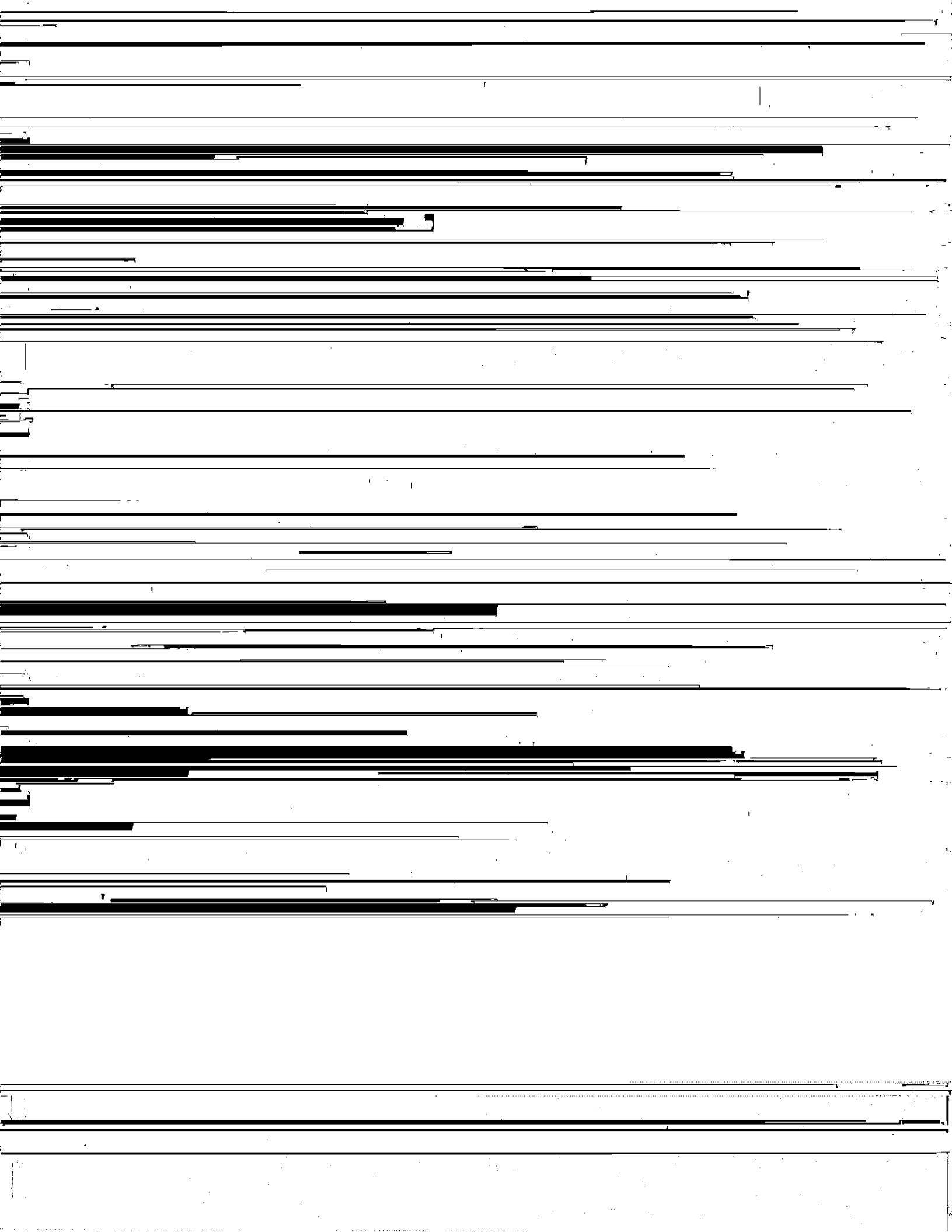
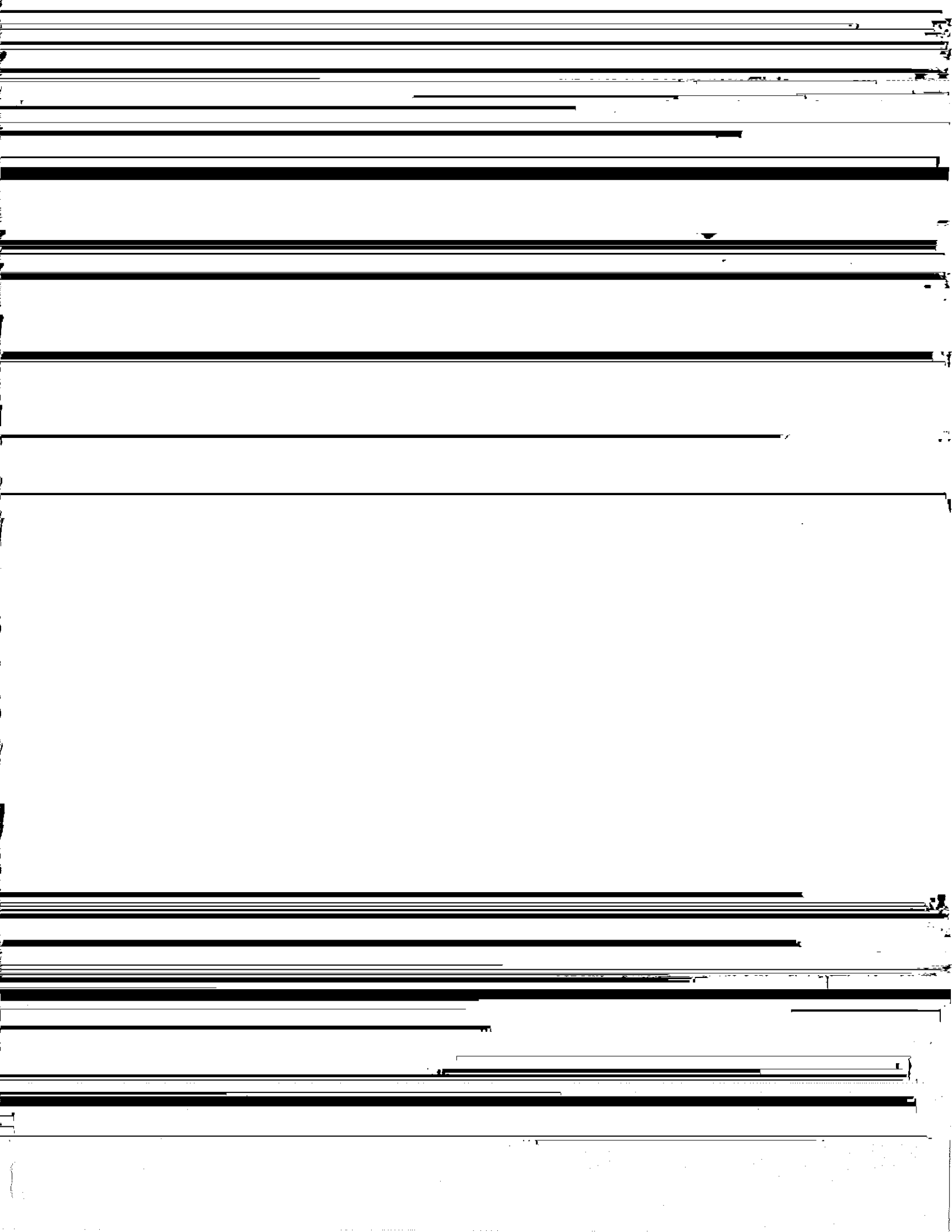


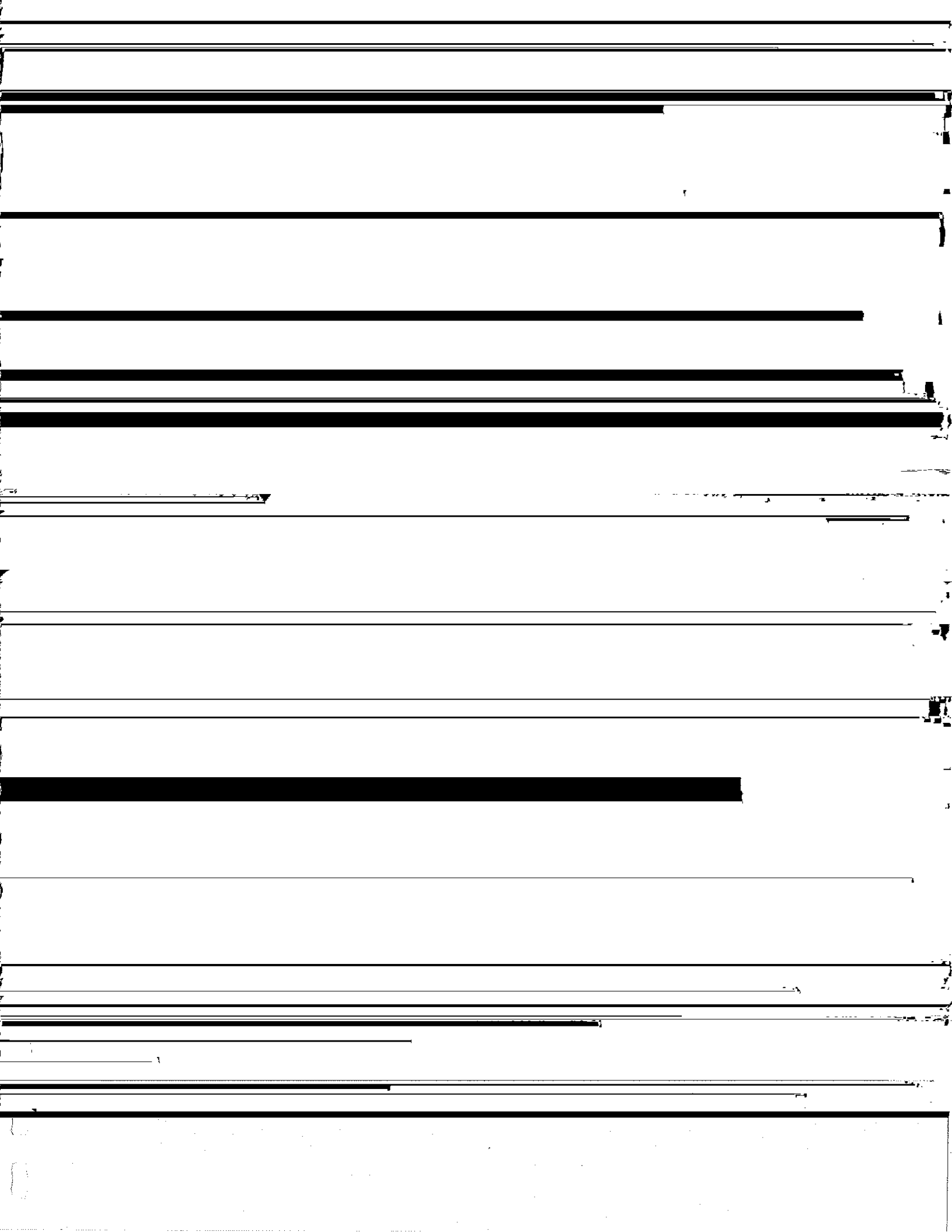
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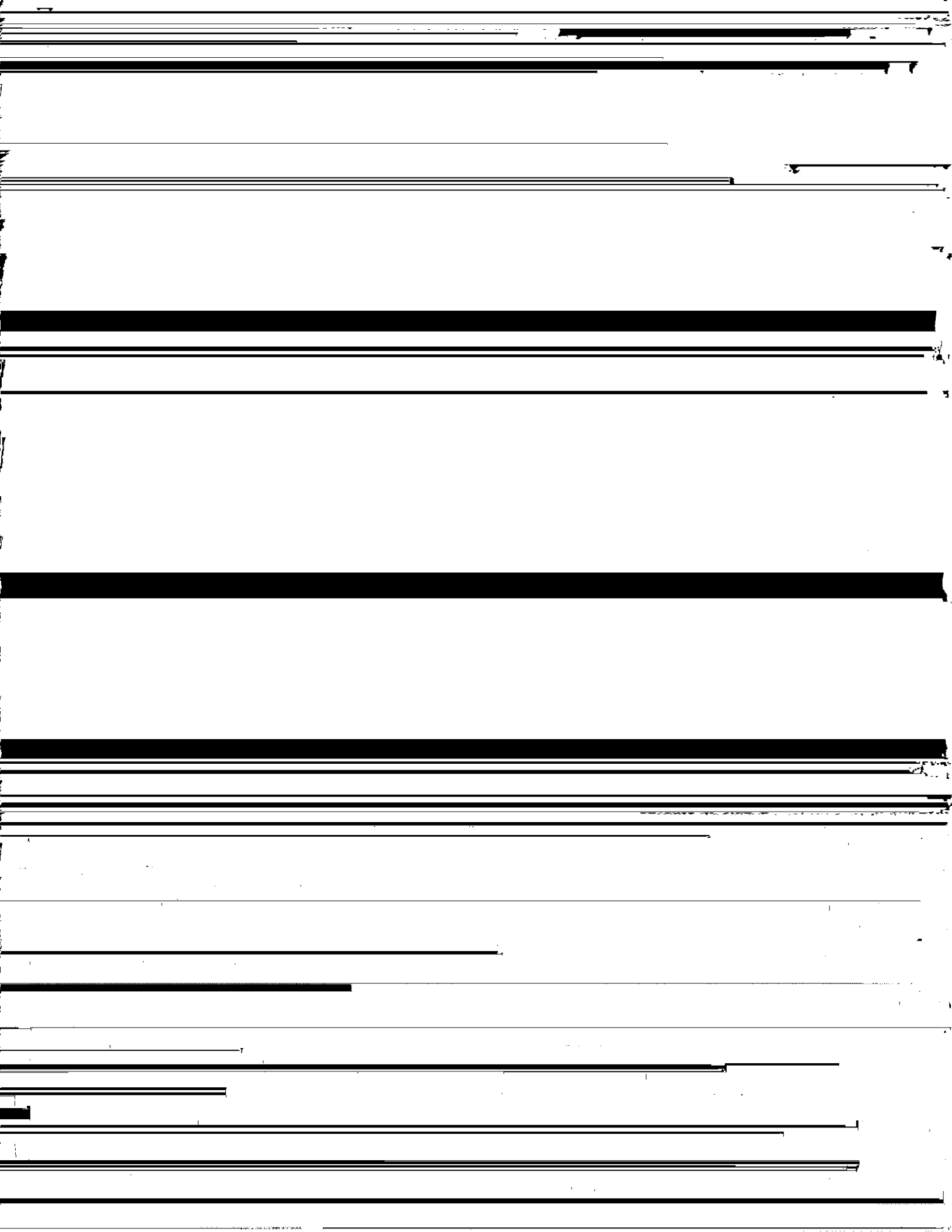


