Mid Sweden University Östersund

Autumn semester 2009. Department of Social Sciences

France within the European Union and the Eurozone: a survey study

Independent work, C level, presented by:
Laurianne Duplain

Supervisor:
Khalik Salman (PhD), associate professor
Abstract:

In this paper, we are going to study the relations between France, the European Union and the Eurozone. The involvements of France in the European Union and the Eurozone as well as the effects of the European evolutions in France. As France has played many roles in different areas for the European Union, the relations are social, political, juridical and obviously economic. We cannot analyse these relations without interest in the historical part, which shows the chronological involvements of France in the EU, from the first agreement in 1951 to the Treaty of Lisbon in December 2009. Beside this, our analyse needs also to focus on the European Union as several institutions; as well as the Eurozone and its economic consequences in Europe and in France. To do so, we are going to raise monetary and institutional questions and develop the most important European stakes as the enlargements, the European budget, the common policies and the European institutions.

France can be considered as a founding father of the European Union, and in spite of some difficulties; both France and the European Union have had positive influences on each other and the European Union could not have grown in this way without France.
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Purpose of study:

France has played an important role in all the European Union's history. Multiple relations exist between France and the European Union, political, social and economic relations which have evolved since the first step of a European cooperation. It seems interesting to analyse these relations, we will focus especially on the economic area, and the role of France in the European Union and bring out its involvement. The relation between France and the European Union has been often described as a “hate-love relationship”.
Introduction:

On January 11, the head of European diplomacy, the British Catherine Ashton, during a speech in front of the European deputies, developed her will to make “the voice of Europe” on the international stage. “I am convinced, that there is a clear call within the European Union and from all the world, for a bigger engagement of Europe to promote peace, protect vulnerable people, fight against poverty and attack the many problems of our age.”\(^1\) said Catherine Ashton on her declaration. The head of European diplomacy, expressed her will that Europe “defends its values and protects its interests” in the world. The new nominated, confirmed with this first speech, that she clearly wants to put European Union at the front of the international stage, by acting for many causes, both economic, politic problems and social, humanitarian causes.

Nowadays, in the 21\(^{st}\) century, the old continent has grown up, mutilated by wars, separated by the communism and capitalism opposition, the necessity to launch a cooperation was urgent. Europe has made a considerable evolution, in economic, political and social ways and today the stakes are different, the European Union still has a lot of challenges to respond, but the European Union now act as a united organisation, trying years by years to reach a higher level of integration and trying to make its own way on the international stage.

France has been a member of the European Union since the very beginning, over the years the French situation has evolved within the European Union, with ups and downs, French government and French citizens had not been always confident in the European Union. But even after moments of doubt, France has retained its position of main actor and founder of the EU.

We can easily imagine that the relations between France and the European Union, and also the Eurozone, are many, various and complexed. But what are exactly the relations between France and the European Union and the Eurozone, and what have been the nature of these relations over the years? To answer this question we are going to analyse the historical relations between France and the European Union, as well as France and the European institutions and the place of France within the Eurozone.

In the first part “Historical relations between France and the European Union”, we are

\(^1\) Catherine Ashton, head of European diplomacy during a speech to the European deputies, January 11, 2010
going to analyse the historical facts which created the European Union, and more precisely, the involvement of France in the foundation stone of the EU, in the institutions and the enlargements, and its role in the foundation of the EMU and the Euro-system. In the second part we are going to analyse the stead of France in the European institutions and the current institutional questions. The third part is about “France in the Eurozone”, more precisely the involvement of Euro in France, for this we are going to analyse the economic consequences of Euro for both the Eurozone and France.

Methodology:

By analysing the history and the functioning of the European Union, we need to study many empirical facts as well as chronological facts. These facts have been collect through official European websites and speech or articles from European statesmen.

Due to the link with France and the European Union, most of the research have been made in French, and on official French websites, which have made the data more complete, except for two books and some international websites.

A survey and some qualitative methods have been used for this thesis and the data for the tables and figures have been collected on the statistics database of the European Union, Eurozone and France.

This thesis is relied on the principles of many treaties as well as the European rights. In the part 1, chapter 3 we used the theory of an Optimum Currency Area to analyse the efficiency of the Euro-system.

The work of this thesis contents economic, social, juridical and political facts appeared more or less in the last 60 years.
The historical roots of the European cooperation lie after the Second World War, determined to avoid such killing and destruction ever happening again, west European nations created the council of Europe in 1949. It is the first step towards the European (re-)construction, but six countries wanted to go further. Led by the so-called “founding fathers of the European Union”, these countries laid the foundation stone of the European Union by creating the European Coal and Steel Community in 1951 and then in 1957 the European Economic Community.

1.1 The founding fathers of the European Union

The founding fathers of the European Union are several men who have been recognised as making a major contribution to the development of the European cooperation and what is now the European Union. Aware that the Europe could turn into a new age of its history, using the common assets and the will of several countries, the founding fathers wanted to build a new area of peace (and more), based on communalism.

In a famous after war speech, in 1946, Winston Churchill, pronounced the idea of the “United States of Europe” where peace and prosperity reign: "There is a remedy which ... would in a few years make all Europe ... free and ... happy. It is to re-create the European family, or as much of it as we can, and to provide it with a structure under which it can dwell in peace, in safety and in freedom. We must build a kind of United States of Europe.”

