EU Japan Economic Relations
Lecture No.7

－European Integration and Changing Views of Japan (2) －

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Review of Lecture No.6

- The Council of the European Union is the Union's main decision-making body. The European Commission has virtually exclusive right of initiative in the field of legislation, which makes it the driving force of European integration.
- The EBC makes policy proposals and suggestions to the Japanese Government on how to create an open environment for trade and investment in Japan.
- YKK was the first Japanese company to establish a factory in the UK in 1970, and now has expanded to 35 countries in Europe, Middle East and Africa.

Agenda for Lecture No.7

- European Integration

The Internal Market and

The Single European Act

Treaty of Maastricht (Economic and Monetary Union), Treaty of Amsterdam

(Chapter 4, pp. 74-88)

Treaty of Nice, the European Constitution

- Case study: Société Générale

The Internal Market (1)

- 1957: France, Germany, Belgium, Italy, Luxembourg and the Netherlands sign the Treaty of Rome, creating the European Economic Community (EEC, later the European Union) with its 'common market'.
- 1968: the EEC eliminates all quotas and 'tariffs' - duties on imported goods - from trade in goods within it. However, there remain 'non-tariff barriers' - such as differences between the Member States' safety and packaging requirements or between national administrative procedures. These differences in practice prevent manufacturers from marketing the same goods all over Europe.

Source: ttp://ec.europa.eu/internal_market/top_layer/index_2_en.htm

The Internal Market (2)

- Early 1980's: progress towards a single market is virtually halted, the main reason being simply that Europe's increasingly uncompetitive national economies are too rigid and fragmented, and the European countries cannot reach the unanimous agreements necessary to change the situation.
- 1985: European Commission publishes a comprehensive blueprint for welding together the fragmented national markets to create a genuinely frontier-free single market by the end of 1992.
- 1986: EU adopts the Single European Act. This makes it possible for certain necessary decisions to be taken by a majority vote in the Council of Ministers. This is vital for the meeting the 1992 deadline.

Source: ttp://ec.europa.eu/internal_market/top_layer/index_2_en.htm

The Internal Market (3)

- 1986 – 1992: EU adopts nearly 280 separate items of legislation prising open hitherto-closed national markets to complete the single market.

  In many areas, 12 sets of national regulations (there were only 12 members then) are replaced by one common European rule, which vastly reduces the complications and costs for any business trying to market a product throughout the Union.

  In other areas, to avoid having to adopt new legislation, the Member States simply agree to give each others' laws and technical standards the same validity as their own (the 'mutual recognition' principle).

Source: ttp://ec.europa.eu/internal_market/top_layer/index_2_en.htm

The Internal Market (4)

- 1993: the single market becomes a reality.
- Despite its achievements so far, the single market is not yet complete. Indeed, creating a genuinely integrated market is not a finite task, but rather an ongoing process, requiring constant effort, vigilance and updating.
- In addition, important gaps remain in the single market, particularly in services. Currently, different national regulations make it difficult for service providers to establish operations in other Member States or provide their services across borders.

Source: http://ec.europa.eu/internal_market/top_layer/index_2_en.htm
http://ec.europa.eu/internal_market/top_layer/index_3_en.htm

The Internal Market (5)

- The Single European Act (SEA) was signed in Luxembourg on 17 February 1986 by the nine Member States, and on 28 February 1986 by Denmark, Italy and Greece
- It is the first major amendment of the Treaty establishing the European Economic Community (EEC).
- It entered into force on 1 July 1987.
- Purpose: To add new momentum to the process of the European construction so as to complete the internal market

Source: http://europa.eu/scadplus/treaties/singleact_en.htm

The Internal Market (6)

- Once adopted, the Internal Market directives must be transposed into national law and enforced, whilst business and citizens need to seize the opportunities they offer.
- When problems with legislation arise, these need to be resolved quickly to ensure that citizens and businesses can exercise their rights. Member States have the primary responsibility for these tasks.
- The EU produces a 'Scoreboard' which examines whether the basic conditions are there for the Internal Market to function well. It does so by first examining how quickly and how well each of the Member States transposes Internal Market directives into national law.