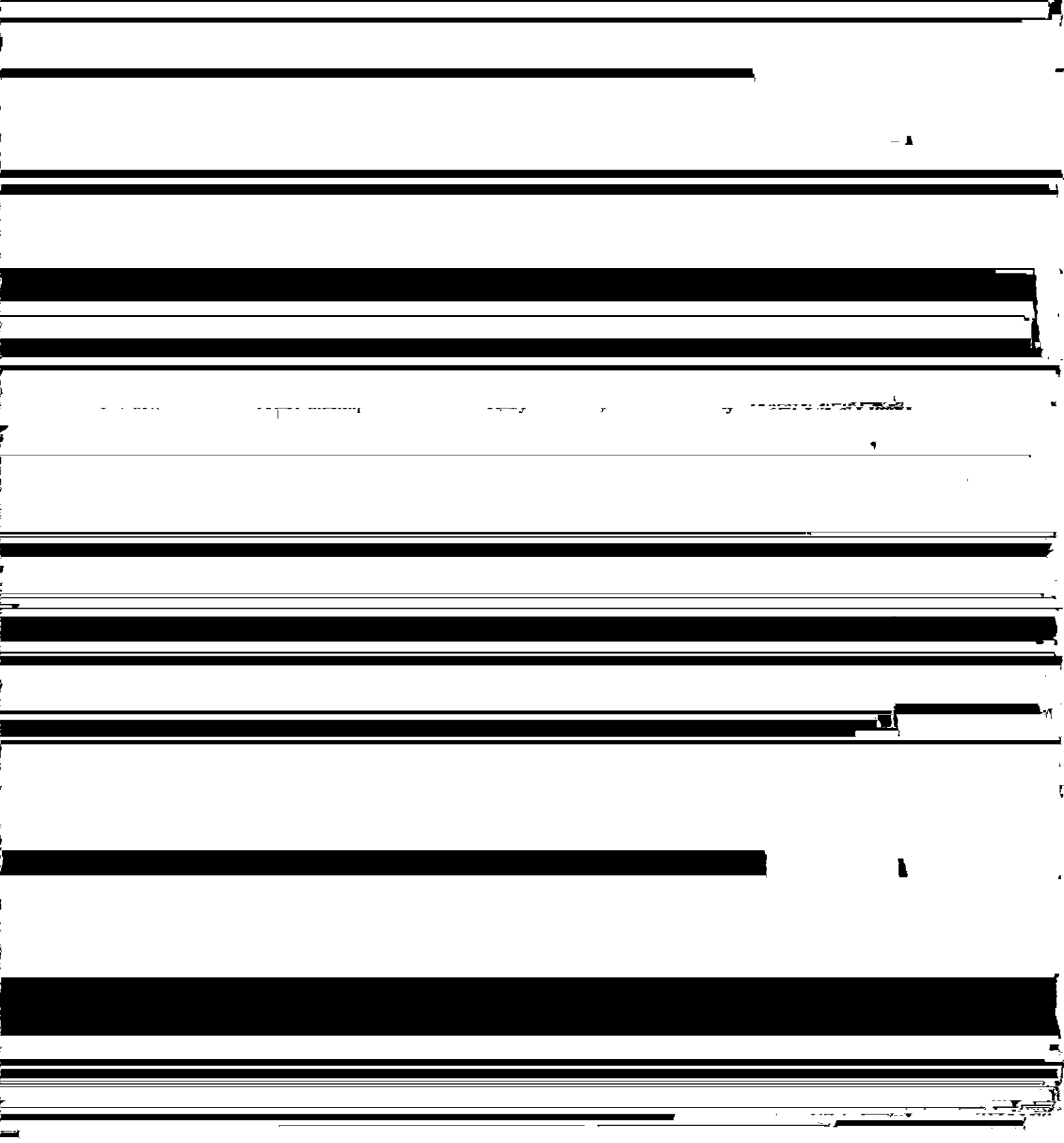
1992, and was ratified and put into effect in 1993.

Chapter 1 argues that any exposition of political institutions (including, of course, those of the European Union) is likely to be uninformative or misleading if inadequate attention is paid to the historical, social, cultural, and economic context.

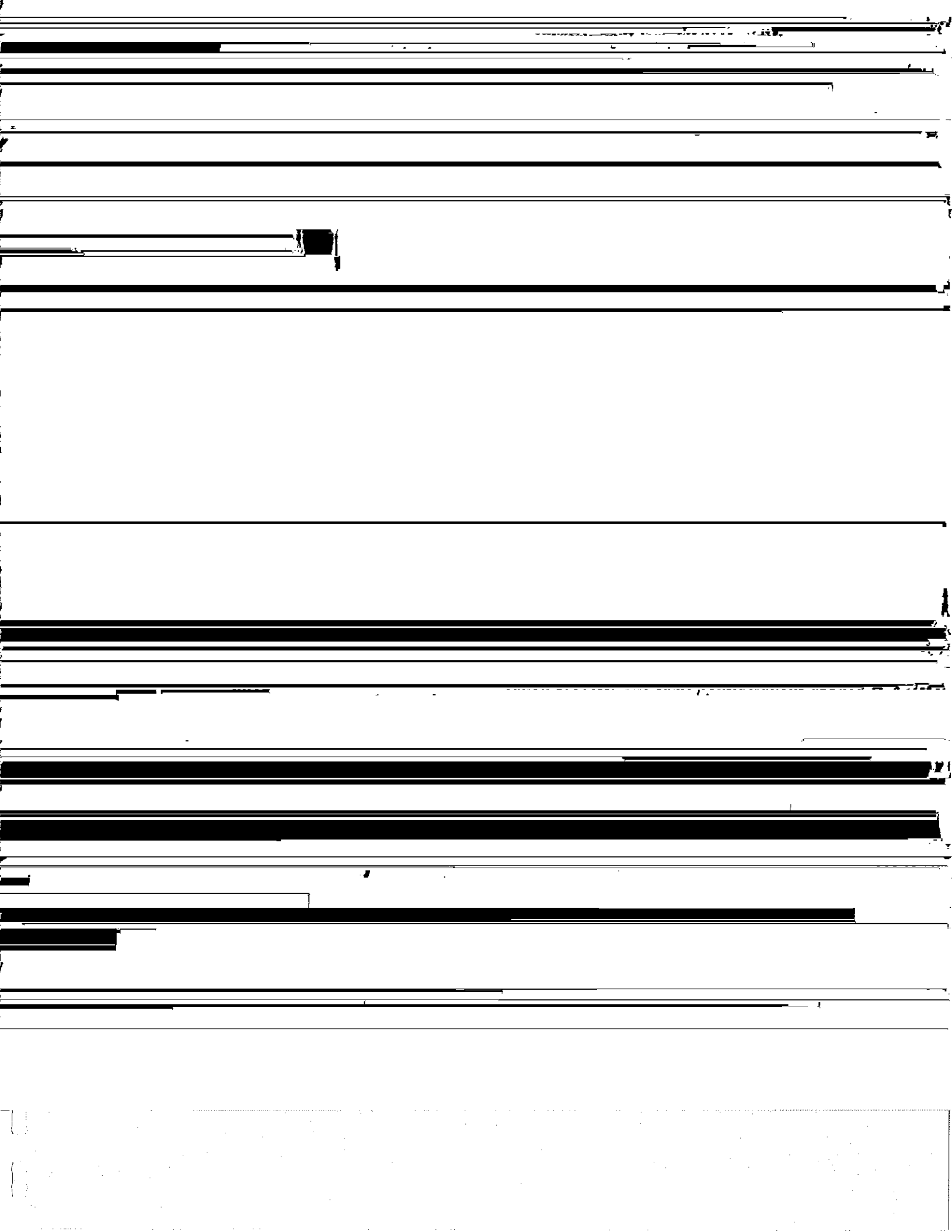








Commission. The institutions of the EC are the vehicle for this, with

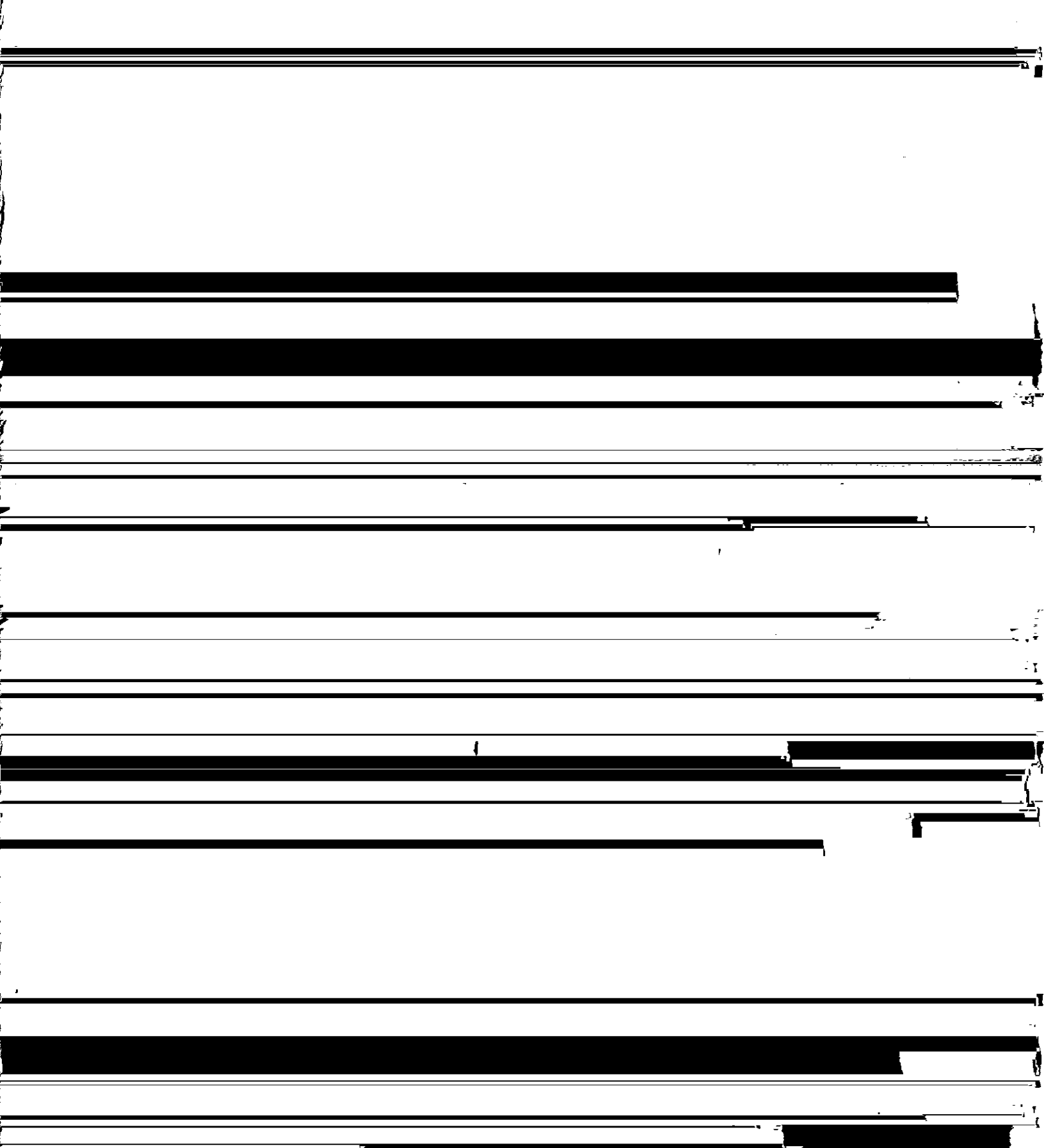


Communities had an institutional structure similar to that of the ECSC, which thus turns out to have been, both in time and in structure, a precursor of the present-day European Union.

of four enlargements, each resulting in the accession of between one and three new member states. Membership has grown from the original six to the present 15 in the following steps:

