

The anxiety that a prolonged IGC might have disastrous knock-out effects on an enlarged EU compelled states like Germany to drop the early ambitions of the conference. The German government which once stressed on 'political union as pre-condition for monetary union' reversed its view that a monetary union would enable its partners to push for political integration and greater powers for the European Parliament. Chancellor Kohl suggested deferring the task of creating institutions for an enlarged EU to a 'Maastricht Three'.

In view of this scenario, three main elements appeared significant in shaping the outcome of the final treaty. The first was the attitude of the UK. With a change of government, the UK gave the impression of shedding the conservative rigidity on EU but during the IGC participant states were still split between those who consider the

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UK having modified its basic positions and willing to reach a compromise and those, on the other hand, who consider that it is firmly anchored to its traditional position. The second was Italy's position which was based on a 'minimum threshold' below which the outcome of the IGC would be unacceptable. The problem arose in view of an impending clash between Italy's minimum objectives and Britain's position. What could be a minimum requirement for Italy could also be rejected by the UK. For example, the transfer of justice and home affairs falling under the 'third pillar' (intergovernmental cooperation) to the 'first pillar' (supranationalism) was rejected by the UK. The third was represented by the Franco-German compromises on several aspects of negotiations which could lead to solutions. One of the compromises concern the composition of the Commission (20 members each after enlargement), role of the Presidency and the role of the European Parliament.

**AMSTERDAM TREATY 1997 - A CRITIQUE**

The European Council meeting in Amsterdam in June 1997 concluded the IGC with an agreement on a draft treaty. This meeting revealed how internal bickering among Member States could not give way to more concrete policies. The Summit also saw national interest clashing with the federalist's vision of a Europe with that of the

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96 The Italian doctrine of a "minimum threshold" outlined by the Foreign Minister to the European Parliamentary Committee on Institutional Affairs gained considerable importance due to the support of Parliament and certain other Member States, like Belgium. See Europe-Hebdo Overseas Selection, No.828, 9 June 1997.
intergovernmentalists. The result was a treaty, which although is another step down the road to integration, was not a great leap forward as many countries had hoped for. The points of agreement in Amsterdam were with regard to the following aspects:

- zone of freedom, security and justice to come into force for the EU citizens within five years of treaty ratification,
- Member States which violate the basic freedom would face suspension of voting rights in the Council of Ministers,
- immigration, visas, political asylum, civil and judicial cooperation will become common policies. Unanimity is required for at least five years in decisions on immigration, visa policy and asylum,
- free movement of persons throughout EU would be ensured but Britain and Ireland would retain border controls,
- the Stability Pact will regulate the participating states' budgetary deficits once the single currency is introduced,
- a new chapter in the treaty has been included which deals with an employment strategy between the Member States,
- the Social Charter would be integrated into the treaty following Britain's agreement to sign it,
- the CFSP of the EU is to be represented by the Council's Secretary-General rather than a high-ranking politician,
- any state which believes its vital interests are at stake can block majority votes on implementing foreign policy,
- the merger of WEU into EU would be possible in future but NATO would remain central to European defence,
- the Commission would have only 20 members after enlargement, with one member per state,
- there was no agreement on how to re-weight votes of Member States in the Council,
- the authority of the President of the Commission has been strengthened by introducing a requirement that his/her nomination be approved by the EU Parliament,
- QMV would enable some EU states to move together without waiting for others, but only in limited policy areas.  

The Treaty spelt out for the first time that the Community will have massive powers over policies on borders, asylum and immigration

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with all internal frontier checks being dismantled within five years of the Treaty coming into force. Britain secured an opt-out from the policy. The European Parliament also won new powers on co-decision, the system by which it has a joint role in the legislative process with the Council of Ministers. Co-decision would apply to all areas covered by QMV. But the decision-making procedures used by the Parliament so far have been cut from over 20 to just three.

The Conference failed to reach an agreement on the most vital agenda---reform of institutions.\textsuperscript{98} There were three core changes sought and there has been a virtual failure on all three. The federalists’ ambition to make decision-making swifter through QMV and reduction of vetoes were thwarted by disagreement among the 15 Member States over where unanimity should be dropped. Germany blocked QMV in industrial and environmental policy, transfer of pension and social security right.\textsuperscript{99} QMV was extended in social and research policy and in foreign policy to some extent.

In the most politically sensitive argument of the Summit, the smaller nations resisted pressure from Britain, Germany and France to change the EU voting rules. This was aimed at ensuring that the big states retain their clout when the EU opens itself to East Europe. A

\textsuperscript{98} For a critical assessment see Europe-Hebdo Overseas Selection, No.831, 1 July 1997.

