

Brexit Monograph 9: A European Economic Space

26 August 2016

In this Monograph, we focus on this concept of the **European Economic Space**, and then look at possible framework which could support it, going back into the past to look at **the beginnings of the European Economic Area**, and how things were structured then. We believe there are **important lessons to learn from that period** which, if properly applied, could transform the negatively of an exit process into a positive agenda of building new relationships.

A vision for Europe

Currently, attempts to define a new "vision for Europe" have been limited to the European Union. There is no evidence of attempts to define an overarching vision for the entire continent, which includes the rest of continental Europe, including the Efta states, the Ukraine and other Eastern states, the Russian Federation, and the Balkans.

The very idea of a single vision on Europe has been at the root of many of its problems. Member states not signing up to political union should be able to be part of the single market and of individual coalitions of the willing.¹

Perversely, the referendum has been seen by some as an opportunity for further integration.²

Angela Merkel was more realistic. "There is no point beating around the bush", she said. "This is a blow to Europe, a blow to the European process of integration". And indeed it is. **The EU is in the process of losing a major member.** There is no candidate country of equivalent status that can replace it. In that respect, Brexit represents the high water mark of European political integration – **the end of the dream of a United States of Europe.**

In **August 2016** there were no signs that this lesson was fully understood, when three EU leaders from the original Six, Renzi, Merkel and Hollande, made a symbolic visit to the island of **Ventotene**. They insisted that Brexit did not spell the beginning of the end for the EU, and pledged to revive it by bolstering security, boosting economic growth and giving the continent's youth a future.³

But the Daily Mail reported "a growing backlash to their handling of the migration crisis and terrorism – and disagreements over how to proceed" among the 27 members of the EU.

A possible way forward does not lie within the geographical bounds of the EU- 28 as it now stands: **Brexit is an opportunity to carve out a settlement not just for themselves but for continental Europe as a whole.**

A European village

As an independent actor, the UK would have had three broad options, the so-called WTO "unilateral" Option, the Swiss or "bilateral" Option and the Efta/EEA "multilateral" Option, sometimes called the Norway Option. None of these qualify as a final destination for Brexit.

However, in the plan for **the EEA, which was originally framed as an European Economic**

¹As to the EU, a multiplicity of visions is already embodied in the concept of a Europe of "variable geometries". One thread of this concept is that the EU no longer promotes a single policy but a series of "strengthened co-operations".

²For instance, Italian Prime Minister Matteo Renzi, immediately after the vote, spoke of a "wake-up call for Italy and the rest of Europe". He called for a stronger and more integrated Europe, making changes to achieve "a more human and just Europe".

³"Many thought the EU was finished after Brexit but that is not the case", said Renzi. "We respect the choice made by the citizens of Britain but we want to write a future chapter. Europe after Brexit will re-launch the powerful ideals of unity and peace, freedom and dreams".

Space, the idea was for shared decision-making amongst groups of equals.

Historical appraisal of the idea of the European Village:

The original idea for the European Economic Space came from the EFTA nations in the 1980s as they were beginning to feel marginalised. Delors's instinct for the creation of a European village, with separate, autonomous "houses" comprising a European Economic Space, was right. The houses were to be made up of five "homes" comprising the Community states (EC), the Efta countries, the East European countries of the Warsaw Pact; the "isolated" countries - Yugoslavia, Albania, Malta - and the European part of the Soviet Union.

As the Soviet Union came apart in 1989, however, **Delors changed his mind**. He wanted Russia into the EEA. He wanted the former Soviet satellites to become full Community members in a "big bang" enlargement which, with Cyprus and Malta, was to add another ten members to what was soon to be the European Union.

EFTA members did not want this, however. They wanted to be fully recognised as equal decision makers.

Delors stood his ground and by 19 December 1990, the battle was effectively over. An Efta-EC ministerial meeting in Brussels declared that **"the decision-making autonomy of the (two) parties should be fully respected"**, leaving only a fig-leaf. There were to be "procedures" to ensure that Efta state's views were "taken into account". This was limited to Efta experts being given an equal opportunity of consultation in the preparation of new EC legislation, on matters of relevance to the EEA.