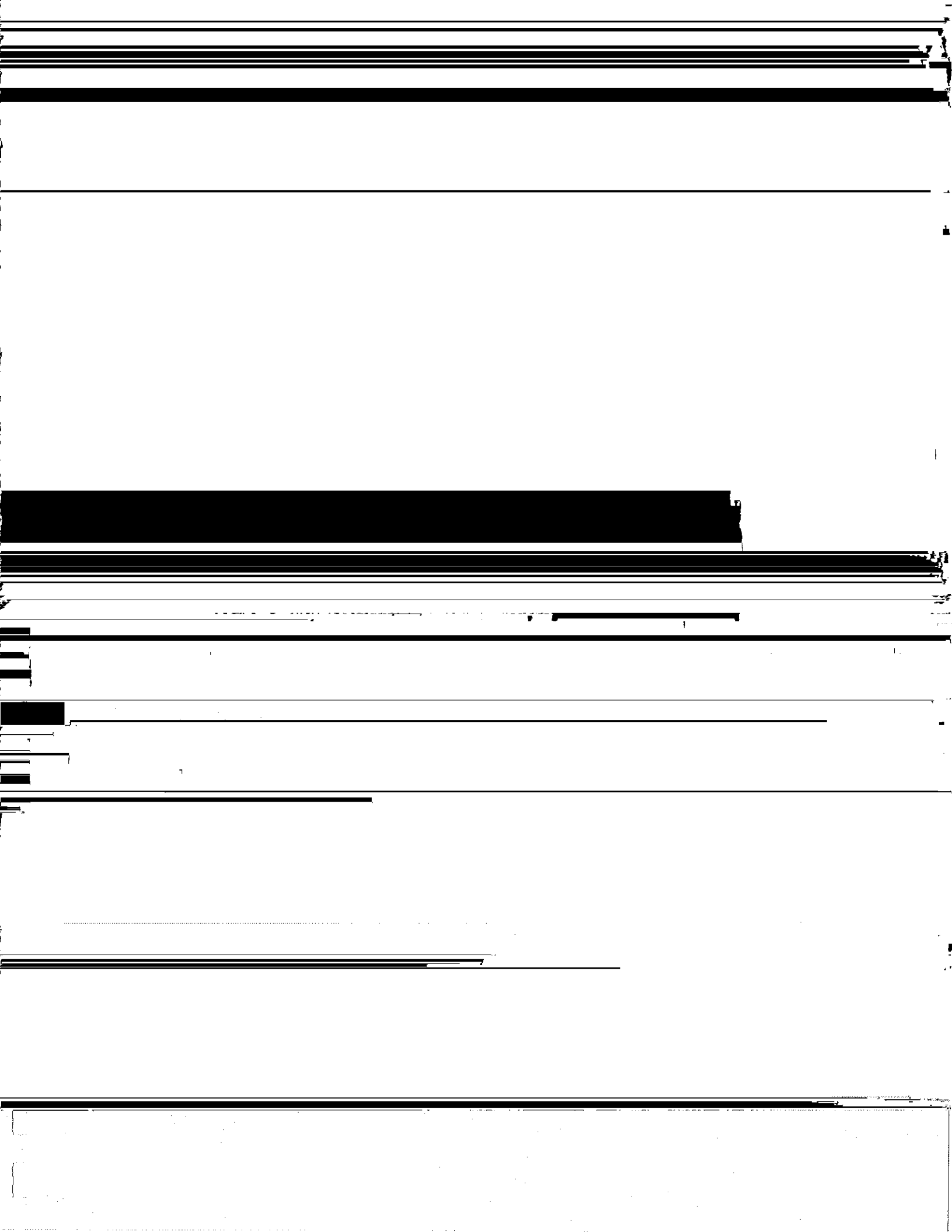
1973: Britain, Ireland, and Denmark

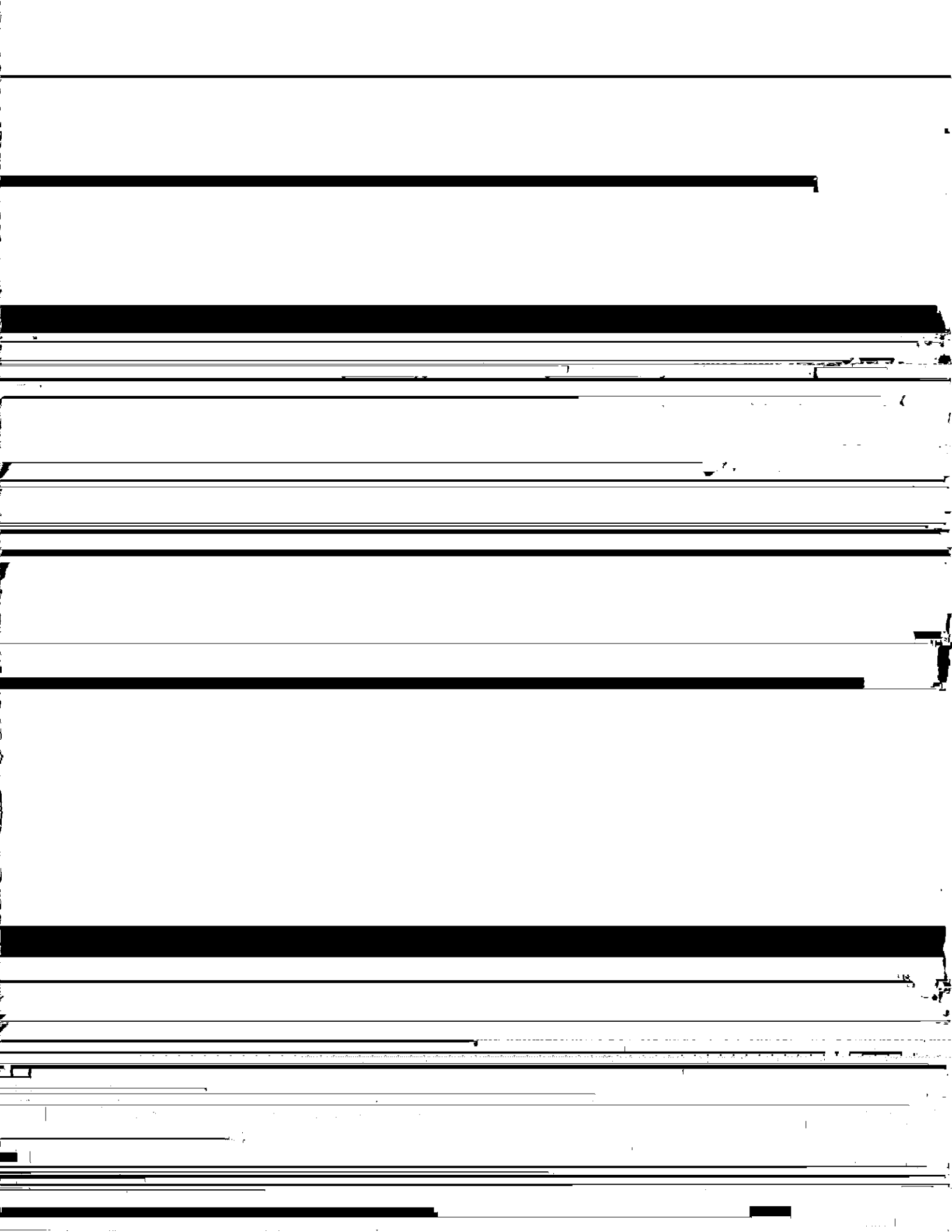
1981: Greece



*the Maastricht
Treaty*

the desire for creating a monetary union and for the extension of
Community action in the social policy field remained strong in

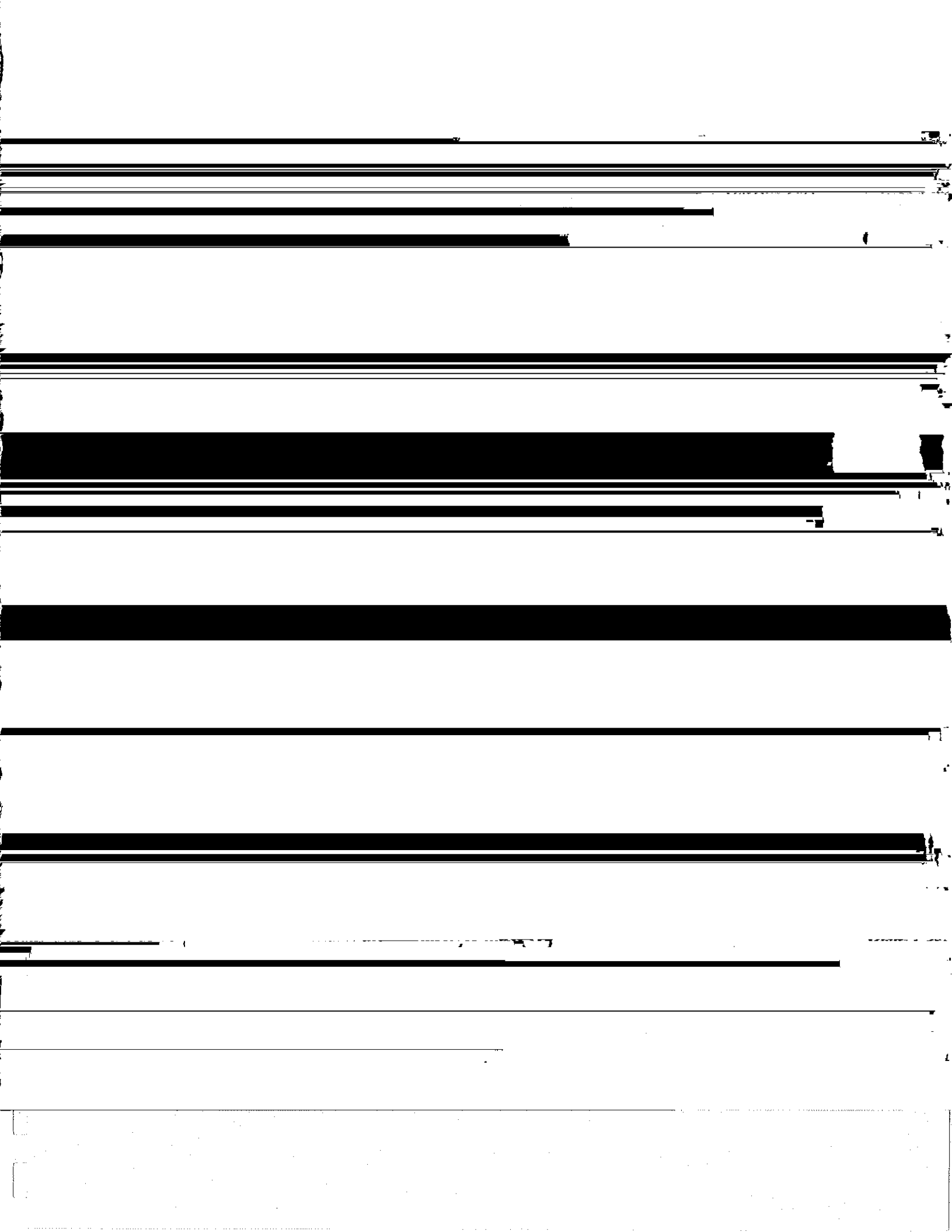




and credibility overall. Even a large state like Britain may be forced, and on several occasions has been forced, into significant compromises. But the compromises may come only after a long delay, in some cases lasting years, as with conflict over the principles for

important one to make, indeed to emphasize. In the remainder of this chapter almost all attention is focussed on the European Community as such, not on the more broadly defined EU.

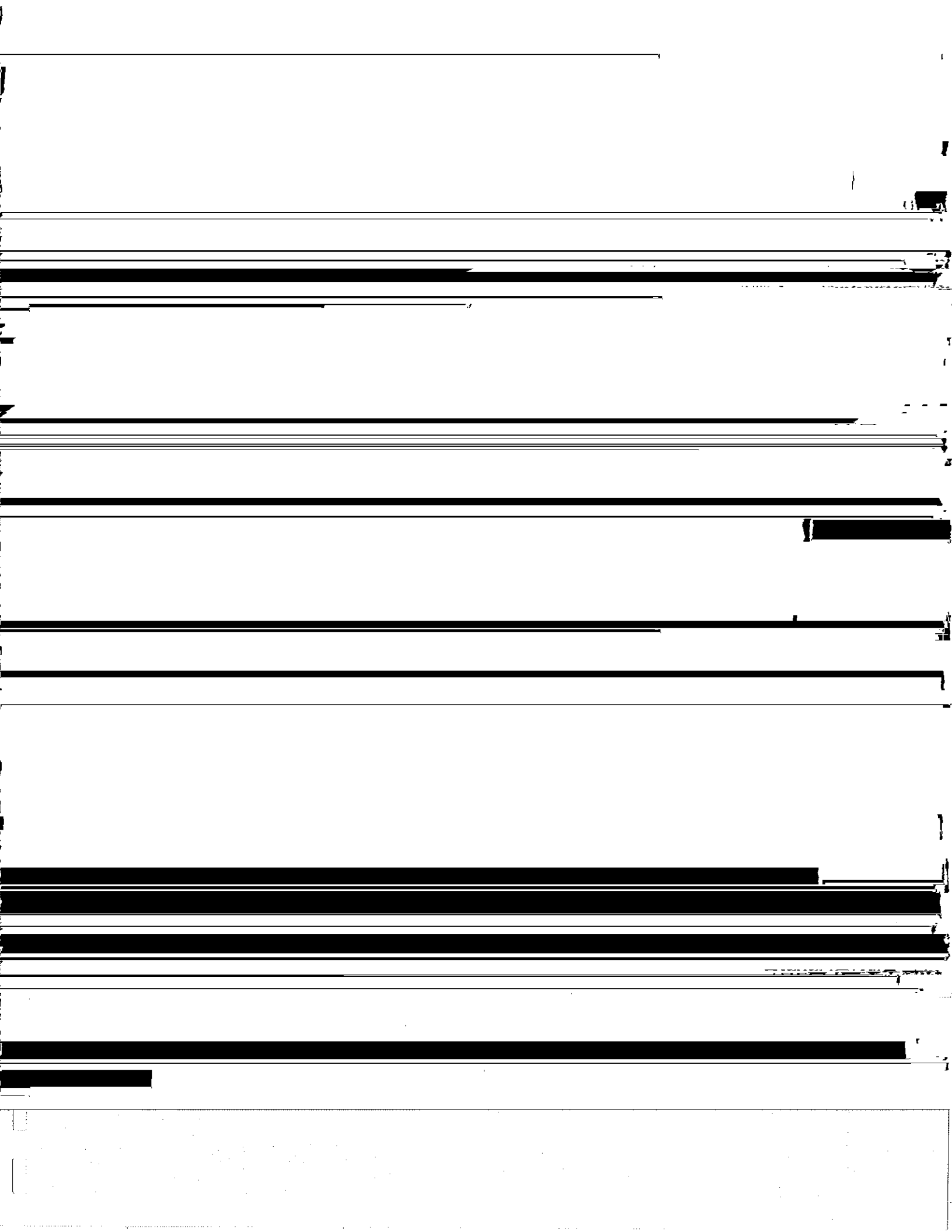
time" in order to find a compromise that can be adopted by at least 65 votes. Thus a qualified majority is achieved when a minimum number





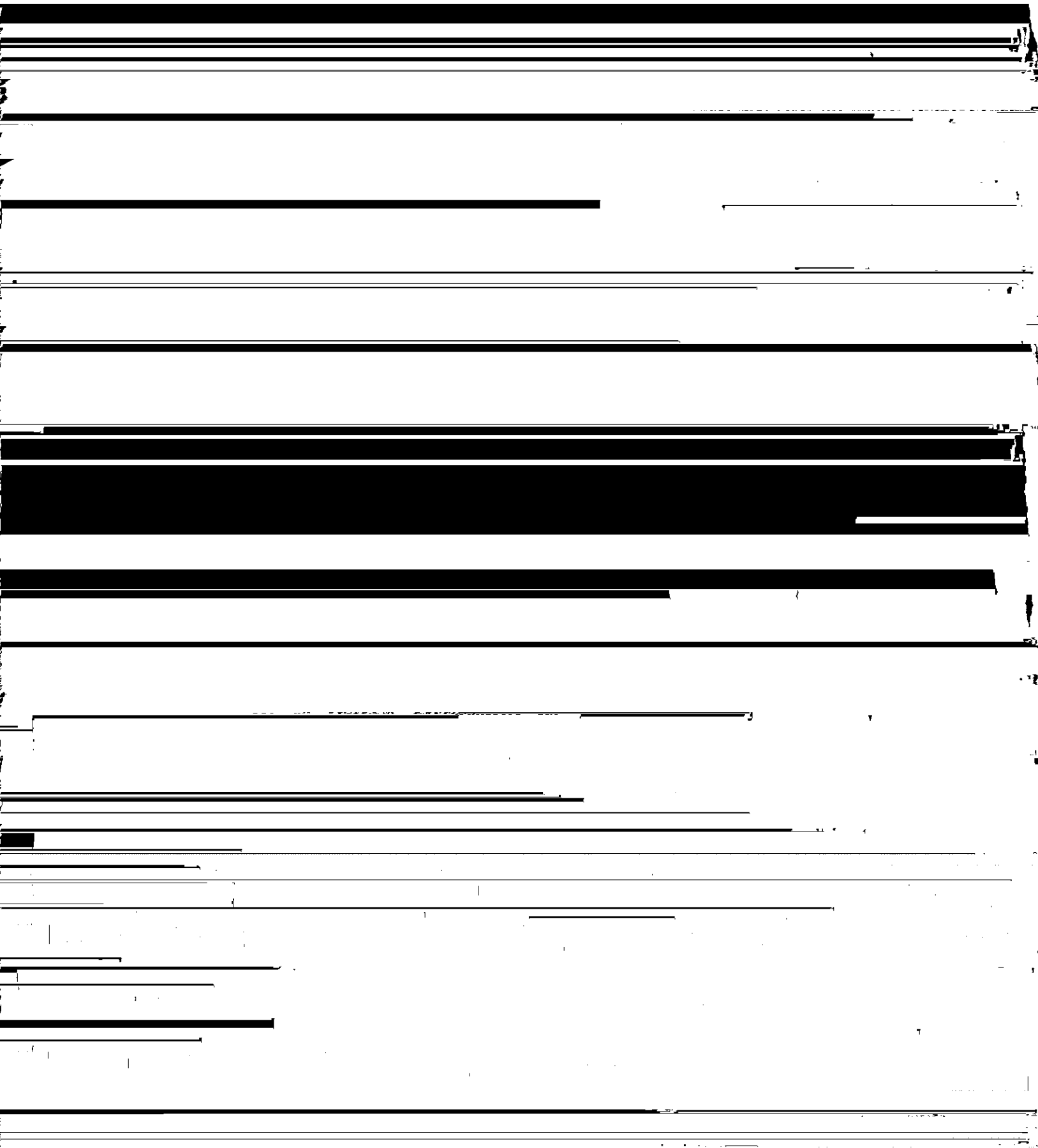
cooperation, and the European Social Fund (paragraph 74).