From these words, several men started to imagine the future of the Europe. The foundation of the European Union is attributed to seven politicians, who strove to establish the ECSC and the EEC. There are the German Konrad Adenauer, Joseph Bech from Luxembourg, Johan Willem Behen from Netherlands, the Belgian Paul-Henri Spaak, the Italian Alcide de Gasperi and two French : Robert Schuman and Jean Monnet. These men impressed deeply and positively the history of the European Union and really deserve their name of 'founding fathers of the European Union'. Among them, two French men, Jean Monnet and Robert Schuman who gave to France the position of lead actor from the beginning of the European cooperation.

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2 W. Churchill, 1946
Jean Monnet is a famous French statesman, important actor on the international relations especially during the first and the second world war, he worked on the reconstruction of after war and mainly on the ideological. Following liberation, Monnet proposed a "global plan for modernization and economic development" to the French government. As the head of France's General planning commission, Monnet wrote the famous “Schuman Plan” to create the European Coal and Steel community, forerunner of the Common Market. In 1951, the Treaty of Paris assent to the High Authority of the European Coal and Steel Community. Then, Monnet worked on the common market and Euratom projects which led to the Treaty of Rome in 1957. Thus Jean Monnet is regarded by many as a chief architect of European Unity.

Robert Schuman is also a French statesman, just after the war, he was able to convince of the necessity of uniting in the prosperity, peace and democracy. Beyond the German militarism dismantling, Schuman considered the necessity to establish and strengthen links to reach a sustainable peace in the western Europe. He caught the promising idea of Jean Monnet and created the “Schuman Plan”. From 1958 to 1960, he is the first president of European parliament which bestowed on him the title Father of Europe.

Thus we can say that France had an important influence in the creation of the European Union, through men like Jean Monnet and Robert Schuman. The European Coal and Steel Community is considered as the beginning of the European unity, then we will see the details of this cooperation and the role of France.

1.2 The role of France in the momentum of a European cooperation: European Coal and Steel Community 1951

As we know, the roots of the European Union come from the after war, divided between the west and the east by the Cold War, the western European nations founded the council of Europe in 1949 which is the oldest international organisation working towards European integration. The purpose was clearly to strengthen the peace and unify the western Europe.\(^3\) As we know, the first idea come from France and more particularly from Jean Monnet and Robert Schuman, who established with five other countries (Netherlands, Belgium, Luxembourg, Italy and Germany) the first organisation based on the principles of supranationalism. The “Schuman plan” outlined these ideas the 9\(^{th}\) of May 1950, which

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\(^3\) W. Churchill, 1946
became the “Europe day”. Schuman proposed that "Franco-German production of coal and steel as a whole be placed under a common High Authority, within the framework of an organisation open to the participation of the other countries of Europe." Such an act was intended to help economic growth and cement peace between France and Germany, who were historic enemies. Coal and steel were vital resources needed for a country to wage war, so pooling those resources between two such enemies was seen as more than symbolic. Moreover, it was not only an economic march but also an important political cooperation. The six states met the 18th of April to signed the treaty of Paris which create the European Coal and Steel Community. The ECSC can be really considered as the ancestor of European Union, because it created:

- The “High Authority”, institution which must develop the economy policies for the charcoal and steel, this institution will become the European Commission later.
- A single market across the Community.
- The minister council: a union of the ministers of each country.
- A meeting of member of each parliament. This institution will become the European Parliament.
- A law court.

The European Coal and Steel Community was the first stone of European Union, an economic cooperation based on the principles of liberalism. This first step laid the spirit of the future union and allowed the European countries to move forward and reach the next step : the European Economic Community.

1.3 The European Economic Community

To understand the creation and the impact of the European Economic Community, we need to know the background. First of all, we cannot talk about the EEC without talking about the successful European Coal and Steel Community, but another thing is the French idea to create an European Army by thrusting out a European Defence Community (EDC). But after the fact, the treaty was rejected by the French Parliament. Thus Europe was on a breakdown and the idea was to launch a customs union. Paul-Henry Spaak was given the task to prepare a report on this and analyse if the project is feasible and sustainable. The

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4 R. Schumann, 1950
5 Treaty signed by the leader of France, Germany, Italy, Belgium, Netherlands and Luxembourg, 1951
“Spaak report” formed the cornerstone of the international negotiations at Val Duchesse castle in 1956 and provided the basis of the Treaty of Rome. Paul Henry Spaak lead the intergovernmental conference on the common market and Euratom which led to the signature, on 25 march 1957, of the Treaty of Rome, establishing the European Economic Community and the European Atomic Energy Community.⁶

The purpose of the Treaty of Rome was to create a customs union and also to introduce communities inside the union. EEC became the most important of these communities and expanded its activities. One of the first important accomplishments of the EEC was the establishment (1962) of common price levels for agricultural products, it is the birth of the Common Agricultural Policy (CAP).⁷ The aim of this policy is to support the agriculture of the member states. This policy still exists, but there are some problems with it. The treaty also established the free circulation of the citizens of member states, and created the European Commission, which is still existing nowadays, but the institutional power will be explained later. Thus, This treaty established a common market, which is the first step on the Theory of economic integration by Béla Balassa⁸, and a gradual rapprochement between the members state. The common market involved a union of the border service and the elimination of the tax for all products. The base of the EEC is a free competition, furthermore the cooperation between different firms is prohibited, and the national help.

The European Economic Integration, it is also a further cooperation between the states, which tend to be more and more thanks to the enlargements, and the beginning of a deep integration supported by several institutions.