\textsuperscript{99} Lionel Barber, "Enlargement may test EU's treaty", Financial Times, 19 June 1997.
specific Dutch Presidency proposal which would give the four largest states 25 votes compared with six each to Denmark and Ireland, was not agreed upon. The smaller states feared their national interests would be threatened by the reweighting of votes.

As regards the size of the Commission, Ireland and the smaller states retained their right to nominate a member of the Commission despite pressures from the larger states to curtail that right. They agreed that in a Union of 25 or more, a Commission of this size may prove unworkable. The five large states have agreed to give up one Commissioner each upon enlargement. However this issue is to be reopened with enlargement.\textsuperscript{100}

In view of the fact that the Treaty did not achieve the institutional changes, it remains unclear whether inviting new members into an unreformed EU would be to invite paralysis of function. The Member States agreed to limit the number of Commissioners to 20, thereby protecting each country's right to nominate a representative to the executive body. When the first wave of enlargement occurs, the large Member States will have to give up their right to have two Commissioners in exchange for added voting power. But the decision is likely to pose problems, once more than five states join the EU. As Werner Hoyer remarked, "over time we have to find a solution where as the EU grows, the Commission doesn't grow with it". That should pave

\textsuperscript{100} Mark Brennock, "Conference fails to retain agreement on essential reforms of institutions", \textit{The Irish Times}, 19 June 1997.
the way for the enlargement process to begin with and for the first wave of members to join. For now, EU officials confirmed that the first wave will include not more than five members.

In response to the Amsterdam Treaty, many candidate countries of East Europe, especially Poland have restated the need for enlargement process to continue irrespective of the success of reforms in the EU.\textsuperscript{101} This implicitly shows that even the applicant states, waiting to join the EU, recognise the fact that institutional reforms have been insufficient in order to enable the EU to cope with enlargement. However, among the second group of candidates for membership, there is a growing unease. There is a concern that by failing to restructure the EU's institutions to accommodate more than 20 members, the leaders are sending negative signals. "Its not very good for us. There is almost a pre judgement that they (EU) will enlarge to include only four or five countries",\textsuperscript{102} stated Rytis Martikonis, a Lithuanian diplomat echoing their fears of being left out. By paving the way for just a few new members to join, the road to EU may prove to be even more difficult for future applicants. An EU of 15, which is already struggling to resolve their differences over the balance of power, may find it even more difficult to function in a wider EU.

An important issue in the 1996 IGC, was reforming CFSP. By


\textsuperscript{102} Ibid.
common consent CFSP lacks credibility, coherence and 'political will'.

In the revised Treaty, some degree of QMV has been introduced in CFSP with a corresponding change in the definition of CFSP. But Franco-German plans to incorporate WEU as the defence arm of EU has been rejected by Britain. An attempt to create a common enterprise in defence have been resisted by Ireland and the 'neutral' Member States. NATO still remains the cornerstone of European defence but the Treaty has included a reference to the possibility of eventual integration of WEU into the EU. While most decisions will still be taken by unanimity in order to bypass the veto, the Treaty nevertheless provides a new decision-making mechanism. Unanimity will be used for agreeing to common strategies whose implementation in detail can be carried out by QMV by the Council of Ministers. At the same time, the Member States can retain an "emergency brake" and veto on the implementation of joint actions for 'important or stated reasons of national policy'. The overall result is a formula which can appear to satisfy both the veto and the QMV lobbies. However, Eurosceptics like the Irish representative on the IGC, Noel Dorr suggested that the definition of a strategic decision may be seen as leaving too much scope for later decisions by QMV. Since decisions are taken by traditional consensus, the Treaty provides the possibility of 'constructive abstention'. This will allow states who do not wish to participate, in an action but are also reluctant to veto it, to abstain while the action proceeds. If abstentions amount to more than a third of the weighted
votes of the Council, a decision will deemed not to have passed. The only significant change in CFSP has been the appointment of the Secretary General of the Council as the "Mr. CFSP".  

The most significant outcome of the Summit was in terms of the EMU. Nevertheless, the road to single currency generated divisive tensions between France and Germany. Their differences over the fiscal discipline sharpened with Germany's refusal to accede to French demands of including a social clause on investments in jobs and fight against unemployment in the Stability Pact which sets out a framework for macro-economic policy in the EU. The French Socialist Party's pledge to find a solution to the unemployment problems came into direct collision with Germany's resistance to any further public spending that would weaken the Euro's economic criteria.  