Source:http://ec.europa.eu/internal_market/score/docs/score15/score15_en.pdf

The Internal Market (7)

- The Scoreboard also highlights the number of infringement proceedings initiated by the Commission against each Member State. … (M)ost Member States have not met the call for a reduction in the number of infringement cases.
- Given the often long periods taken to resolve infringement cases, the Commission also holds individual 'package' meetings with Member States to encourage and facilitate early resolution of cases. It also organises transposition meetings to assist Member States in correctly transposing Internal Market rules.

Source:http://ec.europa.eu/internal_market/score/docs/score15/score15_en.pdf

The Internal Market (8)

- (T)he Commission also promotes swift resolution of problems through the SOLVIT (the on-line problem solving network for complaints about the incorrect application of EU rules by public authorities) network, which relies on administrative cooperation among Member States.
- SOLVIT offers a quick and effective means of redress to businesses and citizens affected by the misapplication of Internal Market law. (I)f someone is being unjustly denied the right to work in another Member State, or a business is being refused access to a national market, there is a fast alternative to opening a lengthy infringement case. SOLVIT gets all the parties together to work out a real, practical solution.

Source:http://ec.europa.eu/internal_market/score/docs/score15/score15_en.pdf
http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/464&format=HTML&aged=0&language=EN&guiLanguage=fr

The Internal Market (9)

- On top of that, the Commission issued a Recommendation in 2004 setting out best practices in the Member States as regards transposition of Internal Market directives. The Scoreboard examines how Member States followed up on this Recommendation and whether there is a correlation between the efforts made and Member States' performance on reducing the transposition deficit.
- Results in June 2006 show that there is a strong link between following these guidelines and performance on implementation.

Source:
http://ec.europa.eu/internal_market/score/docs/score15/score15_en.pdf
http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/464&format=HTML&aged=0&language=EN&guiLanguage=fr

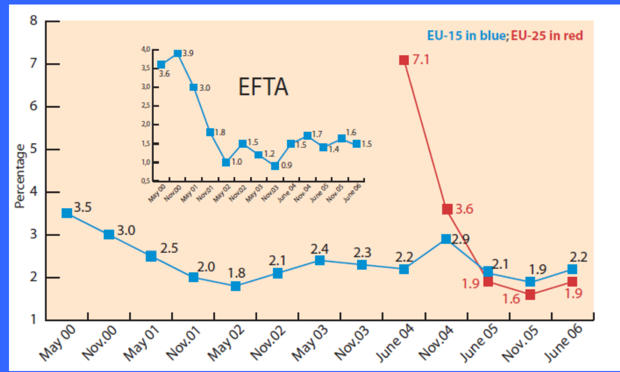
The Internal Market (10)

- The transposition deficit shows the percentage of Internal Market directives not yet communicated as having been transposed, in relation to the total number of Internal Market directives which should have been transposed by the deadline.
- As of 1 June 2006, 1620 directives and 570 regulations relate to the Internal Market as defined in the EC Treaty. The percentages of transposition deficit were 2.2% for EU-15, 1.9% for EU-25 and 1.5% for EFTA. The 'interim ceiling' is 1.5%.

Source:
http://ec.europa.eu/internal_market/score/docs/score15/score15_en.pdf
http://www.efta.int/

The Internal Market (11)

Average transposition deficit



Source:
http://ec.europa.eu/internal_market/score/docs/score15/score15_en.pdf

The Internal Market (12)

- EFTA: European Free Trade Association
  Iceland, Liechtenstein, Norway and Switzerland
- Iceland, Liechtenstein and Norway entered into the Agreement on the European Economic Area (EEA) in 1992, which entered into force in 1994.
- The current contracting parties are, in addition to the 3 EFTA states, the European Community and the 25 EC Member States.
- The EFTA Internal Market Scoreboard issues a biannual report measuring how well the EFTA States succeed in implementing Internal Market rules and principles.