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⁶ Treaty signed by the leader of France, Germany, Italy, Belgium, Netherlands and Luxembourg, 1957
⁷ EEC’s members, 1962
⁸ Cf lecture International Finance by Khalik Salman
Chapter 2 : The European institutions and the enlargements

Since the establishment of the ECSC first and then the EEC, the European cooperation has evolved in many ways, sometimes hurts by internal problems and crisis. But over-all, step by step the European cooperation has reached almost all the integration level of a union, especially in 1992, with the ratification of the Maastricht treaty, which is also called the Treaty on European Union. This treaty involved the creation of the European Union and established an European citizenship, it also modified the previous European communities. Moreover this treaty deals with the foreign policies and a common security along with a juridical cooperation. Another important point is the establishment of the Economic and Monetary Union (EMU) which is the beginning of a huge project around a common currency. Thus the creation of the European Union is a really important step in the European cooperation which has evolved around many institutions and a significant evidence of the successful European cooperation is the enlargements.

2.1 The enlargements of the European Union

Enlargement of the European Union is the process of expanding the European Union through the accession of new member states. This process began with the Inner six, who founded the European Coal and Steel Community as we showed previously. Since then, the EU’s membership has grown to twenty-seven with the most recent expansion to Romania and Bulgaria in 2007. The term of enlargement is sometimes referred to as European integration, at the beginning the concept of enlargement referred to the four first waves of accession but it has gone further and we can wonder if we can still talk about enlargement or maybe deepening.

As we know the founding members of the European cooperation are six countries : France, Italy, Germany, Netherlands, Belgium and Luxembourg. The first spreading was for three countries : Denmark, Ireland and United Kingdom but was not fulfilled without any problems. The United Kingdom integration posed some problems, first the United Kingdom refused to get into the ECSC and the EEC, but in 1961 they demanded to integrate the European Community but there was French opposition to the inclusion of the United Kingdom into the EU. It was only after De Gaulle left office and a 12-hours talk between British Prime Minister Edward Heath and French President George Pompidou took place did
Britain's third application succeed. Thus the first step of integration goes back to 1973 with the enlargement to Ireland, Denmark and the United Kingdom. In 1981, Greece became the tenth members of EEC, and also the poorest, with a high unemployment and inflation rate. In 1986, Portugal and Spain also joined the EEC. In 1989/1990 the Cold War came to an end, on 3 October 1990 East Germany and West Germany were reunified, hence East Germany became part of the Community in the new reunified Germany. These twelve first countries created the European Union by means of the Maastricht Treaty. In 1995, three other countries joined the European Union: Austria, Finland and Sweden, the forth enlargements of the EU. This is the EU15, which evolved and stayed at this level of integration during 9 years, before the Eastern Bloc Enlargements. Moreover we can noticed that Norway demanded to access to the EU, but after several referendum the population always rejected.9

In 2004, another important step for the European Union which decided to open its union to the East, 10 new countries joined the EU in one time the 1st May 2004. This was the largest single enlargement in terms of people, landmass and number of countries. Following this Romania and Bulgaria, which were deemed unready by the Commission to join in 2004, acceded on 1 January 2007. Thus now the European Union is composed by 27 countries, 454,9 millions of inhabitants, a lot of diversities, economics as well as socials.

On the following map we can see the 27 European Union's members and the different steps of integration.

Map 1 : The stages of the European construction (1957-2007)


9 Referendums rejected in 1972, 1994
We cannot say that the integration is over, several countries are candidates to the Union and in the years to-arrive, we will maybe assist to one or more enlargements.

To govern the European Union and its 27 members, policies and institutions are needed.

2.2 The European institutions

The institutional system of the European Union is original and different from the institutional system of its members. There is no unique president, no prime minister, no supranational government. Each European institution has its own organisation and its own role. There are currently five institutions of the European Union, which govern the Union. They are outlined in the treaties of European Union in the following order: the European Parliament, the Council of the European Union, the European Commission, the European Court of Justice and the European Court of Auditors.

Let’s start with the three political institutions which own the executive and legislative power of the Union:

- **The European Parliament**: shares the legislative and budgetary authorities with the council. The Parliament’s president is Jerzy Buzek, who was elected from the Parliament’s members in 2009. The 785 members of the Parliament are elected every five years by universal suffrage and sit according to political allegiance. The European Parliament is set at Strasbourg in France, its role is to elaborate some directives, it elects the commission's president, it votes the European budget.

- **The Council of the European Union**: is the main decision-making body, it creates the legislation, passing the European Commission's propositions. The council tries to coordinate the European’s actions, it has also an executive power. It works with the parliament for the elaboration of the budget. The council is composed of twenty-sevens national ministers, one per state. However the Council meets in various forms depending upon the topic. For example, if agriculture is being discussed, the Council will be composed of each national minister for agriculture. The council's presidency rotates every six months, France had the presidency for the first semester of 2008, currently it is Sweden which has the presidency.

- **The European Commission**: The Commission of the European Communities is the executive arm of the Union, the body is responsible for drafting all law of the
European Union and has a monopoly over legislative initiative. It also deals with the day-to-day running of the Union and has a duty to uphold the law and treaties, in this role it is known as the "Guardian of the Treaties". The European Commission, created in 1967, is now composed of twenty-seven members and is situated at Brussels.