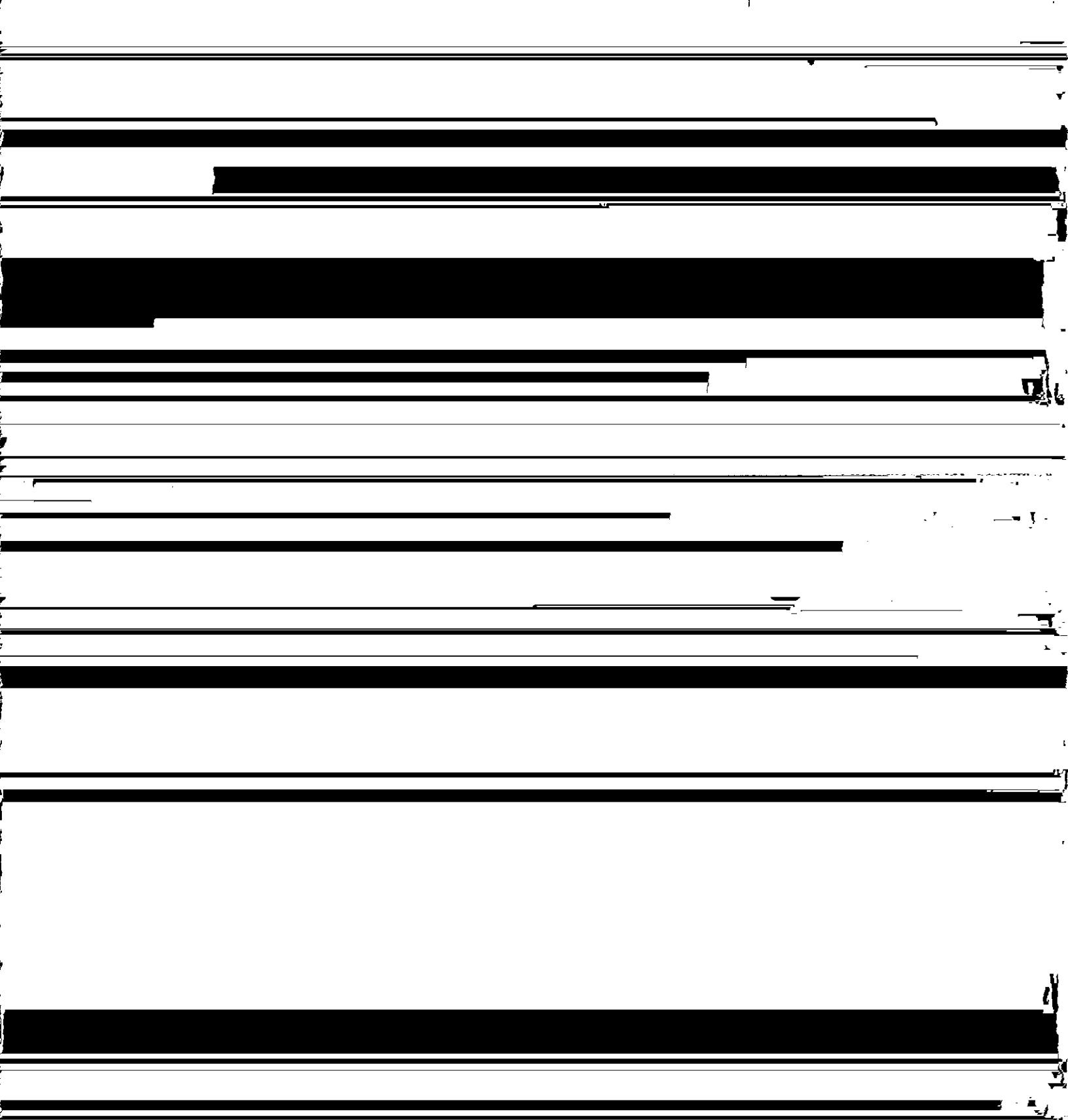
this is a significant hurdle to the exercise of its powers. The assent procedure is another case altogether. In some instances, the assent must be by a majority of those voting, and in others, a majority of members. The latter rule (which applies, for example, to ratification of treaties of accession) makes it relatively easy to mobilize a blocking vote. But because the consequences are so drastic, the



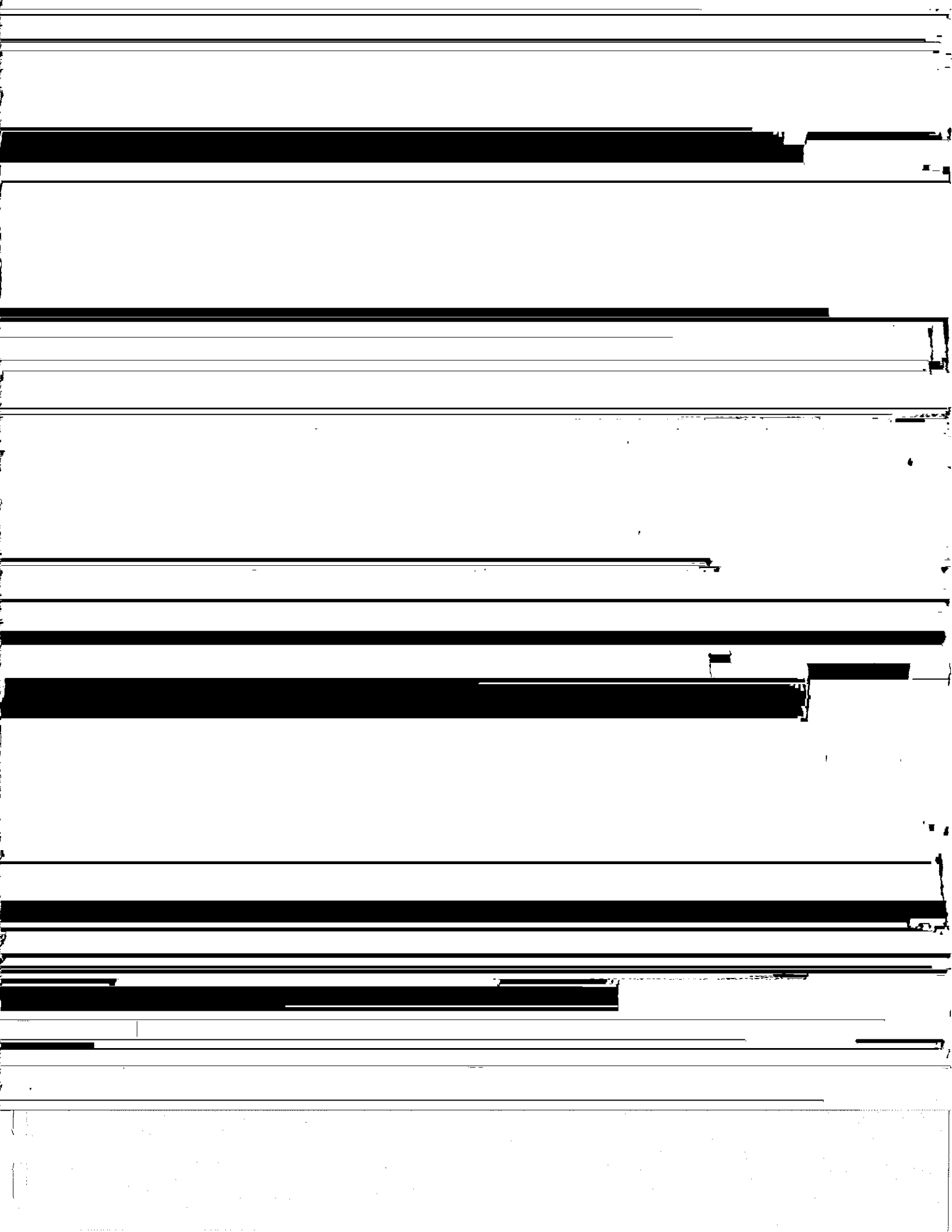
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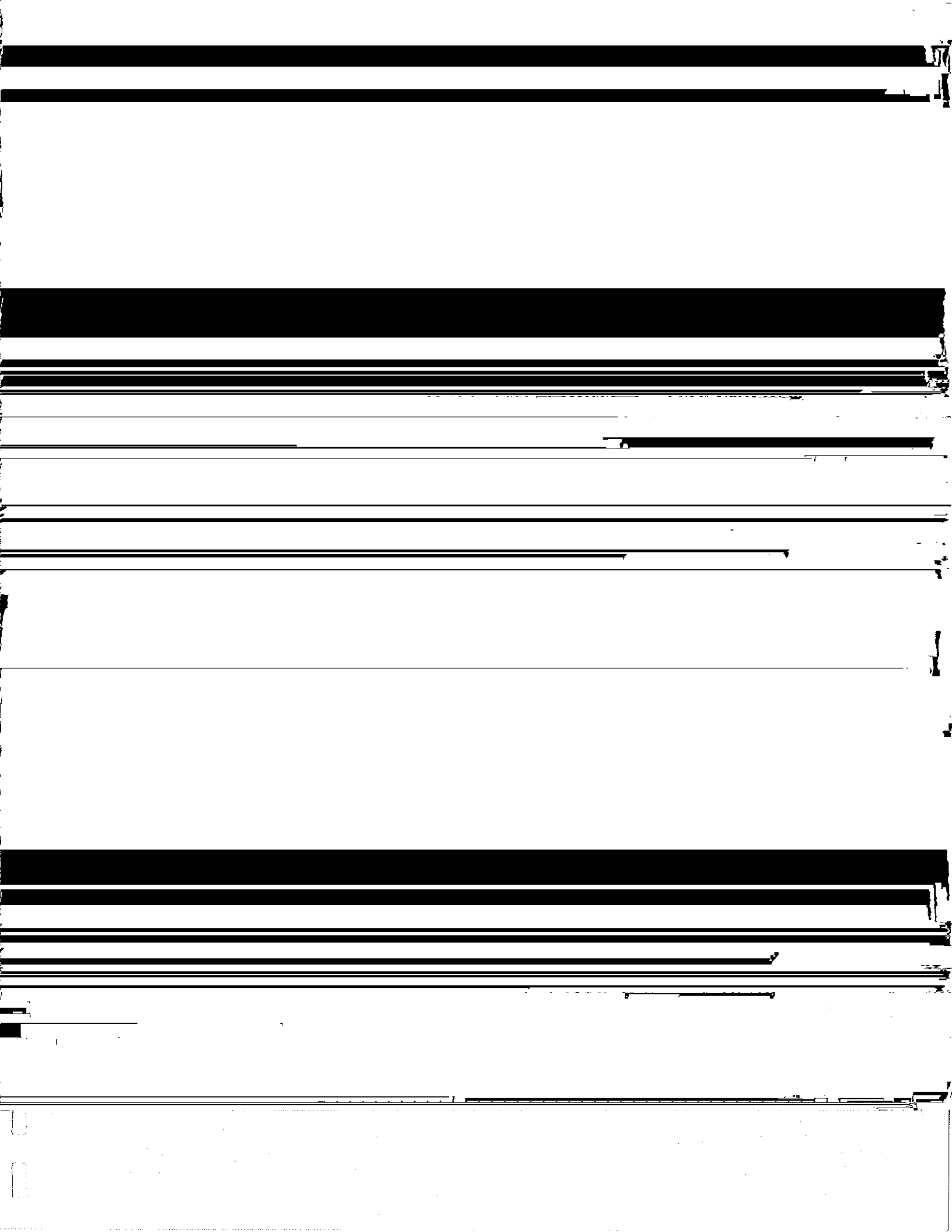
stipulated by the treaty for the subject in hand. Expenses required

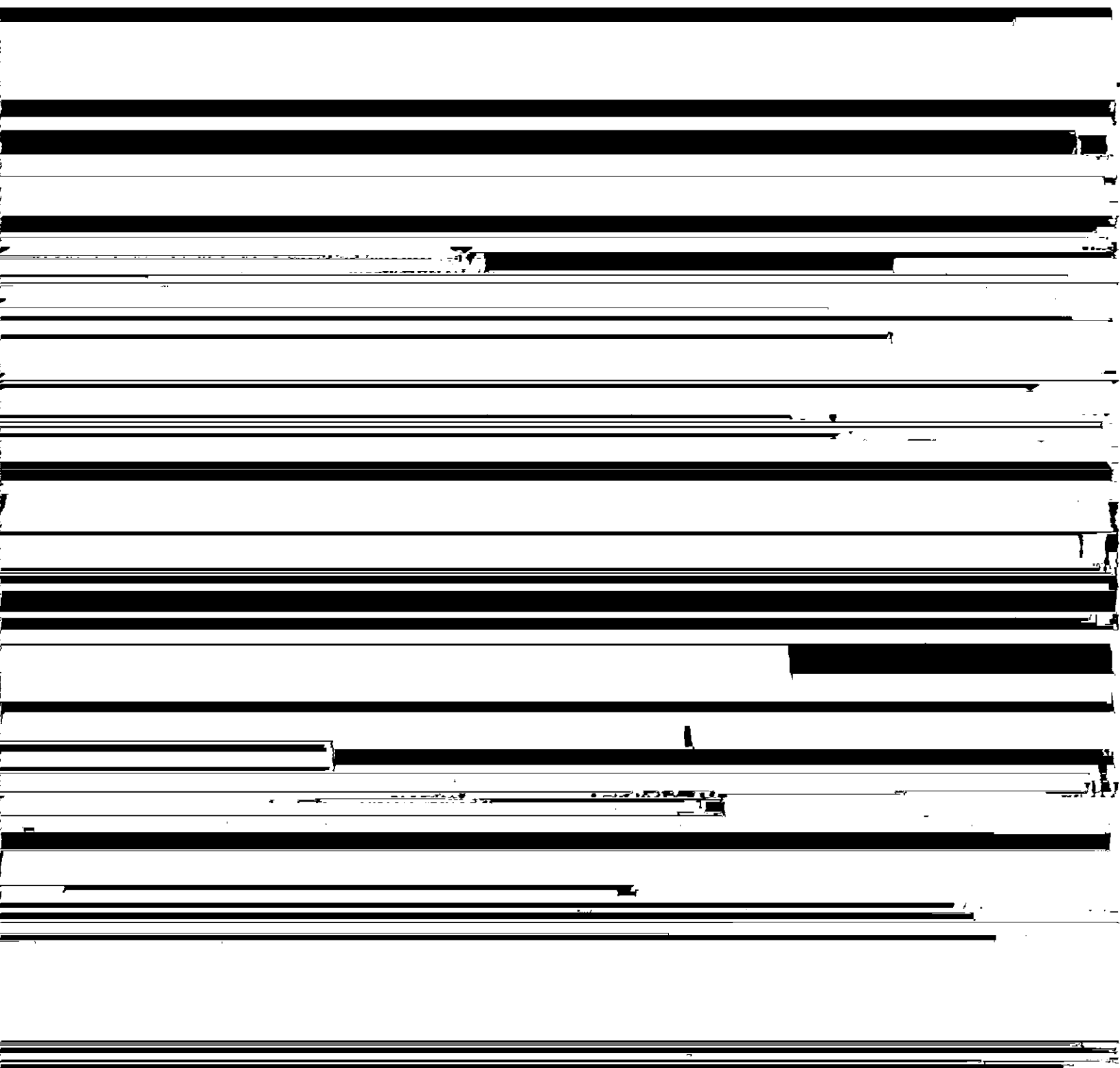




constitutions?







wholesale revision of the EC Treaty would probably be required, partly because of the increased number of states (to 18 or even to 25, as compared with the original six), and partly because of the fiscal and political pressures that would be created with the accession of several new — large and poor — member states.



