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EU Development and Enlargement: context of the Pan-European supply chain challenge

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The European Union's history can be traced back to 1951 when the Treaty of Paris established the European Coal and Steel Community (ECSC). The Treaty of Rome establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) (1957), as amended by several subsequent treaties, forms the constitutional basis of the Union, binding its Member States more firmly than any conventional agreement between sovereign States. Initially, the Community's activities were confined to the creation of a common market in coal and steel between the six founder members (Belgium, France, Germany, Italy, Luxembourg and the Netherlands). In that post-war period, the Community was primarily seen as a way of securing peace by bringing victors and vanquished together, within an institutional structure which would allow them to cooperate as equals.

In 1957, three years after the French National Assembly had rejected a European Defence Community, the Six decided to create an economic community, built around the free movement of workers, goods and services. Customs duties on manufactured goods were duly abolished in July of that year and common policies, notably an agricultural policy and a commercial policy, were in place by the end of the decade.

The success of the Six led Ireland, Denmark and the United Kingdom to apply for Community membership. They were finally admitted in 1972 following difficult negotiations during which France, under General de Gaulle, used its veto twice, once in 1961 and again in 1967. This first enlargement, which increased the number of Members from six to nine in 1973, was matched by a deepening of the Community's tasks: it was given responsibility for social, regional and environmental matters.

The need for economic convergence and monetary union became apparent in the early 1970s when the United States suspended dollar convertibility. This marked the beginning of a period of worldwide monetary instability, aggravated by the two oil crises of 1973 and 1979. The launch of a European Monetary System in 1979 helped stabilise exchange rates and encourage Member States to pursue strict economic policies, enabling them to give each other mutual support and benefit from the discipline imposed by an open economic area.

The Community expanded southwards with the accession of Greece in 1981 and Spain and Portugal in 1986. These enlargements made it even more imperative to implement structural programmes designed to reduce the disparities between the Twelve in terms of economic development. During this period, the Community began to play a more important role internationally, signing new agreements with the countries in the southern Mediterranean and countries in Africa, the Caribbean and the Pacific, which were linked to the Community by four successive LomÈ Conventions (1975, 1979, 1984 and 1989).

On the basis of a White Paper drawn up in 1985 by the

[1]Much of the information used in this article is sourced from the Eu portal site http://europa.eu.int. The author also wishes to acknowledge the assistance of the European Parliment Office in Dublin

The European Union is based on the rule of law and democracy. It is neither a new State replacing existing ones nor is it comparable to other international organisations. Its Member States delegate sovereignty to common institutions representing the interests of the Union as a whole on questions of joint interest.

Commission chaired by Jacques Delors, the Community set itself the task of creating a single market by 1 January 1993. The Single Act, signed in February 1986, confirmed this ambitious target and introduced new procedures for adopting associated legislation. It came into force on 1 July 1987.

The collapse of the Berlin Wall, followed by German unification in October 1990, the disintegration of the Soviet Union in December 1991 and the subsequent democratisation of the countries of central and eastern Europe and, transformed the political structure of Europe. The Member States determined to strengthen their ties and negotiated a new Treaty, the main features of which were agreed at the Maastricht European Council in December 1991. On 1 January 1995, three further countries joined the European Union. Austria, Finland and Sweden expanded the Union with their specific characters and opened up further dimensions at the heart of central and northern Europe.

THE EU TODAY: OBJECTIVES AND INSTITUTIONS

The European Union is based on the rule of law and democracy. It is neither a new State replacing existing ones nor is it comparable to other international organisations. Its Member States delegate sovereignty to common institutions representing the interests of the Union as a whole on questions of joint interest. All decisions and procedures are derived from the basic treaties ratified by the Member States.

EU Enlargement

In 1997, the Fifteen Member States of Europe decided to open themselves up to bring in the countries of eastern Europe. This was acknowledged by the European Council in Luxembourg in December of that year. The European Council, in effect, started the process of enlarging the Union, which was to take place "in stages, at a speed appropriate to each prospective Member State depending on the degree to which it is prepared". The aim is to "put prospective Member States in a position to join the Union and prepare the Union for enlargement on good terms". This decision followed a long process of negotiations with the countries of central and eastern Europe and with Cyprus. This started the day after the Berlin Wall collapsed, which was followed by the break-up of the Soviet Union.