Within these political institutions, the member states, have different institutional power, as we can see in the following table:

Table 1: The institutional integration of the 27 members

<table>
<thead>
<tr>
<th>State members</th>
<th>Membership date</th>
<th>Headquarters in the parliament</th>
<th>Headquarters in the parliament (%)</th>
<th>Headquarters in the council</th>
<th>Headquarters in the council (%)</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany (€)</td>
<td>1957</td>
<td>99</td>
<td>12.61%</td>
<td>29</td>
<td>8.41%</td>
<td>82 046 000</td>
</tr>
<tr>
<td>France (€)</td>
<td>1957</td>
<td>78</td>
<td>9.93%</td>
<td>29</td>
<td>8.41%</td>
<td>65 073 482</td>
</tr>
<tr>
<td>UK</td>
<td>1973</td>
<td>78</td>
<td>9.93%</td>
<td>29</td>
<td>8.41%</td>
<td>60 943 912</td>
</tr>
<tr>
<td>Italy (€)</td>
<td>1957</td>
<td>78</td>
<td>9.93%</td>
<td>29</td>
<td>8.41%</td>
<td>59 619 290</td>
</tr>
<tr>
<td>Spain (€)</td>
<td>1986</td>
<td>54</td>
<td>6.88%</td>
<td>27</td>
<td>7.83%</td>
<td>46 661 950</td>
</tr>
<tr>
<td>Poland</td>
<td>2004</td>
<td>54</td>
<td>6.88%</td>
<td>27</td>
<td>7.83%</td>
<td>38 500 696</td>
</tr>
<tr>
<td>Romania</td>
<td>2007</td>
<td>35</td>
<td>4.46%</td>
<td>14</td>
<td>4.06%</td>
<td>22 246 862</td>
</tr>
<tr>
<td>Netherlands (€)</td>
<td>1957</td>
<td>27</td>
<td>3.44%</td>
<td>13</td>
<td>3.77%</td>
<td>16 645 313</td>
</tr>
<tr>
<td>Greece (€)</td>
<td>1981</td>
<td>24</td>
<td>3.06%</td>
<td>12</td>
<td>3.48%</td>
<td>11 260 000</td>
</tr>
<tr>
<td>Portugal (€)</td>
<td>1986</td>
<td>24</td>
<td>3.06%</td>
<td>12</td>
<td>3.48%</td>
<td>10 627 250</td>
</tr>
<tr>
<td>Belgium (€)</td>
<td>1957</td>
<td>24</td>
<td>3.06%</td>
<td>12</td>
<td>3.48%</td>
<td>10 414 336</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>2004</td>
<td>24</td>
<td>3.06%</td>
<td>12</td>
<td>3.48%</td>
<td>10 220 911</td>
</tr>
<tr>
<td>Hungary</td>
<td>2004</td>
<td>24</td>
<td>3.06%</td>
<td>12</td>
<td>3.48%</td>
<td>9 930 915</td>
</tr>
<tr>
<td>Sweden</td>
<td>1995</td>
<td>19</td>
<td>2.42%</td>
<td>10</td>
<td>2.90%</td>
<td>9 276 509</td>
</tr>
<tr>
<td>Austria (€)</td>
<td>1995</td>
<td>18</td>
<td>2.29%</td>
<td>10</td>
<td>2.90%</td>
<td>8 205 533</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2007</td>
<td>18</td>
<td>2.29%</td>
<td>10</td>
<td>2.90%</td>
<td>7 582 000</td>
</tr>
<tr>
<td>Denmark</td>
<td>1973</td>
<td>14</td>
<td>1.78%</td>
<td>7</td>
<td>2.03%</td>
<td>5 475 791</td>
</tr>
<tr>
<td>Slovakia (€)</td>
<td>2004</td>
<td>14</td>
<td>1.78%</td>
<td>7</td>
<td>2.03%</td>
<td>5 455 407</td>
</tr>
<tr>
<td>Finland (€)</td>
<td>1995</td>
<td>14</td>
<td>1.78%</td>
<td>7</td>
<td>2.03%</td>
<td>5 279 228</td>
</tr>
<tr>
<td>Ireland (€)</td>
<td>1973</td>
<td>13</td>
<td>1.66%</td>
<td>7</td>
<td>2.03%</td>
<td>4 239 848</td>
</tr>
<tr>
<td>Lithuania</td>
<td>2004</td>
<td>13</td>
<td>1.66%</td>
<td>7</td>
<td>2.03%</td>
<td>3 565 205</td>
</tr>
<tr>
<td>Latvia</td>
<td>2004</td>
<td>9</td>
<td>1.15%</td>
<td>4</td>
<td>1.16%</td>
<td>2 245 423</td>
</tr>
<tr>
<td>Slovenia (€)</td>
<td>2004</td>
<td>7</td>
<td>0.89%</td>
<td>4</td>
<td>1.16%</td>
<td>2 007 711</td>
</tr>
<tr>
<td>Estonia</td>
<td>2004</td>
<td>6</td>
<td>0.76%</td>
<td>4</td>
<td>1.16%</td>
<td>1 307 605</td>
</tr>
<tr>
<td>Cyprus</td>
<td>2004</td>
<td>6</td>
<td>0.76%</td>
<td>4</td>
<td>1.16%</td>
<td>792 604</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1957</td>
<td>6</td>
<td>0.76%</td>
<td>4</td>
<td>1.16%</td>
<td>493 500</td>
</tr>
<tr>
<td>Malta (€)</td>
<td>2004</td>
<td>5</td>
<td>0.64%</td>
<td>3</td>
<td>0.87%</td>
<td>403 532</td>
</tr>
<tr>
<td>EU</td>
<td>785</td>
<td>100%</td>
<td>345</td>
<td>100%</td>
<td>500 520 813</td>
<td></td>
</tr>
</tbody>
</table>

Source: [http://fr.wikipedia.org/wiki/Union_europ%C3%A9enne](http://fr.wikipedia.org/wiki/Union_europ%C3%A9enne)

Table 1 shows that France came at the second in term of numbers of headquarters both in the parliament and the council, this favourable position is due to its population, indeed, with more than 65 millions of inhabitants. France is the second most populated country of the European Union.