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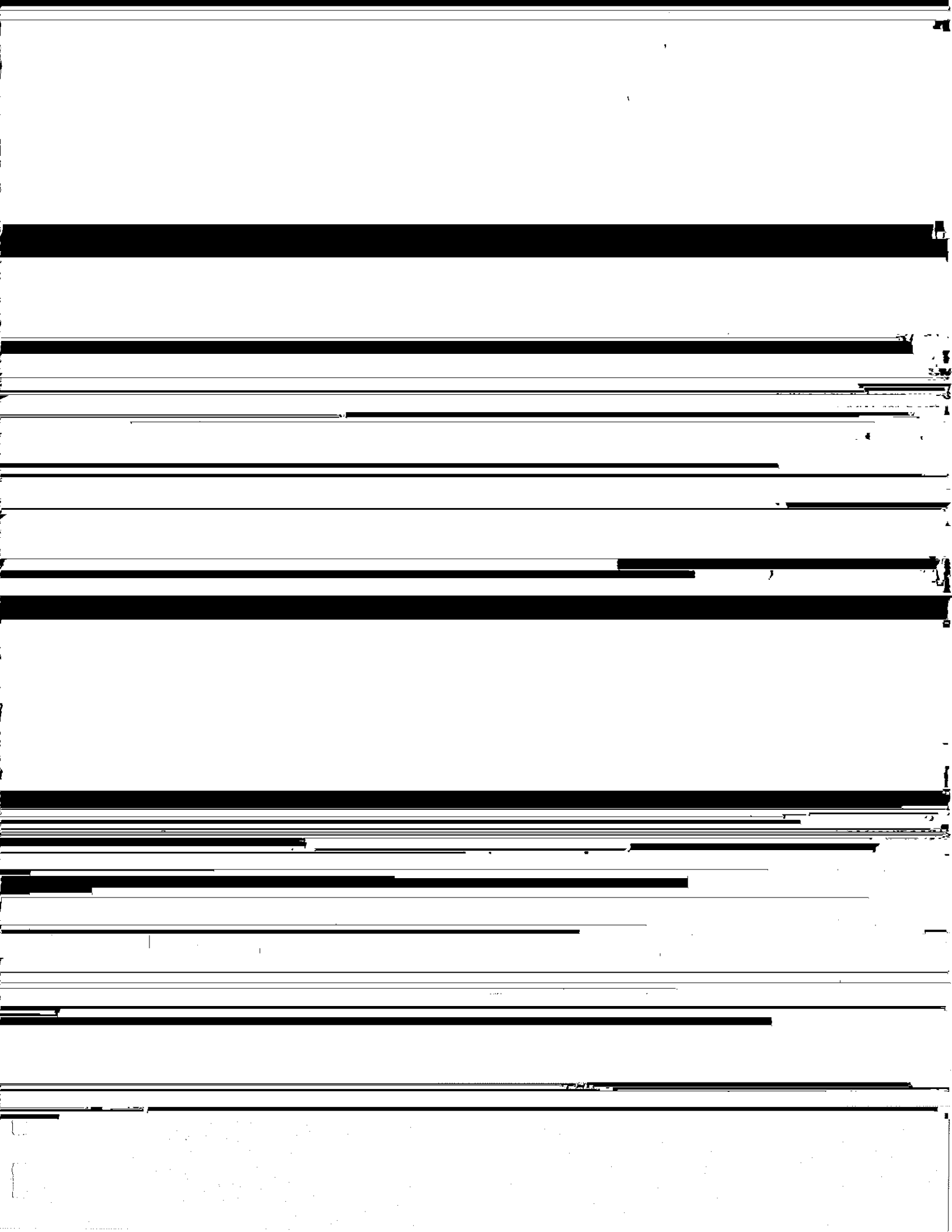
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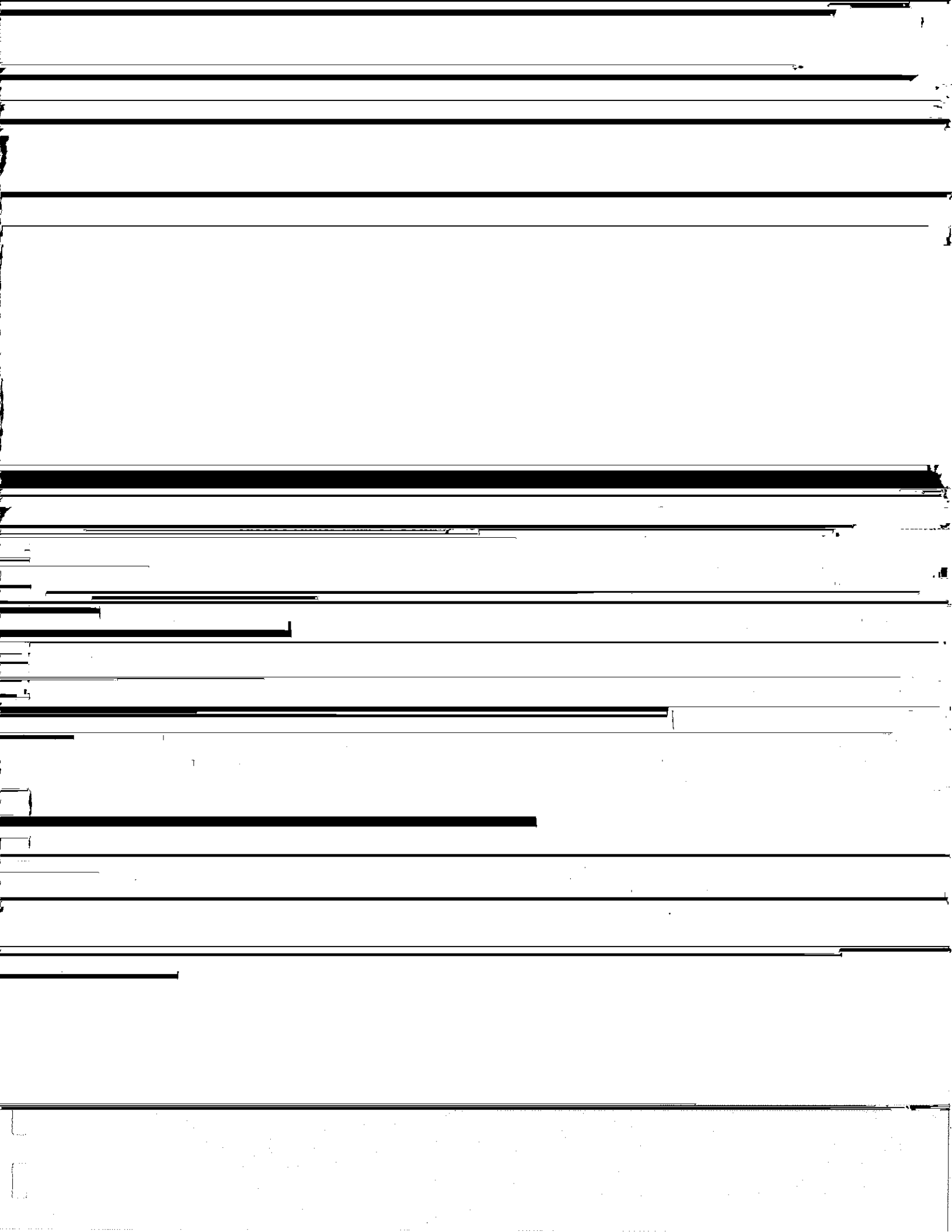
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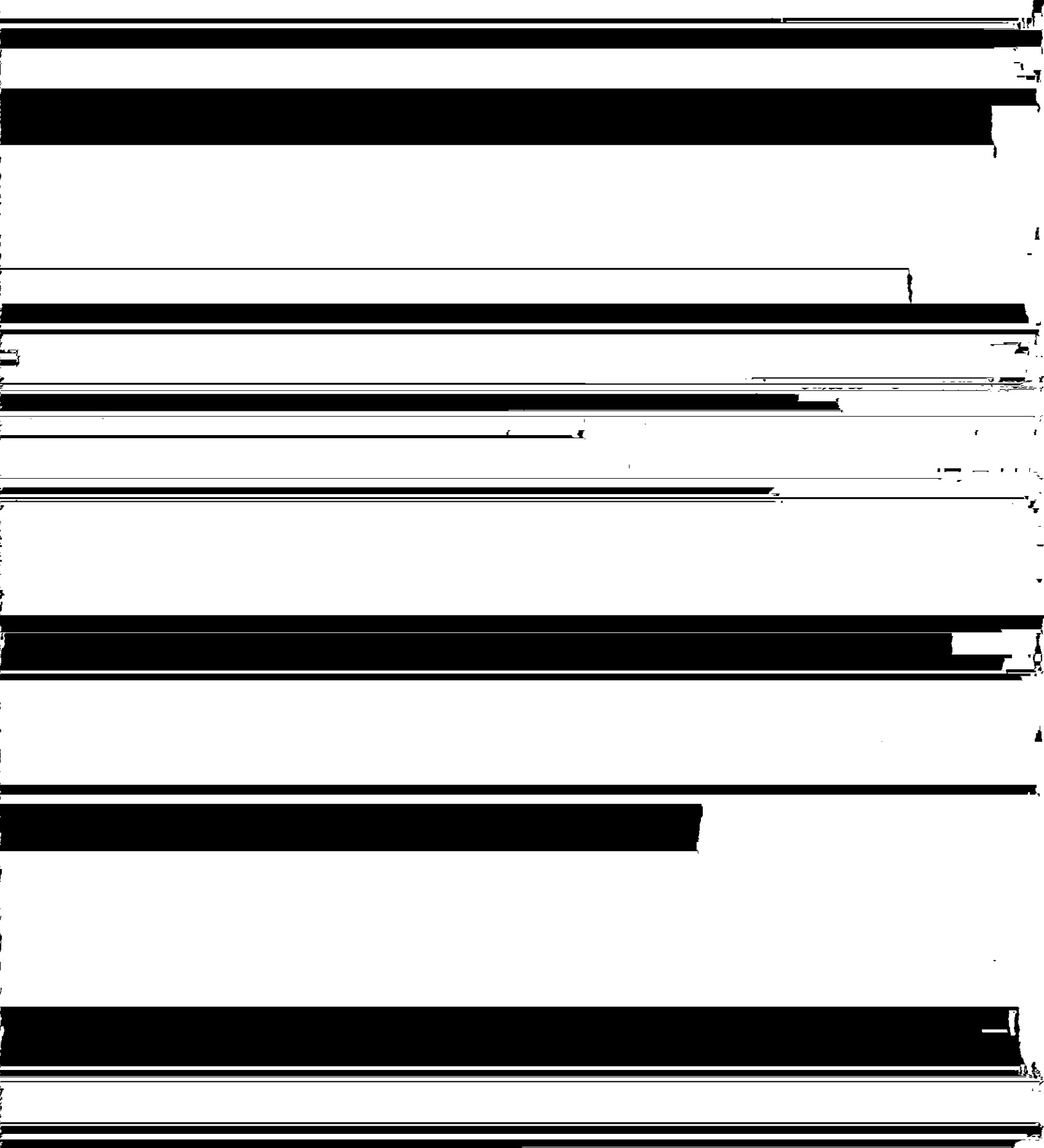
competition policy, and generally to oversee the conditions under which people and firms do business. These are politically sensitive matters requiring strong political institutions to address them.