The final agreement in May 1992 with the signing of the European Economic Area Agreement. But that was not the end of it. By way of compensation for the lack of shared decision-making, Efta states insisted on a **"general safeguard clause"** which could be triggered unilaterally if serious economic, societal, and/or environmental difficulties of a sectoral or regional nature arose.^{40,41} In time, it **became Article 112 of the EEA Agreement, on which Liechtenstein was able to rely to exempt itself from the free movement provisions.**

Despite that, there was no disguising the unsatisfactory nature of the final outcome. **But the idea of a European village, with co-equal partners, has never really gone away.** Reactivated, it could form the basis of a post-Brexit policy, embracing the entire continent, with the UK becoming one the "houses".

Separating the Single Market

The "European village" concept, with decision-making shared amongst equals, does not sit easily with the idea of a Brussels-centric Europe, where all the decisions made by the EU institutions and handed down to the other "houses". Nor is the idea of a supranational mechanism, with its qualified majority voting and the absence of a veto, acceptable to all parties.

While respecting the right of the Union to pursue political integration amongst its members, the EU should be asked **to relinquish its grip on the Single Market, and open it up to joint management**, allowing it to become a continent- wide property. That would also honour the intent of the UK referendum, separating the management of trade from the EU's political agenda.

That would then require the **relocation of its administrative headquarters**. The obvious alternative is Geneva, home of the former League of Nations and currently the base for United

Nations offices in Europe, centred on the United Nations Economic Commission for Europe (UNECE).

Closer ties with UNECE would revisit Winston Churchill's vision for a united Europe when in 1948 at The Hague Conference he argued for the United Nations to be the "paramount authority" in world affairs, but with regional bodies as part of the structure.

The UN Economic and Social Council (ECOSOC) has 56 members, including most continental **European countries, Canada, the Central Asian republics, Israel and the USA**. It is now responsible, inter alia, for most of the **technical standardisation of transport**, including **docks, railways and road networks**. With the UN Environment Programme (UNEP), it administers **pollution and climate change** issues, and hosts five environmental conventions covering issues ranging from **transboundary air pollution to the Aarhus Convention**.

The remit of UNECE also includes **"sustainable housing"** and **agricultural quality standards**. It is a key body in the development of the global harmonised system (GHS) for the **classification and labelling of chemicals** and hosts the **World Forum for the Harmonisation of Vehicle Regulations** (WP.29), establishing a regulatory framework for **vehicle safety** and environmental impact. Importantly, the EU has transferred to it the **lead regulatory authority on vehicle standards**, allowing that, "only UNECE documents [to] determine the applicable law".

The organisation also takes a lead role in international regulatory cooperation through its Working Party on **Regulatory Cooperation and Standardisation Policies** (WP.6), giving it a mechanism for framing and managing the type of legislation that comprises the Single Market.

Conclusions:

Brexit might be better seen as an opportunity to define the framework for a new relationship between the UK and the EU, and a new settlement for continental Europe.

At the core of this settlement might be a radically different neighbourhood policy using the original model for the EEA as a base, **based on the concept of autonomous "houses" in a "European village"**. This would require revision of the EEA Agreement, permitting entry to nations which are neither Efta nor EU members, opening it up to the UK and any other European nations that wish to join – as was the original intention of the European Economic Space.



Reverting to its original name of the European Economic Space, its institutions (currently the EEA Council, Joint Committee and the EEA Joint Parliamentary Committee) might be invited to **relocate to Geneva** and establish **formal relations with UNECE**. The EU might then pass additional legislative chapters to UNECE until it is responsible for the entire EEA aquis.

From the perspective of the EU, these changes might seem counter-intuitive, calling as they do for a reversal of the integration process. But the rationale is to relieve it of the burden of managing the Single Market, **allowing it to concentrate on its self-declared objective of pursuing political integration amongst its willing members**.

Overall, this is the sort of radical surgery that might be needed to re-energise the continent of Europe and to restore the European Union to health, correcting the damage caused by the reckless enlargement of the past, trimming it to a more manageable size, based on members fully committed to political integration.