Then we can introduce the non-political institutions which are the European Court of Justice and the European Court of auditors.

- **The European Court of Justice**: situated at Luxembourg, it has for mission to check the application of the European law. The European law is higher and stronger than the national law. The European Court of Justice is also in charge of the “acquis communautaire” at the time of the enlargements.

- **The European Court of Auditors**: It was established in 1975 in Luxembourg to audit the accounts of European Union institutions. The Court is composed of one member from each EU member states. It is rather a professional external investigatory audit agency. The primary role of the court is to externally check if the budget of the European Union has been implemented correctly, in that EU funds have been spent legally and with sound management.11

We can also add other institutions which take part of the European Organisation, as the European Council, which is different from the Council of the European Union, and also the European Central Bank which is the driving force of the Euro-system.

Chapter 3 : Foundation of the EMU and the Euro-system

As we showed, the European cooperation has evolved a lot since 1951, on the political side, by creating new institutions and communities and on the social side by enlarging to a lot of new countries. But also on the economic side, trying to reach the last step of the economic integration, especially with the creation of a common monetary system and the signature of the Maastricht treaty.

3.1 The role of France in the creation of a common monetary system

In 1969, the European Commission impulse the initiative to create an economic and monetary union between the European communities' members. This idea was developed in the 'Barre report', 1969, and the aim was "greater co-ordination of economic policies and monetary cooperation" Raymond Barre was a French statesman, vice president of European Commission from 1967 to 1973, responsible for the economic and financial affairs. He impulsed an action in support of the Economic and Monetary Union between the six member states of the EEC. The 12th April 1969, the first “Barre report” propose a “convergence of the national orientations” and a “cooperation of the economic policies”. From this report, the governor of the six nations made it their aim to establish an Economic and Monetary Union. Afterwards, on the basis of the previous proposals, an expert group chaired by Luxembourg’s Prime Minister and Finance Minister, Pierre Werner, presented in October 1970 the first report to create an economic and monetary union in three stages, it is the “Werner Plan”, 1970.

In the 70’s, the first attempt at European monetary cooperation is the Snake in the tunnel, the aim was to limit the fluctuations between different European currencies. But because of the end of the Bretton wood system, the countries found many difficulties to stay in the snake in the tunnel and this system failed in 1978.

In 1979, another step was developed in the monetary cooperation : the European Monetary System. The aim of this system is to stabilize the European currencies, it was based on three pilars:

- A basket of currencies, preventing movements above 2.25% : the ECU, European Currency Unit.
- An Exchange Rate Mechanism (ERM)
An extension of European credits facilities.

And in the same time a European Monetary Cooperation Fund was created. In 1993, a speculative attack, made impossible to respect the fluctuation marge and the European Monetary System ended during the summer 1993.

On the European stage, Jacques Delors is maybe one of the most influent man, president of the European Commission from 1985 to 1994, he participated and established most of the big decisions of the European Union like the Single European Act, the Common Agricultural Policy, the Maastricht treaty, ect and especially the Economic and Monetary Union. Indeed, in 1989, he presided at the “Delors Commitee” which open the way for the creation of the common currency.

After all these steps, the Economic and Monetary Union is finally introduce by the Maastricht Treaty.

3.2 The Maastricht Treaty

The Maastricht Treaty, also called the Treaty on European Union, is certainly the biggest in the European cooperation because it set up huge economic and political modifications. The Maastricht Treaty was signed on 7 February 1992, after negotiations between the members of the European Community. It entered into force on 1 November 1993 during the “Delors Commission”12 and created the European Union and led to the creation of the Euro.

This treaty fix the objectives of the union, define three pillars of its action, and give an institutional framework at the European council. Thus the European Union comprises three pillars which are:

- First, the pillar on the “European community”, it concerns the economic, environmental and social policies (environmental law, Schengen treaty, etc.).
- Second, “Common Foreign & Security Policy”13, concerning foreign policy and military matters (human right, democracy, peacekeeping, etc.).
- Third, “Police & Juridical Co-operation in Criminal Matters”, pillar which concerns co-operation in the fight against crimes (terrorism, organised crimes, etc.). This creation of several results of the desire by the members state to extend the role of the European

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12 Administration of Jacques Delors, 8th president of the European Commission
13 Pillars of the Maastricht Treaty, 1992
Economic Community, and include foreign policy, military questions, juridical coordination... in order to converge and to be more efficient inside the union but also on the international stage. The Treaty on the European Union also created an European citizenship, an important step for the European identity and all the citizens.

The treaty also established the Economic and Monetary Union, which create the Euro. The last aim is the creation of a common currency in 1999, controlled by the European Central Bank. This creation is realised in three stages:

- First, free circulation for the capital. The establishment of this stage was done the 31st of December 1993.