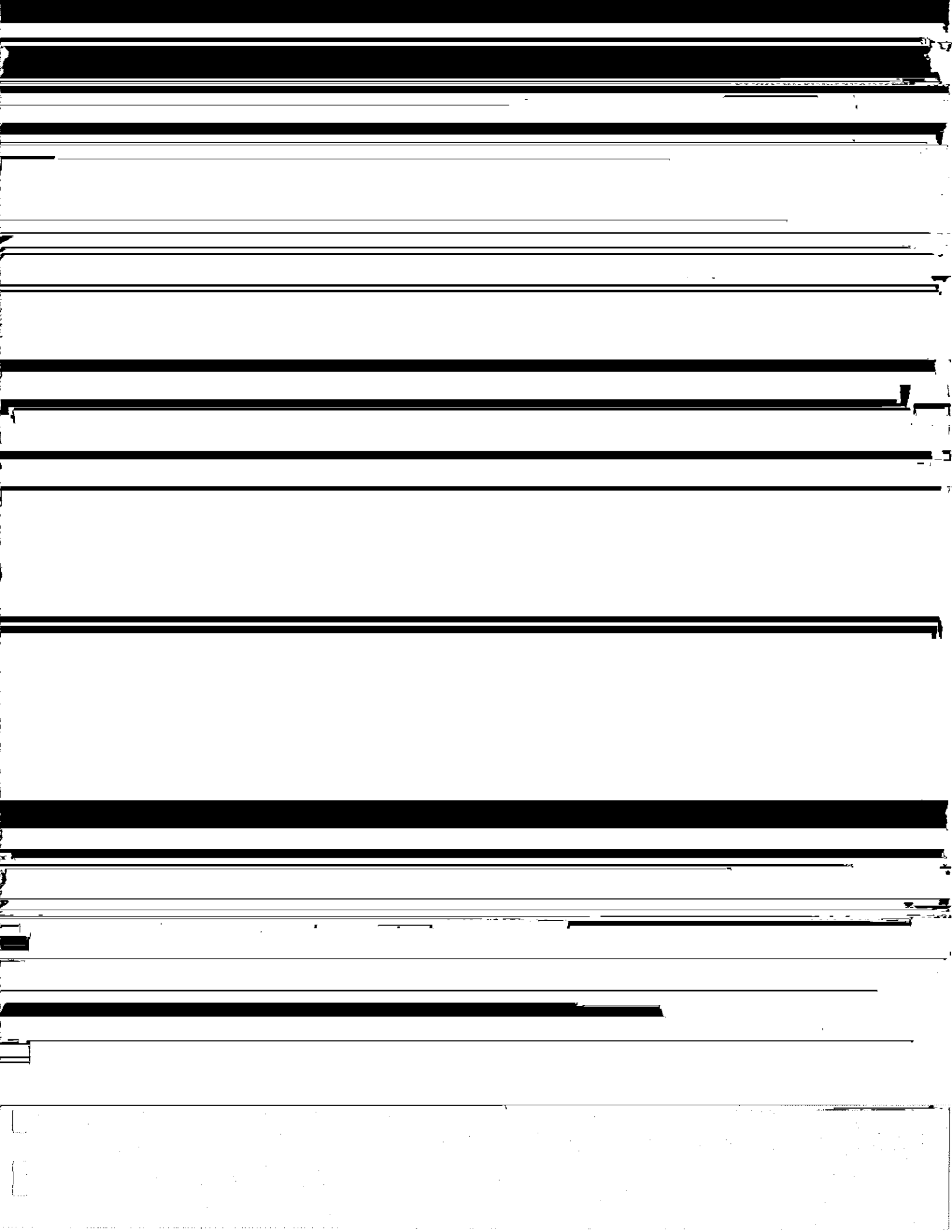
A monetary union establishes either a common currency (the usual interpretation) or an inalterably fixed relationship between national currencies, so that they become, in effect, interchangeable. A central bank or its equivalent is needed to manage the supply of money, which involves partial control of interest rates and credit.

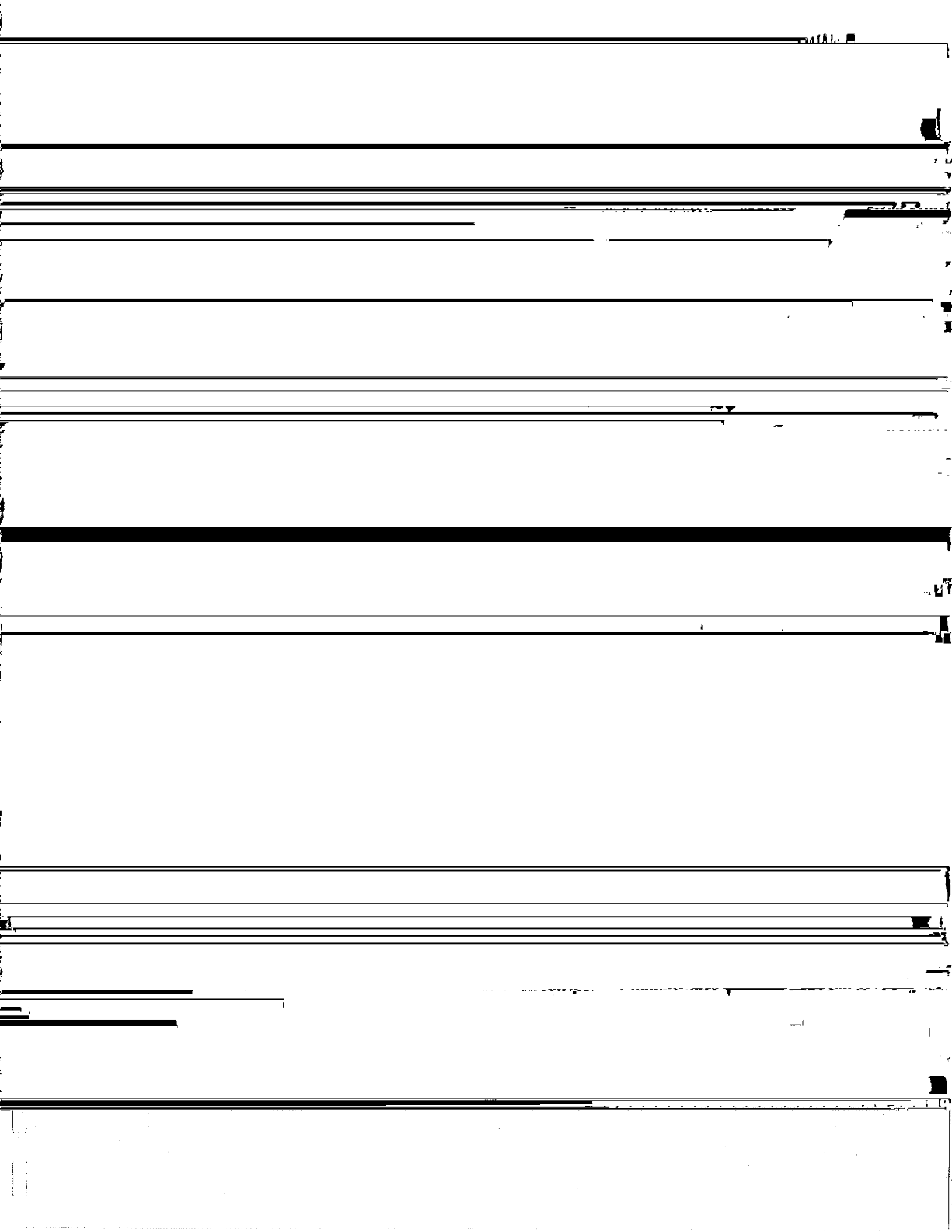
...member state continues to apply its domestic remedy laws, such as anti-dumping duties, countervailing duties, and emergency measures. Only their application is subject to prescribed dispute settlement procedures. It has been implicitly judged that a free trade area can operate without common rules on some of the most important non-tariff barriers, a striking feature of the NAFTA that many Canadians have found worrisome. This is another way of saying that











controlling voice in policies for restructuring declining industries. However, it is not clear how much the Commission is really in control of industrial subsidies, and what role remains to the states.

national states.

**56.3 Takeovers and
mergers;
cooperation among
firms (European
consortia)**

- The opening of national borders has, in itself, the effect of increasing competition and breaking down cartels. Where national regulations and state subsidies have created national monopolies or created giant firms that have become national champions in the international marketplace, the imposition of EC-level controls on state aids and on public procurement practices has undermined the position of nationally dominant firms. This leaves two main tasks

Commission has had difficulty in controlling them, due to the severity of political pressures on national states. In the case of

a program that has strongly redistributive effects among the member states (some being net beneficiaries, and others net contributors), the CAP is also a major source of controversy among the member states. None of them now has an agricultural policy that is more than a minor variant of Community policy, which controls prices, stockpiles excess production, pays farmers to take land out of production, limits livestock herds and tonnage of produce, and retrain farmers for other occupations.

57.4 Fisheries

- Fisheries policy is also centralized in the Community, effectively setting the parameters within which member states may act.

to have an EU fiscal policy would be through the close coordination of the budgets of the member states, and this has not been accomplished, or even seriously attempted. Although the six original member states committed themselves under the Rome Treaty to coordinate their economic policies and remedy disequilibria in their balances of

can) with the Deutsche Mark — the advantages of doing so being the

62 *The road
to EMU*

French franc by more than 40 per cent.

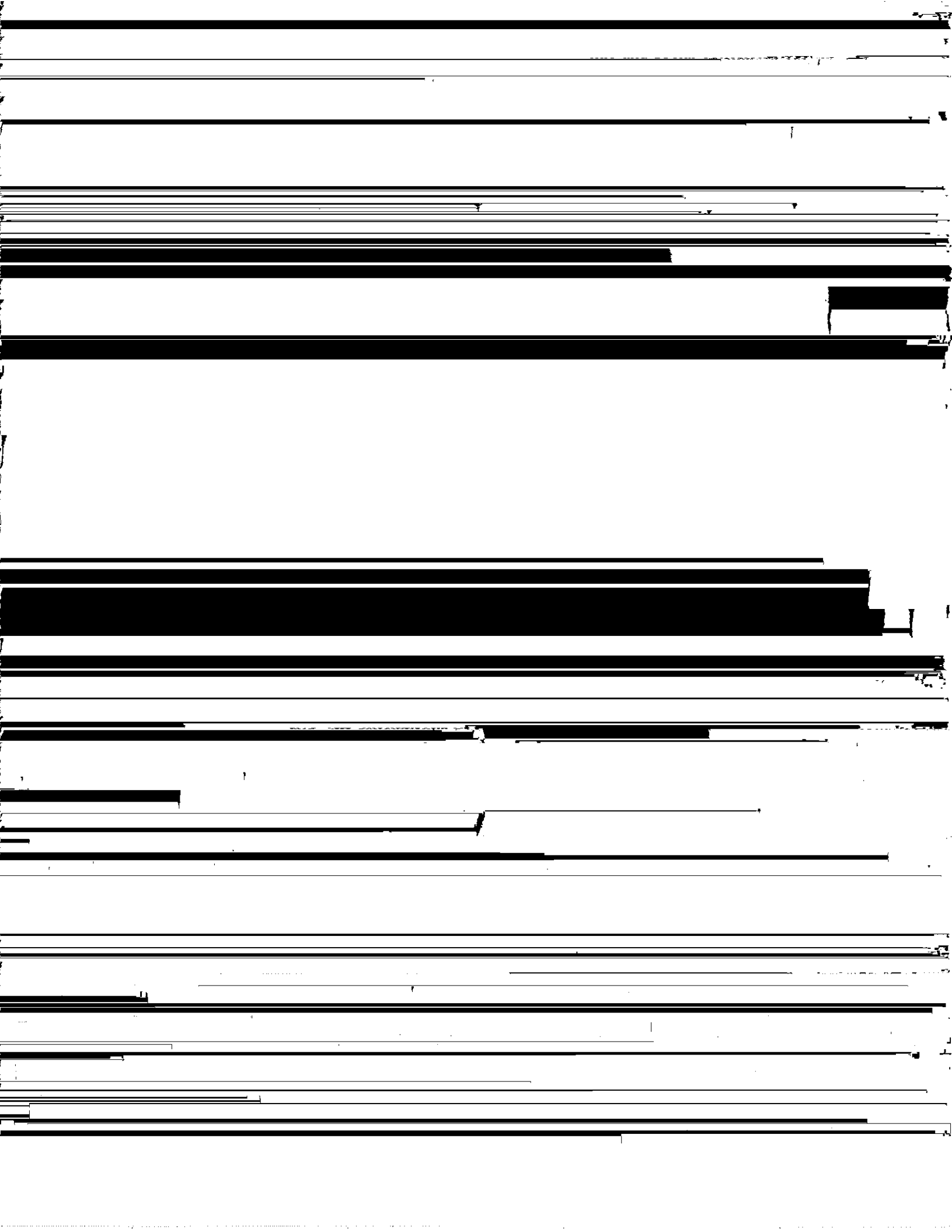
Monetary union would permanently eliminate the past pattern of devaluations, doing away with fiscal and monetary independence for the participating states. According to the Maastricht Treaty, EMU is to be achieved in three stages, with stage three beginning not later than January 1, 1999. All EU states are bound by treaty provisions applying

thus censured. Thus, the Council, presumably acting on the

the three lowest-inflation states.

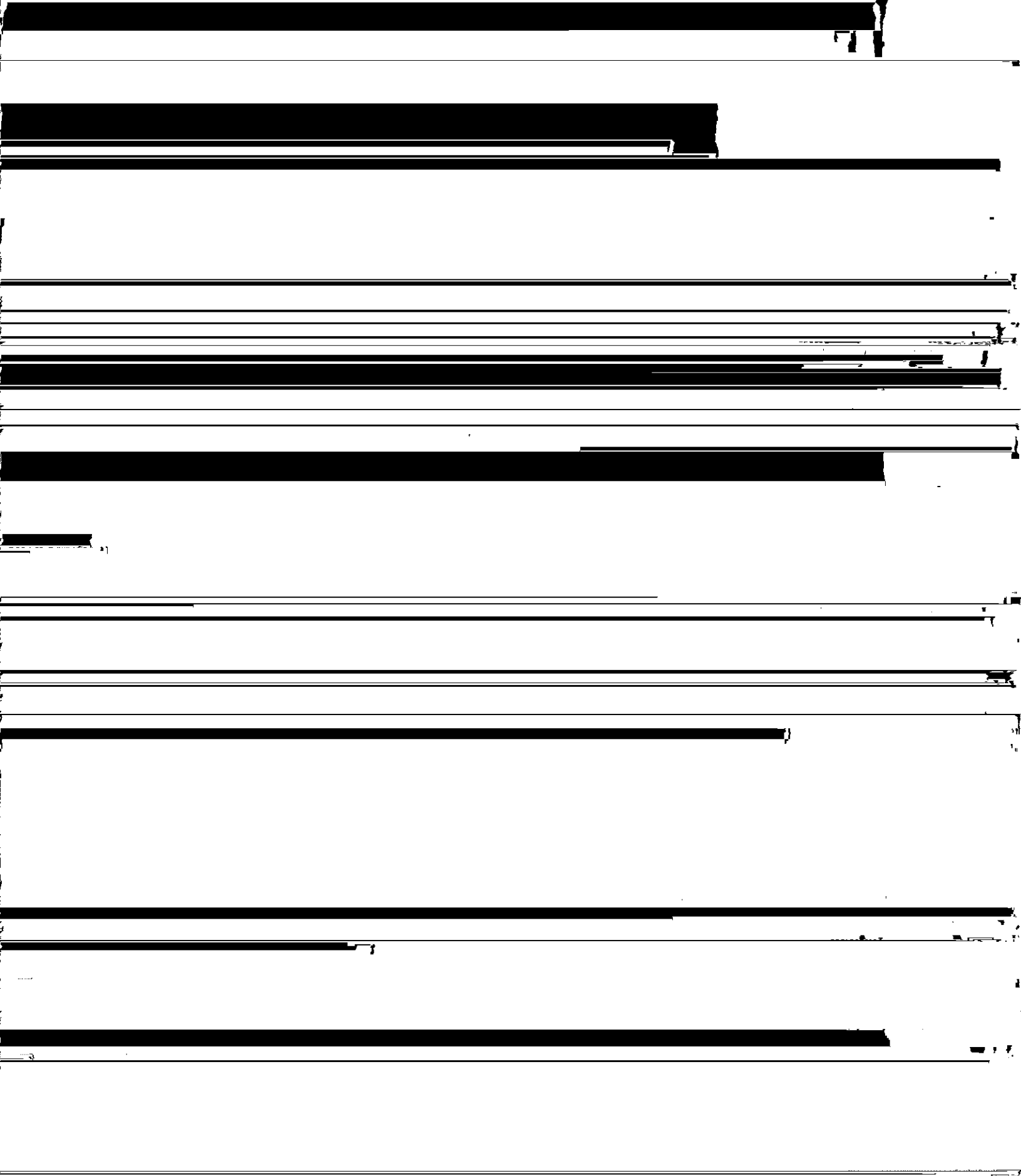
The European Council's decision will be a political one. The heads of state or government will have latitude to allow non-compliance with the convergence criteria — as they will have to do, if a majority of the member states are to be admitted to stage three (see also paragraph 65).

because of its favourable connotations and its appealingly elastic boundaries.



substantial jurisprudence has been developed. The principle is restated

ingress and egress, 107000 01, and 1000 101. industrial restructuring. The Fund subsidizes the labour market policies of member states, and (to draw a Canadian comparison) it is a vehicle for mounting shared-cost programs under which the Community covers 50 per cent of eligible expenditures.