Germany was determined that a single currency be accompanied by a Stability Pact which would prevent Member States running deficits

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105 French Prime Minister, Lionel Jospin was elected on a plea to create 700,000 jobs in France and to rebalance the single currency rules in order to promote greater emphasis on 'Social Europe'. See Sarah Helm, "Germany and France settle row over jobs", The Independent, 16 June 1997.

106 Germany believes that interest rates, exchange rates, fiscal policies do not cause unemployment. These macro-economic policies can do nothing to reduce unemployment, they should be devoted entirely to keeping inflation under control. That is why, to Germany, the Stability Pact should not contain any references to employment.
of more than three per cent of their GDP. French too was sanguine not to proceed with EMU if doing so would mean spending cuts and job losses.\textsuperscript{107} In view of the fact that a Franco-German discord carries the potential of destabilising the European integration process, a consensus was reached between the two states in order to prevent the EMU from getting off the track. The deal enabled Germany to retain the Stability Pact without modifying it and as per French demands, the Treaty agreed to include a new chapter on employment strategy and hold a Summit on jobs.\textsuperscript{108}

Both France and Germany can legitimately claim victory for their positions in the European Monetary Union. The French claim that the single currency has now a "human face" with a commitment to helping the unemployed, while the Germans can point to a Stability Pact which has been left untouched. On the one hand, this demonstrates the political commitment of both France and Germany to EMU, on the other hand, this has made their divisions more apparent. There are clear indications that the rules for qualifying for the single currency will be


\textsuperscript{108} Charles Bremner, "Job pact buries Franco-German monetary row", \textit{The Times}, 17 June 1997. Critics point out that employment issues came at a time when the EU Member States are grappling with 18 million jobless and growing scepticism about the virtues of the political and economic integration. Financial analysts say simply aiming to meet a strict monetary criteria cannot ensure the success of EMU. It is not the financial markets that is the best barometer for EMU but the people whose anxiety are to be addressed. See, \textit{The Wall Street Journal}, 17 June 1997.
interpreted in a loose manner. On balance it could mean that up to 11-13 Member States could belong to the new Euro-zone with the exception being Greece which cannot conceivably quantify the rules. Britain and Denmark have opted out and Sweden announced its will not to join it in the first wave. Once EMU has begun, the politics are likely to change. The fines laid down by governments for excessive deficits will be difficult to implement since they require a QMV in their favour. Meanwhile, the Member States will be under strong pressure to raise public spending notably on pensions while states like France seem likely to find unemployment rising further. Without a strong economic recovery, higher fiscal deficits are in prospect along with an unbalanced fiscal and a monetary policy. This could easily irrate an externally strong but internally weak Euro.

The skirmish over the single currency reveals the continuation of Franco-German struggle over the contours of EMU. While the compromise helps to bury the tensions between the two states, analysts say that the compromise also marks little more than an uneasy truce between two driving forces of EU. The core conflict between the two countries remain unresolved as an economist in Bonn, Adrian Ottrad

109 Under strict interpretation of the rules, countries must have low inflation and interest rates and budget deficit of 3 per cent or less and debt ratios falling to 60 per cent. However, the French Finance Minister insist that these figures be seen as trends and not targets as he stated, "Countries must come as close as three per cent...even if they have not achieved it". Germany, too, has weakened its earlier stance on EMU and the Dublin Summit. See, Irish Times, 16 June 1997.

said, "there is a fundamental conflict between the monetary philosophy of France and Germany".¹¹¹ The agreement that sought to strike a compromise between France and Germany also reflects a means of building a convergence from positions that may be diametrically opposed in order to overcome splits between Europe's twin driving forces. This point was best summed up in the words of a Dutch spokesman that the Summit's single biggest success was something that wasn't even on the original agenda and had nothing to do with constitutional reform - healing a Franco-German rift over how to manage a common currency once it arrives.¹¹² Despite the success in EMU, strains between France and Germany subjected to an exposure during the Summit signalled increasing French frustration. French Foreign Minister, Hubert Vedrine said, "it is more complicated than it was before to find convergence (between Europe's Member States)". He described French relations with Germany as neither hot nor cold. "The alliance between France and Germany," he said, "had never been pre-established harmony" but "a system for building convergence from positions that may be different". Former President Valery Giscard d'Estaing remarked, "the first time we have witnessed a deterioration in the Franco-German partnership".¹¹³