- Second, the famous convergence criteria. These criteria must be respected to use the Euro. It is an inflation criteria, inflation must not be more important than 1,5% of the three best inflation rates of the member states. The debt criteria, the debt must not be more than 3% per years, and more 60% for the total debt (here, % of GDP) (ref: europa.eu). It is the most important criteria. There are some problems with the application of these criteria.

- Third, the creation of the common currency and the creation of European Central Bank System, composed by the National Central Banks behind the ECB. The dates choose was 1999, January 1.

The establishment of a common currency, Euro, is a huge modification for the countries and the citizens of the Eurozone. In 2009, the Eurozone is composed by 16 countries and it is also submitted at enlargements as the European Union.
From this map, we can see the 16 countries members of Euro-system: Germany, Belgium, Italy, Netherlands, Luxembourg, France, Finland, Spain, Austria, Ireland, Portugal, Greece, Slovakia, Slovenia, Malta and Cyprus. It also appears that nine other countries are within negotiations and likely to join the Eurozone soon. United Kingdom has a particular position, indeed it benefits from an out-put on Eurozone participation.

The Eurozone has worked since 1999, and has changed many things in terms of economic and social matters and many researchers have analyzed its efficiency and its optimality.

3.3 Efficiency of the Euro-system

In economics, an Optimum Currency Area (OCA) is a geographical region in which it would maximize economic efficiency to have the entire region share a single currency.
Become a monetary union is one of the final stages in the economic integration, as we know, a part of the European Union reach this level in 1999 by setting up a common currency. The question is, is this area, the Eurozone, efficiency and in which way?

According to the theory of the Optimum Currency Area, a monetary union is optimal if it satisfies the following criteria: mobility of labour and other factors of production, price and wage flexibility, financial market integration, economic openness, diversification in production and consumption, similarity in inflation rates, fiscal integration and political integration. The fulfilment of these characteristics leads to a welfare creation which means that the benefits of the monetary unification exceed the costs.  

Several effects can be notice of the economic and monetary union even though it is quite hard to determine if the Eurozone is totally or partially optimal. We need to analyse and interpret several points to notice the effects and involvements of the common currency, in the European Union.

On the first hand, we can notice that significant advancement has been made on the inflation convergence, indeed in the Euro-system the target of 2% followed by the European Central Bank, is common for the 16 countries, and even if this target is subject to criticisms, it makes the inflation converge within the Eurozone. The financial integration has also been strengthen measured mainly through the money market and the bond market indications. We can also notice a trade intensification and a production diversification. On the following graph we can see the evolution of the intra trade, which can be considered as a positive effect on the trade, it can be noticed that there is an effect of the monetary unification on trade.

However, labour mobility is still low and one good reason of this, is probably that the Eurozone may have a common currency, it is still several different countries with different languages. Moreover the fiscal policy is still a national policy and not a common one, and the idea of political integration and a common constitution had been rejected notably by the French.

We can summarise by listing the satisfied criteria: financial market integration, trade openness, diversification in production and similarity in inflation rate. But the other criteria, labour mobility, price and wage flexibility, fiscal integration and political integration, are not satisfied. By all accounts, the Eurozone cannot be considered totally as an Optimal Currency Area, further efforts and integration are needed to achieve a full optimality. But globally, the Euro-system is quite efficient and is not a bad thing for the members.

In this part we analysed the historical evolution of the European Union and more precisely link with the French’s relations. France has been an important actor in the foundation of the European Union, from the first cooperation in 1951 to today, and also in the establishment of the Economic and Monetary Union. Now we will see the position of France within the different European institutions.
Part 2 : France and the European Institutions

Chapter 1 : The stead of France in the European institutions

We know that France has played an important role in the establishment of the European Union, its institutions and its policies. We can wonder, in which way and how much France is incorporate in the European policies and institutions. To show how the European Union is important for France, we will analyse one of the most important policies : the Common Agricultural Policy, then we will have a look of the European Budget, especially the part “allocated” to France and to finish we will the role of France within the European institutions.

1.1 Common Agricultural Policy

The common Agricultural Policy (CAP) is one of the most important European Common policy, it represents a huge part of the European budget, 43%, approximately 55,5 billions of Euro.\(^\text{15}\)

The Common Agricultural Policy has been created in 1957, with the Treaty of Rome, and started its activities in 1962. The first main goals set up have been :

- increase the Farmer’s productivity
- give a just earn for the Farmer’s population
- consolidate the Farmer’s market
- insure a supplying security
- insure reasonable prices

But the CAP is always moving forward, 50 years ago the main goal was to feed the population and make the European countries self-sufficient in term of agricultural products. The action of CAP is now focused on allowing all the agricultural producers to freely exercise in the European Union. Nowadays, the environmental matters have been added and it seems to be a priority to associate price competition and quality of the products, another task to set up for the CAP.

With the Common Agricultural Policy, the European Union wanted to reach the agricultural self-sufficiency. In 1960 the 6 countries produced 80% of theirs consummation

\(^{15}\) www.wikipedia.org
There was a will power to reach the agricultural self sufficiency because the world market wasn’t really constant, and the European Union was dependant of this market. Furthermore the agricultural equipment was old, and they needed an updating. To finish understanding the CAP logical we must now that 22% of the active population worked for the agricultural sector.

We have seen before that the agriculture market was a helped market, thus each country receive a specific help, function of its needs and its agricultural capacities. With the Rome Treaty the free competition was created and the national help could not exist any more in this context. The CAP is an idea of closed market, it establishes the principle of national preferences, it’s a protection of the European market against the international low cost market. It’s a protection against the other big producers like USA, Canada, Australia or Brazil.