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goods, and ...
would then have to make a ruling on the admissibility of the more stringent measures.

Article X (asylum, immigration, and aspects of the justice system) may be brought within the ambit of the EC Treaty. If this happens, decisions in these fields will be taken by qualified majority, and the Commission and the European Court of Justice will gain enforcement powers in relation to them.

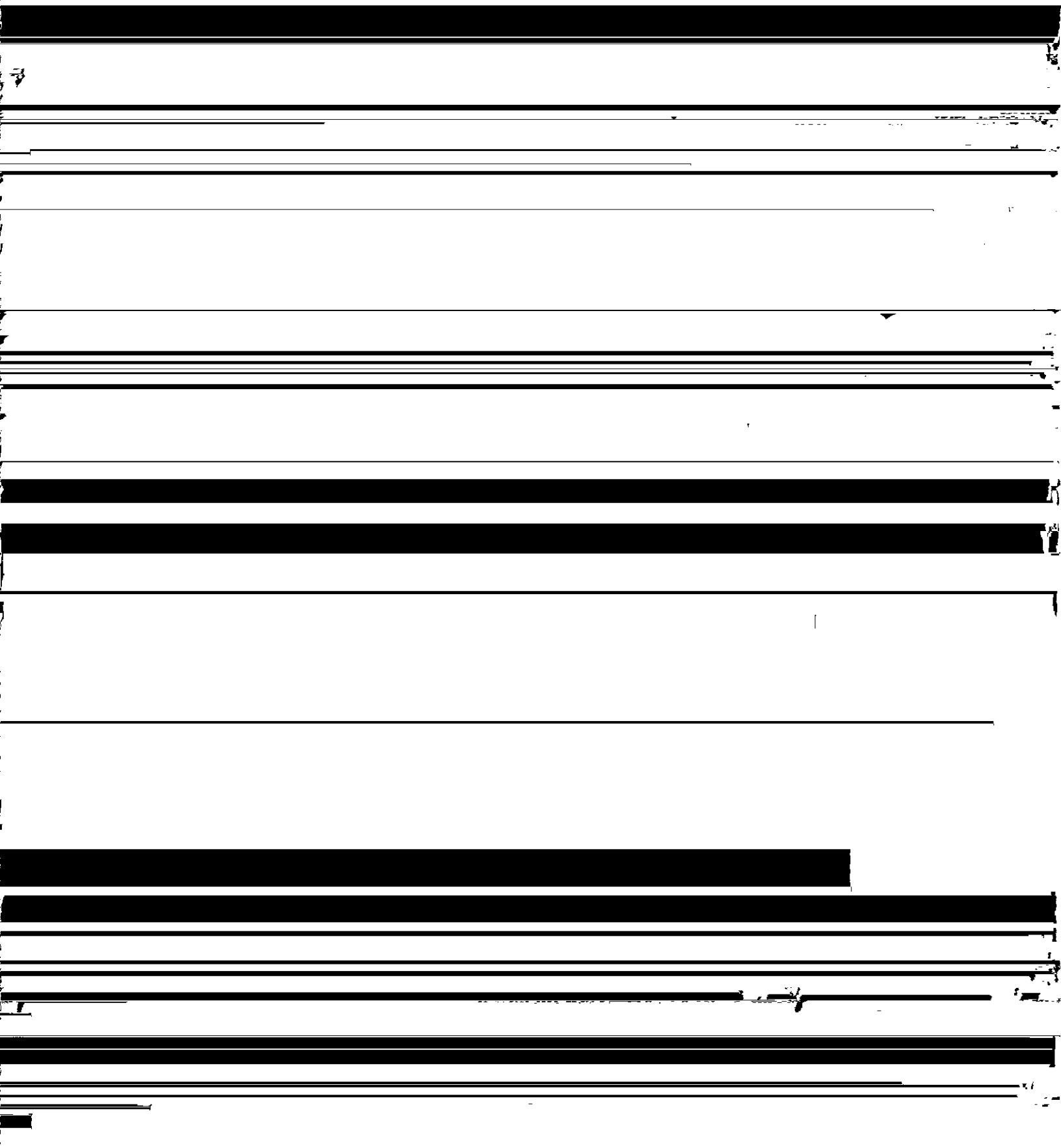
- to strengthen the security of the Union and its member states in all ways;
- to preserve peace and strengthen international security;

- to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms.

Member states are committed under the treaty to "inform and consult one another" on the above matters, and may adopt some form of joint action in relation to them.

**83 Prospects for
bringing a CFSP
partially within the
ambit of the EC**

Where the European Council establishes general guidelines for joint action, the matter(s) in question become subject to decision by the Council of Ministers, which will determine whether to act by unanimity or by qualified majority. The usual rule, that Council will act only on the basis of a proposal from the Commission, does not apply in this case, and no reference is made to any role for the European Parliament. The implication of this section of the treaty, then, is that the formulation of the Common Foreign and Security Policy, or aspects of such a policy, may be brought within the ambit of Community action, without further treaty amendments. There are, though, three qualifications to add:



The

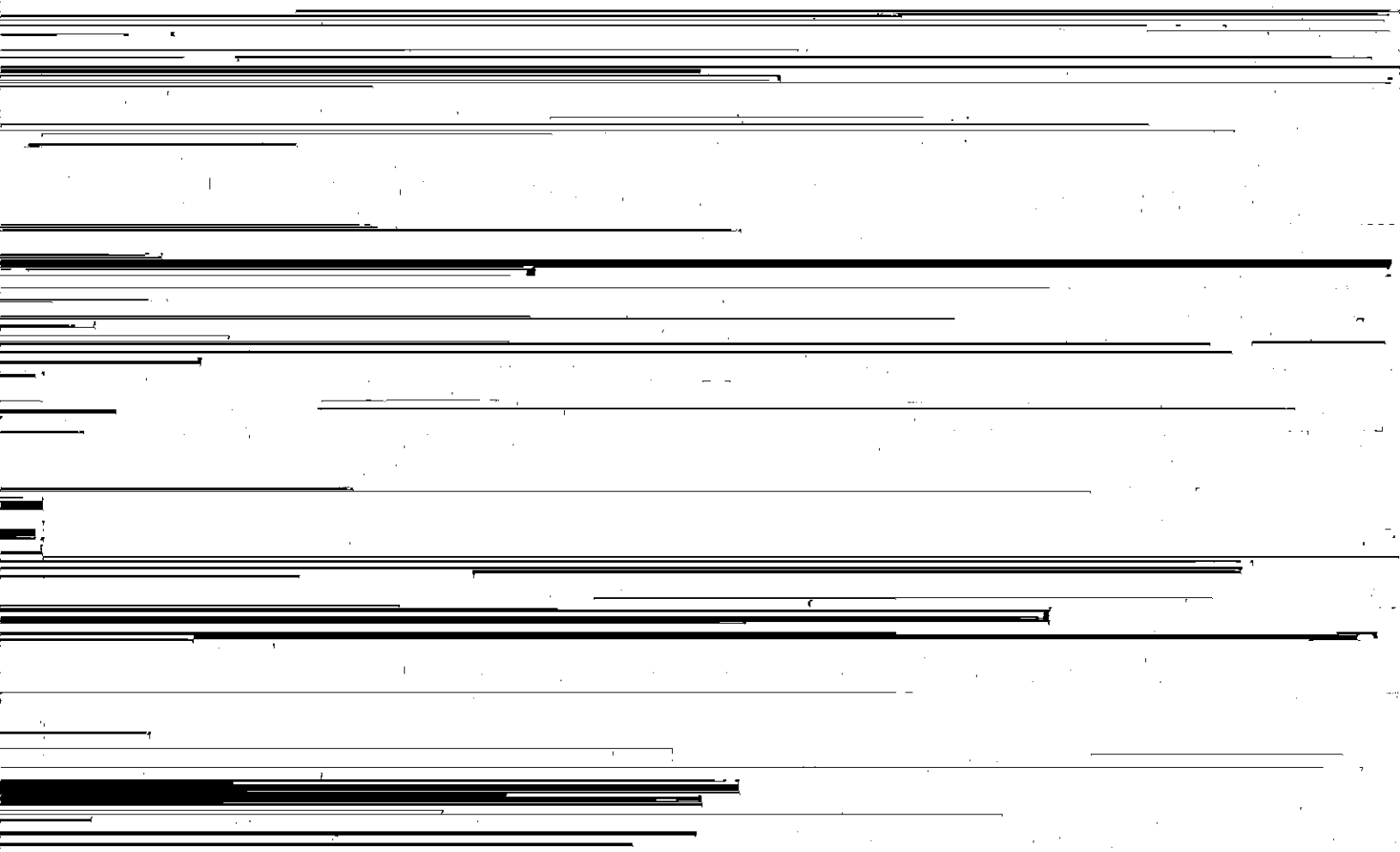
subsidarity

says that if action is to be taken at the EC level, there must be a demonstrable reason for curtailing the powers of the member states; and the extent of EC involvement must be the minimum needed to achieve the purposes that have been agreed upon. If the European Court of Justice were to become the arbiter of "objectives ...

sufficiently achieved, as is conceivable, the EC Treaty Court would become an instrument of decentralization in some areas, just as it is evidently an instrument of centralization in others. A very practical way in which the principle could become important is in relation to the wording of Community directives: on the basis of subsidiarity, one would expect directives to be as general and non-constraining as possible, leaving plenty of room for adaptation to suit conditions in the various member states.

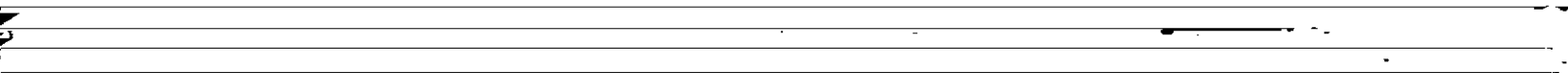
88 *Subsidiarity:
a comment*

It is far from certain, though, that the principle of subsidiarity has anything like the force that some anticipate it will have. The Council, composed of delegates of the member states, already has every incentive to prevent unnecessary or undesirable centralization, or



comparisons

Both the historical context of European integration and the inner logic of the institutional system that has been built up are pertinent to making comparisons with other complex systems (federal states, supranational organizations, forms of economic association — to establish a free trade area, for example). North American comparisons may be made at several levels: with the Canadian (or American) federal system, with the North American Free Trade Agreement (NAFTA), and with a hypothetical association between an independent Quebec and "Canada" or its various successor-states.



make any regional grouping of states on its perimeter an extremely fragile entity. To weave fantasies about the relations among the states that are situated on the northern rim of the United States without taking

economic/political association. Fragmentation would be a strong possibility, since all the provinces or former provinces of Canada would be more concerned about their ties with the United States than

96 *The internal logic of the EU system*

Although the NAFTA clearly would affect the stability and effectiveness of a Maastricht-type relationship between Quebec and Canada, this issue cannot be addressed in this report. This survey of the European Union allows no more than a consideration of "Maastricht in Canada" as if there were only two entities to take into account: an independent Quebec and a Canadian federation from which Quebec has seceded. What follows is an attempt to trace the internal logic of the EU system and to apply that logic to an imagined Canada-Quebec pairing of associated sovereign states.