Source: http://www.efta.int/
http://ec.europa.eu/internal_market/score/docs/score15/score15_en.pdf
http://www.eftasurv.int/information/pressreleases/2004pr/dbaFile4716.html

The Treaty of Maastricht (1)

- Economic and monetary union is the process of harmonising the economic and monetary policies of the Member States of the Union with a view to the introduction of a single currency, the euro.
- It was the subject of an Intergovernmental Conference (IGC), which concluded its deliberations in Maastricht in December 1991.

Source:
http://europa.eu/scadplus/glossary/economic_monetary_union_en.htm

The Treaty of Maastricht (2)

- The three stages of EMU:

1 July 1990 to 31 December 1993: free movement of capital between Member States, closer coordination of economic policies and closer cooperation between central banks.

1 January 1994 to 31 December 1998: convergence of the economic and monetary policies of the Member States … and the establishment of the European Monetary Institute (EMI) and, in 1998, of the European Central Bank (ECB).

from 1 January 1999: irrevocable fixing of exchange rates and introduction of the single currency on the foreign-exchange markets and for electronic payments. Euro notes and coins were introduced on 1 January 2002.

Source: http://europa.eu/scadplus/glossary/economic_monetary_union_en.htm

The Treaty of Maastricht (3)

- When the third stage of EMU was launched, eleven Member States adopted the euro as the single currency. They were joined two years later by Greece.
- Three Member States did not adopt the single currency: the UK and Denmark, both of which have an opt-out clause, and Sweden, following a referendum in September 2003. The ten Member States who joined the Union on 1 May 2004 must adopt the euro as soon as they meet the convergence criteria. They were not granted opt-out clauses during the accession negotiations.

Source: http://europa.eu/scadplus/glossary/economic_monetary_union_en.htm

The Treaty of Maastricht (4)

- On 1 January 2002 euro notes and coins were introduced in the Member States, replacing the old national currencies ("legacy" currencies).

  The transitional phase of dual circulation of the legacy currencies and the euro ended on 28 February 2002.

Source: http://europa.eu/scadplus/glossary/economic_monetary_union_en.htm

The Treaty of Amsterdam (1)

- The Treaty of Amsterdam … was adopted at the Amsterdam European Council on 16 and 17 June 1997 and signed on 2 October 1997 by the Foreign Ministers of the fifteen Member States.
- It entered into force on 1 May 1999 (the first day of the second month following ratification by the last Member State) after ratification by all the Member States in accordance with their respective constitutional requirements.

Source: http://europa.eu/scadplus/glossary/amsterdam_treaty_en.htm

The Treaty of Amsterdam (2)

- From the legal point of view, the Treaty amends certain provisions of the EU Treaty, the Treaties establishing the European Communities and certain related acts, creating a Community employment policy, transferring to the Communities some of the areas in the field of justice and home affairs (JHA), reforming the common foreign and security policy (CFSP), extending qualified-majority voting and enabling closer cooperation between Member States.
- It does not replace the other Treaties; rather, it stands alongside them.

Source: http://europa.eu/scadplus/glossary/amsterdam_treaty_en.htm

The Treaty of Nice (1)

- Adopted at the Nice European Council in December 2000, and signed on 26 February 2001, the Treaty of Nice entered into force on 1 February 2003.
- The Treaty of Nice opened the way to the institutional reform needed for the EU enlargement with the accession of countries from eastern and southern Europe. Some of the provisions it contains were adapted by the Accession Treaty, which was signed in Athens in April 2003 and entered into force on the day of enlargement, 1 May 2004.

Source: http://europa.eu/scadplus/glossary/nice_treaty_en.htm

The Treaty of Nice (2)

- The main changes made by the Treaty of Nice relate to limiting the size and composition of the Commission, extending qualified majority voting, a new weighting of votes within the Council and making the strengthened cooperation arrangements more flexible.
- The Declaration on the Future of the Union, annexed to the Treaty, sets out the next steps to be taken to deepen the institutional reforms and to make sure that the Treaty of Nice is just one stage in this process.