With the CAP the European Farmers benefit of a “guarantee prices”, these prices guarantee a minimum price for the farmers, the CAP gives them the difference between the real prices and the guarantee prices. Since 1992 there has been also a direct help for the farmers, the guarantee prices were lowered, but in compensation the CAP give them a direct help in proportionality of the size of the exploitation.

The CAP controls also the market by the quotas. With that the European Union controls the quantity sell on the market. The producer can’t produce more than a definite quantity of the goods, so with the CAP, the European Union control, price and quantity. This system corresponds of a hyper protectionist system.

The CAP has known many evolutions, and has been prone to criticisms and discussions, which has involved some modifications. In 1992, it’s the first important evolution, the European Union decides to revaluate the guarantee prices. They put them closer to the international prices, the effect was to reduce the production, because the farmers were sure to sell theirs stock, and they produced without limit. But there was not enough demand to sell everything, thus lower prices decrease the stock. In 1992, the first measure to protect the environment appears to. Because the CAP is a productivity system, the farmers have during many years product without limit, and this situation was not without consequences on the environment.

In 2003 the CAP changed in an environmental way but also in an economic way. The CAP introduced the decoupling, the subventions are no longer function of the production.
This evolution added also the new "single farm payments" are subject to conditions relating to environmental, food safety and animal welfare standards.

In 2008, a complete check-up of the Common Agricultural Policy is organised, to evaluate the policies and anticipate the reforms annonced for 2013, especially, the budget reforms.

The 19th of January, the European council of ministers, voted the check-up elaborate under the French presidency. The 10th of December, the ambassadors of 22 european states, are going to meet in view of the next reform of 2013, in order to “think about the future of the Common Agricultural Policy”\textsuperscript{16}

All these modifications are consequences of social changings but also of a many criticisms. The first criticism is against the protectionist system, the European Union is sometimes called Fortress Europe in the United States. An other problem come from the scale production: Although most policy makers in Europe agree that they want to promote "family farms" and smaller scale production, the CAP in fact rewards larger producers. Because the CAP has traditionally rewarded farmers who produce more, larger farms have benefited much more from subsidies than smaller farms. For example, a farm with 1000 hectares, earning one hundred extra euro per hectare will make 100,000 extra euro, while a 10 hectare farm will only make an extra 1000 euro, disregarding economies of scale. As a result most CAP’s subsidies have made their way to large scale farmers. Since the 2003 reforms subsidies have been linked to the size of farms, then this is not true any more. While subsidies allow small farms to exist, they funnel most profits to larger scale operations. We have seen before the problem created by the productivity system for the environmental, it’s also an important criticism.

In last, the equity problem is important and it is an intern problem which divided the countries within the European Union. Indeed the subsidies of the CAP are divided between the 27 countries but the CAP benefits mostly to four countries : France, Germany, Spain and Italy but especially to France. With the new countries in the European Union, in first position Poland, the CAP must change. In fact Poland represents 11% of the farm land, the third behind France and Spain. But Poland is in the 18% “other” for the beneficiaries, far away from France, Germany, Spain and Italy. The following figures are illustrations of the repartition of the subsidies between the European countries, we can notice the disparity and

\textsuperscript{16} French minister of the Agriculture, Bruno Le Maire, 30/11/09
especially the French domination.

Figure 2: Sharing of the PAC’s subsidies

Figure 3: Percentage of EU Farm Land by country

Source: [http://fr.wikipedia.org/wiki/Politique_agricole_commune#D%C3%A9nonciation_des_%C3%A9tats_b%C3%A9n%C3%A9ficiaires](http://fr.wikipedia.org/wiki/Politique_agricole_commune#D%C3%A9nonciation_des_%C3%A9tats_b%C3%A9n%C3%A9ficiaires)

The next CAP reforms planned for 2013 will coincide with a new EU budget, indeed the European budget is also source of many criticisms. The next long-term budget is currently under negotiations and should come into force in 2014.

1.2 France and the European budget

The aim of the European Budget is to give the European Union the means to finance and lead its policies. The budget comes from the contributions of the member states, it is shared between the different policies and redistributed between the countries. The European budget is working around five principles:

- The budget is decided for one year, start the 1 January and stop the 31 December.
- The budget must be equilibrated, it can be in deficit or in net earning. However some corrections are possible.
- The expending and the revenue must appear on the same document, and just in one document.
- The universality principle which establish that the budget must not be allowed at the specific expending. In others terms a country can not demand that its participation be allowed for a specific policy.
In 2009, the sources of the budget represent 116 billions of Euro. The European budget is financed by several sources, more precisely, the EU gets its money by three different ways: the member states’ contribution by the Gross National Income, the tax levy (essentially from the consumption taxes, like the VAT in France) and from the customs duty. The most important part is the contributions by the Gross National Income which represent 75.9 billions of Euro for 2009, indeed each state must give 0.73% of its GNI, therefore the contribution of the countries is proportional at its wealth and development. In 2009, the levy tax represent 16.9% of the total, i.e. 19.6 billions of Euro. As for the customs duty, it represents 17.6 billions of Euro. Another small part is from the sale of the agricultural products.

Thus the countries contribute to the European budget in different ways, it actually depends essentially on their incomes. The following table shows us, the repartition of the contribution between the countries.