97 *Economic association: beyond free trade?*

The basic question for Canada and an independent Quebec to resolve, as regards economic association, would be how far to go beyond free trade. The NAFTA is an existing structure, and presumably the United States would be willing to negotiate membership terms with a sovereign Quebec. It is doing this now with Chile, and (somewhat ominously) is taking advantage of the moment to reopen certain features of what at present is a tripartite agreement. One could expect the same scenario to play out with an independent or soon-to-be-independent Quebec; in the end, Quebec and Canada would both belong to an expanded and modified NAFTA. This would establish

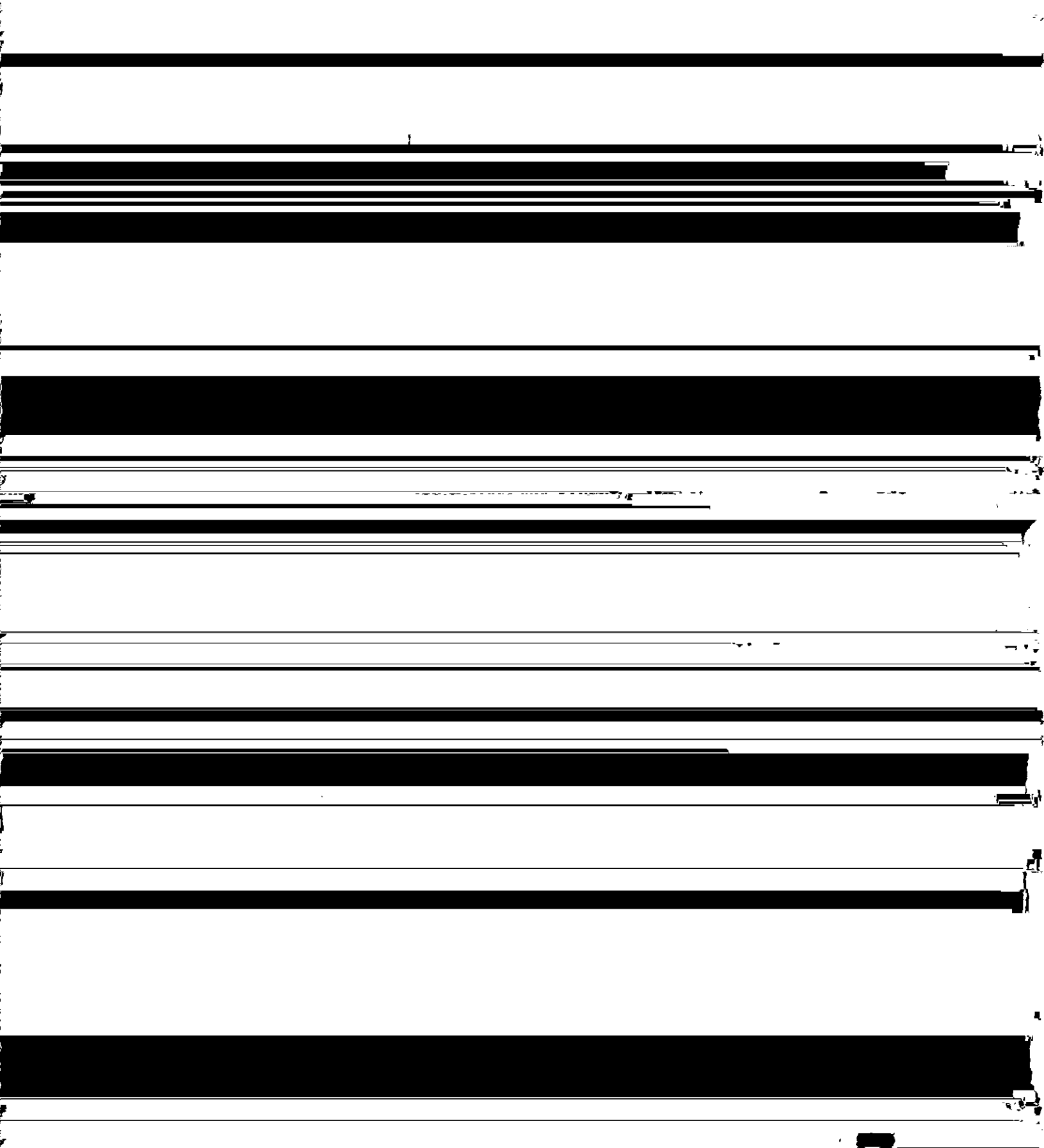
industries in importing states. The instruments of contingent protectionism are countervailing duties (to neutralize the effects of a public subsidy to the exporting firm), anti-dumping duties (to neutralize allegedly unfair trading practices by firms and public agencies), voluntary export restraints or managed-trade agreements among states (generally in violation of GATT/World Trade Organization rules), and safeguard measures (quotas or temporary levies to protect declining industries or industries subject to sharply increased import competition). International trade negotiations increasingly focus on such issues. Tariff levels still matter, but have receded markedly, while contingent protectionism has increased. A

control between the two states.

Common Market

101 *Common policies in
a common market*

An economic association that creates or sustains a common market provides for the free movement of capital and of labour/persons. To some extent these objectives can be reached by prohibiting



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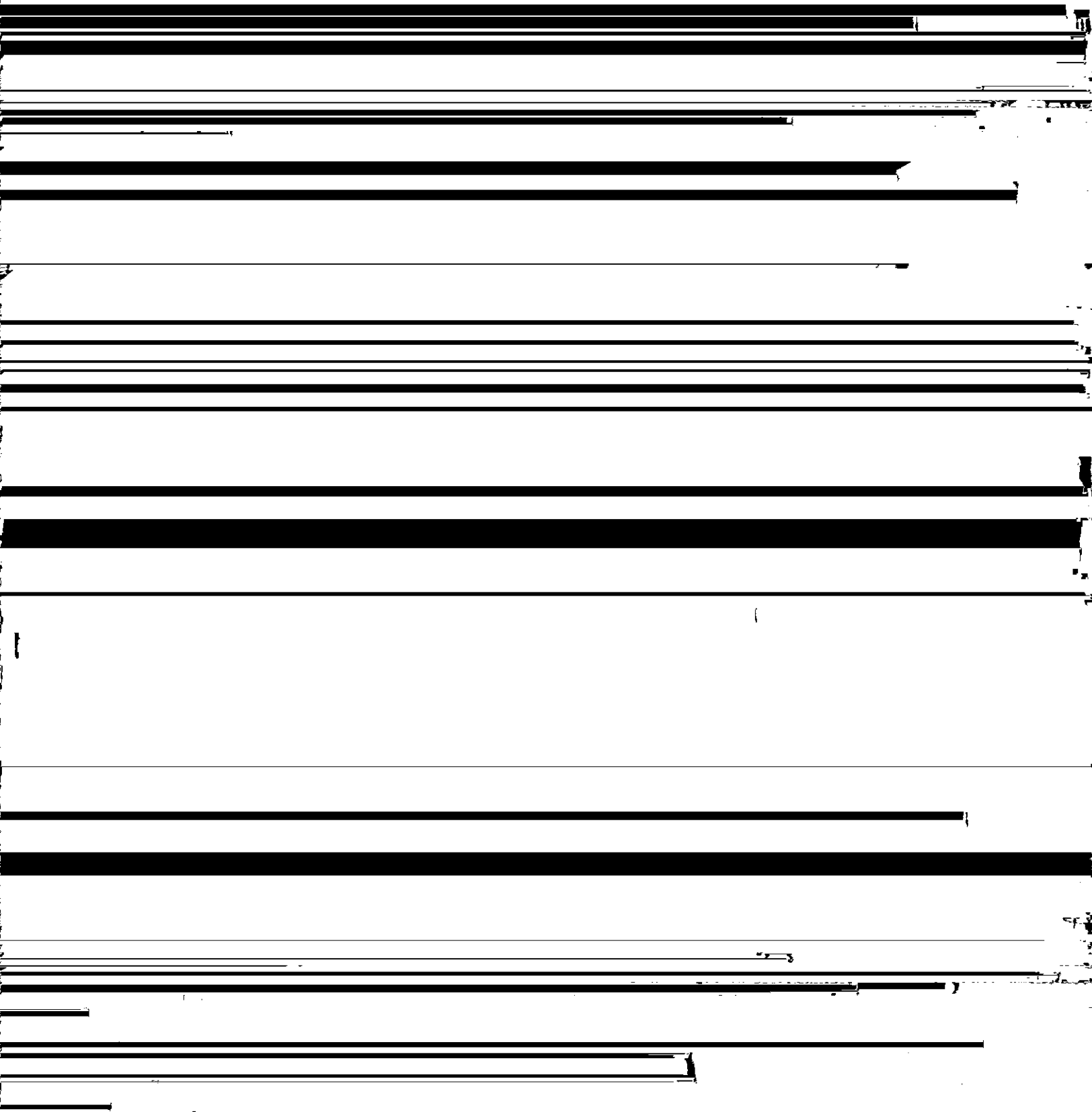
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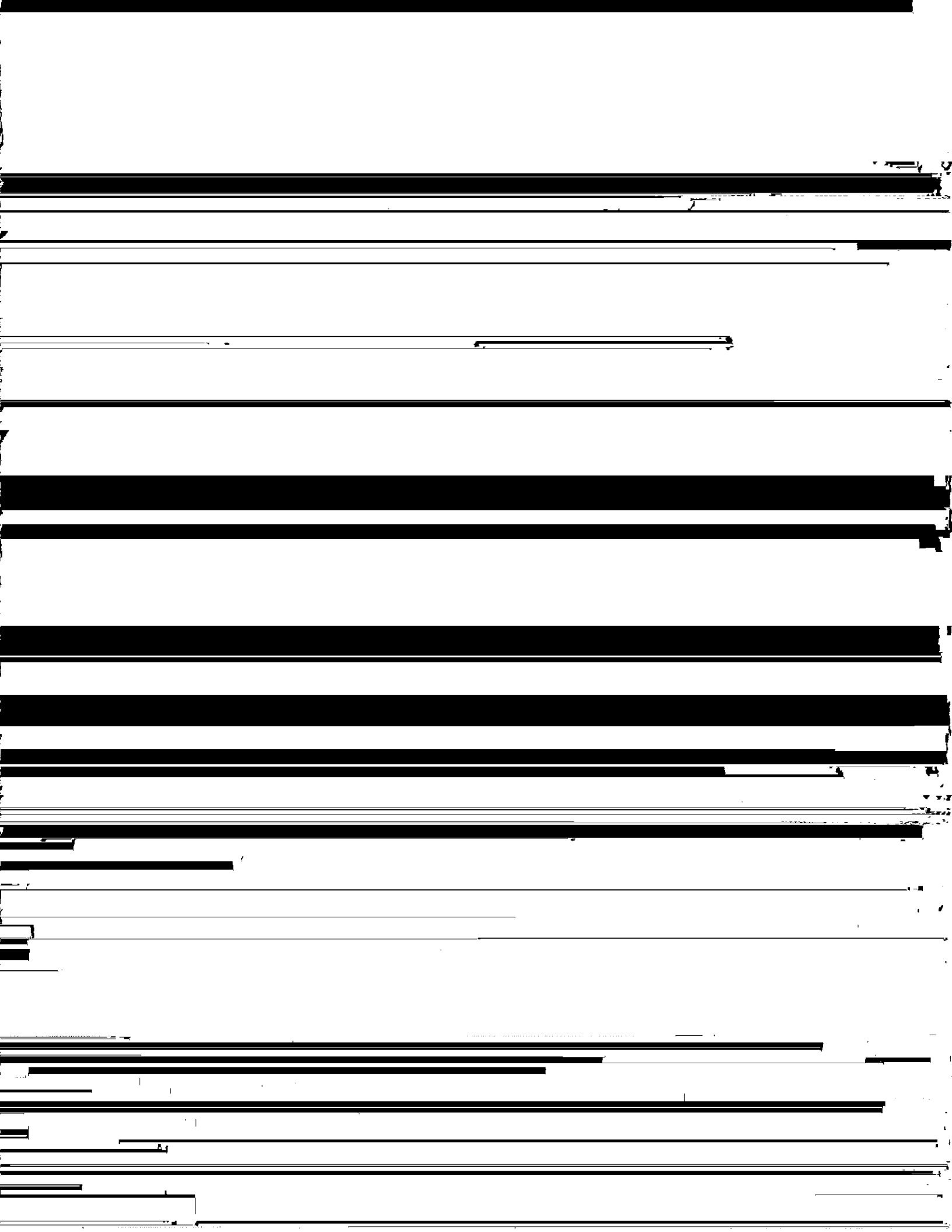
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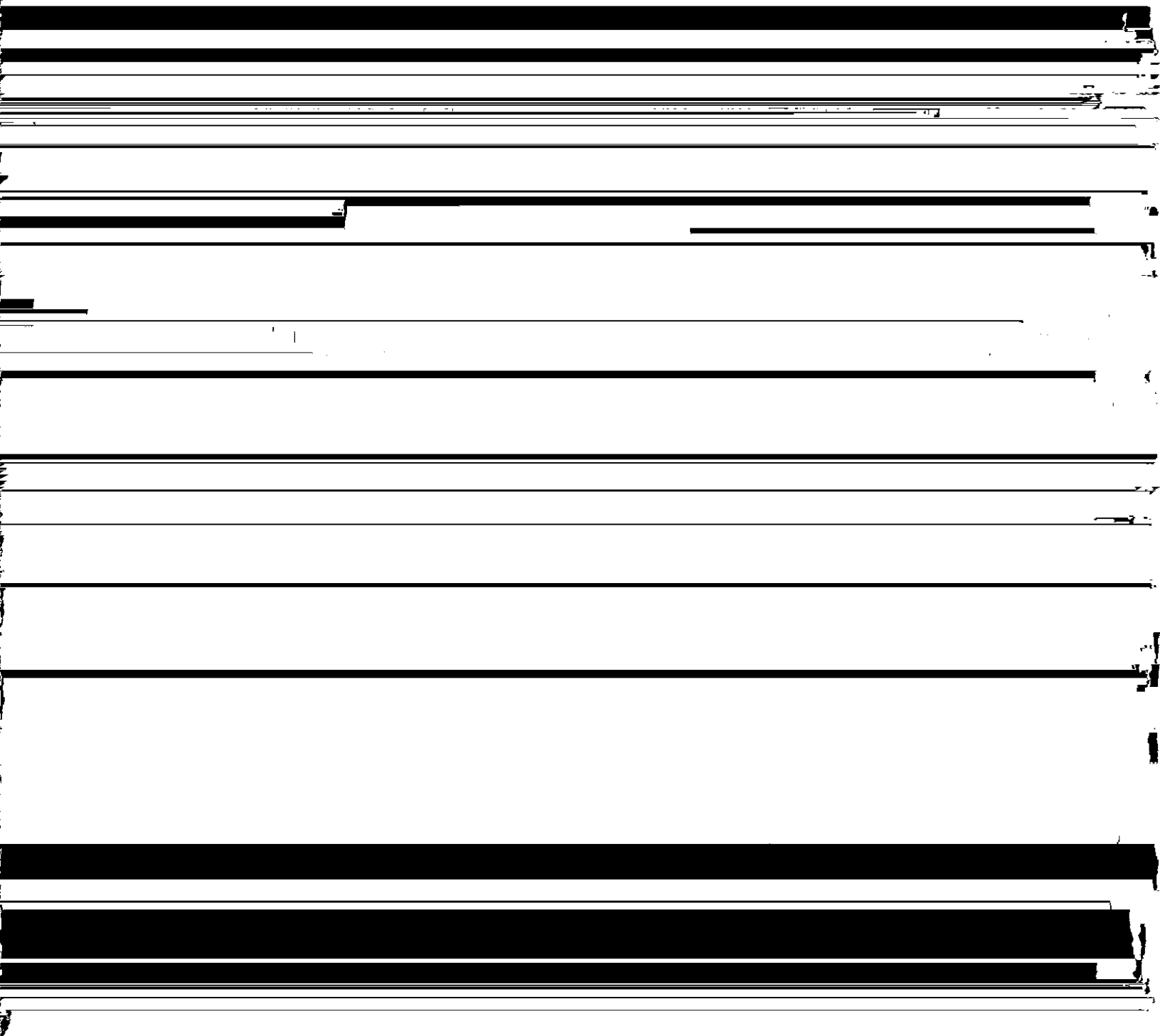
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policy and therefore with a single agency to conduct international

evident that a strong governmental framework — with legislative,

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present economic conditions, they would not be able to
— by inertia, so to speak — after secession by Quebec; they

Canada, Quebec would have less, not more, control over its economy.

- In the European Community, the qualified majority voting rule has been essential to recent successes. But qualified majority voting requires more than two states. With only two states, the smaller one (Quebec) would demand parity in voting, and the larger one (Canada) would insist on proportionality — otherwise Quebec

would gain a comprehensive veto over Canada's economic policies. "Maastricht for two" is an impossible concept.

VAT

Value-added tax