Inspite of reaching a compromising position in EMU, doubts about Paris being a ‘reliable partner' in EU began to loom in Bonn as Gerhard Schroeder signalled a dramatic shift in alliances arguing that the Franco-German marriage was now over. Instead he argued in favour of a new 'menage a trios' involving Germany, Britain and France.\textsuperscript{114}

CONCLUSION

The IGC was taking place at a time when any attempt to restructure institutional arrangements would be under circumstances dominated by internal struggle or adjusted by compromises amongst the Member States. The national differences among the Member States surfaced with Germany’s refusal to accept majority-voting in matters relating to immigration controls and asylum.\textsuperscript{115} This move marked a shift from Germany’s original position of a vanguard of integrating the EU policies on justice and home affairs.\textsuperscript{116}

Britain’s reservation against the WEU becoming the main arm of European defence and retaining control over its own border and national veto was according to Italian Foreign Minister, Lamberto Dini,

\begin{itemize}
\item \textsuperscript{114} Anthony Bevins, "A Triple Alliance for European jobs", The Independent, 17 June 1997.
\item \textsuperscript{115} To Edmund Stoiber, Minister CSU, the Bavarian Germans would not accept a revised version of the TEU which allows refugees to move from one EU Member State to another. See, Denis Staunton, "Furious EU heads cave in to Kohl’s insistence on immigration control", Irish Times, 18 June 1997.
\item \textsuperscript{116} Owing to pressures from the 16 Laender which share responsibility for asylum seekers, Chancellor Kohl had to insist on retaining the veto. Statistics reveal Germany accepted more than half of EU’s asylum seekers in 1985.
\end{itemize}
a "dampner on the whole treaty negotiations". The Amsterdam Treaty confirms that once again the EU, after trying on many occasions has failed in its attempt to produce an agile, simple text. In the words of Marcelino Oreja,

The complexity of the different questions, the need to respond to the specific demands of each state and the negotiating technique strictly speaking, resulted in a text that is extraordinarily difficult to understand and to explain to citizens. The hoped-for simplification has been put off till a later date.117

The disappointment with the Treaty which emerged from nearly two years of negotiations at the IGC was hinted by President Jacques Santer in his statement when he said, "I would have liked it to have been more adventurous in one or two areas". He also spoke of the "inflation of protocols and declarations. 14 protocols and 46 declarations-a record that adds nothing to the legibility of the treaty".118

There was a disparity of judgements amongst the European citizens who qualified the Treaty as either a considerable progress in matters of economic affairs or a resounding failure in matters concerning institutional construction.119 Belgium, France and Italy noted that the Treaty did not respond to the need reaffirmed by the European Council of Madrid for substantial progress in institutions. These Member States stated the need for institutional reinforcement as indispensable conditions for concluding the first accession negotiations.

117 Europe-Hebdo Overseas Selection, No. 832, 7 July 1997, p.3.
118 Ibid.
119 Europe-Hebdo Overseas Selection, No. 831, 1 July 1997, p.3.
Admitting that the Summit was "frustrating in relation to our ambitions which remain vast", French Foreign Minster, Hubert Vedrine remarked:

We have not worked, Italy and ourselves for 40 years to take the risk of this European construction dissolve. We want an institutional reform that puts Europe in a position to decide, to act and to remain strong.\(^{121}\)

The IGC 1996 was faced with several interrelated challenges. The key areas dominating the agenda included enlargement, EMU and future budget package. Major issues concerning enlargement included remission of the CAP and Structural Funds, institutional questions, of balancing commonality and diversity in the EU. The outcome of the IGC would appeal to the Eurosceptics, like Britain who has claimed it to be "excellent". Germany which had earlier stressed on a 'political union as a precursor to monetary union', abandoned this ambition and instead settled for a reversal of intentions.\(^{122}\) Perhaps it is the small states, who have so long been the loudest advocates of a quasi-federal Europe, have successfully blocked any development in this direction. They were unwilling to renounce their right to national representation in the Commission whose very raison d'etre is to represent the union as a whole, or to accept a redistribution of voting weights that would make the Council more representative of people as opposed to states. The deeply contenions issues concerning CAP and Structural Funds (which has been a constant rift between the richer 'North' and a poorer 'South')

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\(^{120}\) Toby Helm, "A few small steps but no great leap for federalists", The Daily Telegraph, 19 June 1997.

\(^{121}\) Europe-Hebdo Overseas Selection, No.839, 22 September 1997, p.5.

too were left to be settled in tandem with the enlargement negotiations. Perhaps the most significant achievement of the Amsterdam Treaty was bringing the EU closer to the citizens, calling for a Social Europe, by incorporating an employment strategy and citizen's rights at the heart of the union.