

Deepening and Widening the European Union

Economic and Monetary Union

63. Economic and monetary union and the emergence of the euro will be realities by 2000. The euro will be a "regional" currency, although its domain will extend into Central and Eastern Europe, the Mediterranean and the African countries within the French Franc zone. EMU will accelerate the process of European integration to the East, by creating an area of monetary stability, increasing capital mobility, facilitating the reallocation of the production process, bringing about a new period of growth and investment, and facilitating the completion of macroeconomic adjustment by creating a monetary anchor.

64. Over the medium term, the euro may become a global currency. It must prove that it is a stable currency based on macroeconomic stability, however. In addition, growth must resume and unemployment decline in the European Union. A stable exchange rate and low interest rates must also be maintained to increase the attractiveness of the euro for international markets as well as private and public investors.

65. Economic and monetary union and the adoption of the euro are an aspect of deepening European integration. Both are currently the most advanced manifestations of the tendency towards shared sovereignty and supranational management of the integration process. The euro could make the European Union a stronger economic international actor and may form the basis for a strengthened political projection beyond its borders. The success of the euro, however, will depend upon the reform of the budget, adequate fiscal harmonisation, and the increased legitimacy of EU institutions.

66. In addition, the euro is raising questions that transcend the monetary field. The single currency should not be seen as a merely technical issue. It will affect the future of political and social integration. It is bringing the issue of European citizenship to the fore, as decisions that affect the everyday life of citizens in each member state are further removed from national institutional channels accountable to national citizenry. Furthermore, fiscal probity must be accompanied by economic policy-making that takes social justice and solidarity into account if monetary union is to retain social and political legitimacy.

Political and Institutional Challenges of Widening

67. Widening and institutional reform are the next great challenges of European integration. The Treaty of Amsterdam reaffirmed the democratic nature of the European integration project. It reaffirmed the political dimension of enlargement as it confirmed sanctions against member countries that are responsible for grave and systematic human rights violations. It also affirmed the importance of combating xenophobia and promoting the principle of non-discrimination.

68. Institutional reform is crucial if enlargement is to be workable on a day-to-day basis, but hard to achieve. Many member countries worry about maintaining the present institutional balance among states. Yet while this may be essential for the continuation of a positive sum game within the European Union, the debate about achieving a balance between efficacy and democratic representation remains unresolved and is likely to intensify as the next enlargement increases the number of member states.

69. Widening alone is neither positive nor negative. The question is whether it is compatible with and conducive to deepening. Although EMU implies the deepening of economic Europe, there is no such consensus on a deeper social and political Europe. Decision making within the European Union is still based on a complex interplay between supranationalism and intergovernmentalism. EMU and the Central European Bank are the strongest manifestations of the Union as a supranational regulated region, but the predominance of the Council remains undisputed, reinforcing a state-centred and intergovernmental logic.

70. The variety of modalities for cooperation among its members is reinforcing the tendency towards a differentiated European construction, characterised by flexibility and variable geometry. The imbalance between an economic and monetarily united and a political Europe remains a problem, however.

The European Union as an External Political Actor: a New Kind of Power?

71. The European Union is already an important external actor and international civilian power. It makes use of economic instruments as part of its foreign policy and has adopted a common posture within the WTO.

72. As far as foreign and security policy is concerned, the Treaty of Amsterdam reinforced the role of the EU Presidency and created a "high representative" within the Council Secretariat. A policy planning unit has also been established within the Secretariat. Provisions have been made for "constructive abstention",

reducing the possibility for blockages by dissenting member states. The Treaty has also pointed to the need to ensure that political, economic and security objectives of foreign policy become more integrated, calling on the Council and the European Commission to coordinate their activities in order to make the foreign policy of the Union more coherent and effective.

73. Although peace operations (the so-called "Petersberg missions") have been included in the Treaty, the decision not to take a decision regarding the Western European Union indicates that a European security structure and policy is not on the immediate agenda. Greater advances will be prevented by the continued attachment of some member states to neutrality and by the fact that some countries may be unwilling to make the financial commitments necessary to create a high profile European policy.

74. Despite these reforms, a common foreign policy will be limited in efficacy and scope. CFSP cannot yet become a "motor" of integration or of the construction of a European political identity. Nonetheless, the promotion of the European Union as a military power is not the only way for it to achieve a significant role in the international arena. The multiplication of cultural, labour, and social relations with external partners, be it formally or informally, can have an important impact on what has become a significantly transnationalised international system. The European Union may not have the capacity to exert great political and military power as an instrument of its foreign policy, but it can have an important level of political influence within the international arena by virtue of the uniqueness of its normative political and social project.