Source: http://europa.eu/scadplus/glossary/nice_treaty_en.htm

The European Constitution (1)

- The European Constitution (the Treaty establishing a Constitution for Europe), which is currently being ratified, completes the process of reforming the Union. When the Treaty establishing a Constitution for Europe enters into force, it will repeal and replace the Treaty of Nice.
- The European Constitution … is intended to replace the Treaty on European Union and the Treaty establishing the European Community. To enter into force, the it must be ratified by all the Member States, in accordance with each one's constitutional rules.

Source: http://europa.eu/scadplus/glossary/constitution_en.htm

The European Constitution (2)

- The European Constitution … also:
- simplifies the treaties so as to improve the visibility of the EU's work;
- reforms the institutions (in particular by merging the three pillars of the Union);
- deepens European integration (for example reinforcing the common foreign and security policy by creating a European foreign affairs minister).

Source: http://europa.eu/scadplus/glossary/constitution_en.htm

The Three Pillars (1)

- The Three Pillars are

1. the first pillar: Community pillar, corresponding to the three Communities: the European Community, the European Atomic Energy Community (Euratom) and the former European Coal and Steel Community (ECSC)
2. the second pillar: common foreign and security policy
3. the third pillar: police and judicial cooperation in criminal matters

Source: http://europa.eu/scadplus/glossary/eu_pillars_en.htm

The Three Pillars (2)

- The Treaty of Amsterdam transferred some of the fields covered by the third pillar to the first pillar (free movement of persons)
- The three pillars function on the basis of different decision-making procedures: the Community procedure for the first pillar, and the intergovernmental procedure for the other two.
- In the case of the first pillar, only the Commission can submit proposals to the Council and Parliament, and a qualified majority is sufficient for a Council act to be adopted.

Source: http://europa.eu/scadplus/glossary/eu_pillars_en.htm

The Three Pillars (3)

- In the case of the second and third pillars, this right of initiative is shared between the Commission and the Member States, and unanimity in the Council is generally necessary.
- The European Constitution merges the three, although specific procedures will be retained for the common foreign and security policy (CFSP), including defence policy.

Source: http://europa.eu/scadplus/glossary/eu_pillars_en.htm

Case Study: Société Générale(1)

- Established in 1864, one of the largest financial groups in the Euroarea which covers both wholesale and retail businesses.
- In this sense, they are competing with BNP PARIBAS in France.
- In anticipation of the introduction of the euro in 1999, SG actively offered financial advice to clients and other financial institutions around the world, including Japanese financial groups.

Case Study: Société Générale(2)

- In Japan,

  SG opened its bank branch in 1973, security branch in 1986, and started their trust bank business in 2002.

- Also active in the Asset Management business in Japan, the SG group merged with former Yamaichi AM in 1998 and Resona AM in 2004.

Conclusion

- The Internal Market and The Single European Act were Europe's solution to the problem of 'Non-Tariff-Barriers'.
- The institutional reform of the EU continues, and the Treaty establishing a Constitution for Europe will come into force once it is ratified by all Member States.
- Société Générale played an important role in enhancing understanding of the euro during the months leading up to the single currency's introduction, and has also been active in Japan.

ASSIGNMENT

Please choose one of three topics.

(1)What were the factors that set in motion the negotiations which culminated in the signing of the Hague Declaration? And what was the significance of the so-called 'Action Plan for EU-Japan Cooperation'?

http://jpn.cec.eu.int/home/news_en_newsobj646.php
http://jpn.cec.eu.int/data/current/actionplan-e.pdf

(2) Why has the European Constitution (the "Treaty establishing a Constitution for Europe",) not yet come into force?

(3) Give examples of Toyota's foresight in deciding its European policy.

Agenda for Lecture No. 8

- The European Constitution
- The Hague Declaration and the ‘Action Plan for EU-Japan Cooperation’

  (Chapter 5, pp. 89-100)
- Case study: Toyota