Soon after the fall of the Berlin Wall in 1989, the European Community quickly established diplomatic relations with the countries of central Europe. It removed long-standing

*The principal **objectives** of the Union are:*

*Establish European citizenship;
*Ensure freedom, security and justice;
*Promote economic and social progress;
*Assert Europe's role in the world.

*The EU is run by five **institutions,** each playing a specific role:*

*European Parliament (elected by the peoples of the Member States);
*Council of the Union (composed of the governments of the Member States);
*European Commission (driving force and executive body);
*Court of Justice (compliance with the law);
*Court of Auditors (sound and lawful management of the EU budget).

*Five further **bodies** are part of the institutional system:*

*European Economic and Social Committee (expresses the opinions of organised civil society on economic and social issues);
*Committee of the Regions (expresses the opinions of regional and local authorities on regional policy, environment and education);
*European Ombudsman (deals with complaints from citizens concerning maladministration by an EU institution or body);
*European Investment Bank (contributes to EU objectives by financing public and private long-term investments);
*European Central Bank (responsible for monetary policyand foreign exchange operations).

A number of agencies and bodies complete the system

As stated in Copenhagen, membership requires that the candidate country has achieved:

* stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
* the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;
* the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union;

and has created :

* the conditions for its integration through the adjustment of its administrative structures, so that EU legislation transposed into national legislation can be implemented effectively through appropriate administrative and judicial structures.

import quotas on a number of products, extended the Generalised System of Preferences (GSP) and, over the next few years, concluded Trade and Cooperation Agreements with Bulgaria, the former Czechoslovakia, the Baltic states, Hungary, Poland, Romania and Slovenia. In the meantime, the European Community's PHARE (Poland, Hungary, assistance for the reconstruction of the economy) programme, created in 1989, set out to provide financial support for the countries' efforts to reform and rebuild their economies. PHARE soon became the world's largest assistance programme, providing technical expertise and investment support in central Europe.

During the 1990s, the European Community and its Member States progressively concluded Association Agreements, so-called 'Europe Agreements', with ten central European countries. The Europe Agreements provide the legal basis for bilateral relations between these countries and the EU. The European Community had already established similar Association Agreements with Turkey (1963), Malta (1970) and Cyprus (1972). In the case of Turkey, a Customs Union entered into force in December 1995.

In 1993, at the Copenhagen European Council, the Member States took a decisive step towards the current enlargement, agreeing that 'the associated countries in central and eastern Europe that so desire shall become members of the European Union.' Thus, enlargement was no longer a question of 'if' but 'when'. Here too, the European Council provided a clear response: 'Accession will take place as soon as an applicant is able to assume the obligations of membership by satisfying the economic and political conditions required'. At the same time, the Member States designed the membership criteria, which are often referred to as the Copenhagen Criteria.

The Luxembourg European Council (December 1997) also underlined that 'as a prerequisite for enlargement of the Union, the operation of the institutions must be strengthened and improved in keeping with the institutional provisions of the Amsterdam Treaty'.

After its earlier growth from six to fifteen members, the European Union is now preparing for its biggest enlargement ever in terms of scope and diversity. Thirteen countries have applied to become new members: ten of these countries - Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia are set to join in May 2004. They are currently known by the term "acceding countries". Bulgaria and Romania hope to do so by 2007, while Turkey is not currently negotiating its membership.

The Future: supply chain opportunities and threats

The current EU enlargement process is without precedent in terms of scope and diversity: the number of candidates, the area (increase of 34%) and population (increase of 105 million), the wealth of different histories and cultures.

The acceding countries will clearly benefit economically from membership of the Union. Third countries will significantly benefit from an enlarged Union. A single set of trade rules, a single tariff, and a single set of administrative procedures will apply, not only just across the existing Member States but across the Single Market of the enlarged Union. This will simplify dealings for third-country operators within Europe and improve conditions for investment and trade.

The enlargement of the Union brings opportunities for companies in Ireland, particularly in terms of simplified access to an enlarged Single Market. There are threats: the one of most immediate concern to many is the movement of manufacturing, particularly labour-intensive manufacturing, eastwards into the acceding countries. In any case, capitalising on the opportunities and minimising the impact of the threats will bring many logistics and supply chain challenges. They include, but are certainly not limited to:

*development of marketing and distribution channels to the acceding countries;

*product and service sourcing in an enlarged EU;

*movement of product from the acceding countries;

*managing potential outsourcing opportunities;

* design and implementation of pan-European supply chain architectures.

In many respects, the success of companies in the future will increasingly depend on how these challenges are addressed.