Table 2: Financing of the European Union in 2005, first part

<table>
<thead>
<tr>
<th>Countries</th>
<th>Contribution (billions of Euro)</th>
<th>Part of the budget (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>22,911</td>
<td>21.11</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td><strong>17,823</strong></td>
<td><strong>16.42</strong></td>
</tr>
<tr>
<td>Italy</td>
<td>14,790</td>
<td>13.63</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>14,322</td>
<td>13.19</td>
</tr>
<tr>
<td>Spain</td>
<td>9,217</td>
<td>8.49</td>
</tr>
<tr>
<td>Netherlands</td>
<td>5,699</td>
<td>5.25</td>
</tr>
<tr>
<td>Belgium</td>
<td>4,126</td>
<td>3.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>2,921</td>
<td>2.69</td>
</tr>
<tr>
<td>Austria</td>
<td>2,382</td>
<td>2.19</td>
</tr>
<tr>
<td>Denmark</td>
<td>2,193</td>
<td>2.02</td>
</tr>
<tr>
<td>Poland</td>
<td>2,159</td>
<td>1.99</td>
</tr>
<tr>
<td>Greece</td>
<td>1,937</td>
<td>1.78</td>
</tr>
<tr>
<td>Finland</td>
<td>1,592</td>
<td>1.47</td>
</tr>
<tr>
<td>Portugal</td>
<td>1,485</td>
<td>1.37</td>
</tr>
<tr>
<td>Ireland</td>
<td>1,380</td>
<td>1.27</td>
</tr>
<tr>
<td>Hungary</td>
<td>1,029</td>
<td>0.95</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0,958</td>
<td>0.88</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0,403</td>
<td>0.37</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0,308</td>
<td>0.28</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0,248</td>
<td>0.23</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0,227</td>
<td>0.21</td>
</tr>
<tr>
<td>Cyprus</td>
<td>0,148</td>
<td>0.14</td>
</tr>
</tbody>
</table>
Table 2: Financing of the European Union in 2005, second part

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
<td>0,118</td>
<td>0,11</td>
</tr>
<tr>
<td>Estonia</td>
<td>0,103</td>
<td>0,1</td>
</tr>
<tr>
<td>Malta</td>
<td>0,058</td>
<td>0,05</td>
</tr>
<tr>
<td>Total</td>
<td>108,549</td>
<td>100</td>
</tr>
</tbody>
</table>


In 2008, the European Budget presented an evolution in comparison of the last budgets. Actually since 2008, the budget has no longer been focused only on the PAC, the budget is now divided in this way: 1% for citizenship, freedom, security and justice. 5, 7% for a “Global player”: peace and security around the world. 5, 8% for the administration’s expenditure, “just” 42, 6% for the CAP and in last 44, 9% for the “Sustainable growth”: competitiveness and knowledge based economy. It appears from these facts that the agriculture is no longer the first priority for the European Union, it seems to be in agreement with the evolution of the agricultural sector these 20 last 20 years. The EU seems to put more interests in the competitiveness and growth. The world wide situations with the rise countries like China, India or Brazil require more innovation and more knowledges. If the European Union wants to stay an important actor of the international economy, it must try to modernize its economy, because it is not possible to produce for a less cost than the countries of the third world, innovation is the solution.

For this reason the goals of the budgets 2007-2013 are focused on: increasing Union’s competitiveness, boosting the European economy and creating more jobs, developed the concept of European citizenship and so on the European identity by completing the area of freedom, justice and security, and strengthening the Union’s role in the world. To compare, the budget of the European Union is 139 billions of €, the budget of the USA is 1870 billions of € and France has a budget at 334 billions of €. (wikipedia.org) An important fact in the EU budget and also a source of criticisms is the UK rebate. The rebate was negotiated by UK Prime Minister Margaret Thatcher in 1984. The main reason for the rebate was that a high proportions of the EU budget (at that time 80%) was spent on the Common Agricultural Policy, which benefited the UK less than the other countries as it has a relatively small farming sector as a proportion of GDP. The rebate was also sanctioned because, at the time, the UK was the third poorest member of the 10 European
Economic Community members. The rebate is calculated as approximately 2/3 of the amount by which UK payments into the EU exceed EU expenditure returning to the UK. Currently the rebate is worth 5 millions € per year and the UK remains one of the largest net contributors. We can imagine all the pressure around this exception. Tony Blair had adopted in appearance an open attitude, open to change this rebate but he was also prone to change the CAP, which France doesn't want, on this fact the situation seems locked and created oposition within the European Union, all the countries, even the new, have to pay for the rebate and ot seems quite unfair and also obsolete because the situation has changed for 20 years and the UK can not pretend anymore to need this rebate, but because of the veto power, the British does not want to change it.

Currently, the European budget is on a way of change and by 2013 many decitions and negociations are going to be taken, in order to establish a perfect budget in agreement with the current European situation, the policies and the direction in which the European Union wants to go in the next years. The European Commission has just launched a campaign in view of all this modifications “Reforming the Budget, changing Europe”\textsuperscript{17}, it consists of propositions in view of a new budget.

1.3 France within the European institutions

As we have seen until now, France has played an important role within the European Union, especially during its history and for its creation. It sounds interesting to analyse the current situation, especially what France is now willing to do in the European context, within the European Foreign Policy, and point out the involvements of the French presidency of the European Union in 2008.

“France is Europe’s oldest nation and her State is one of the longest-established and best organized and she has given the rest of the world those concepts of nationhood and freedom which together founded our conception of democracy”\textsuperscript{18} French policy-makers are clearly aware of the French position in the European Union, and the impact of its own policies. They proudly made reference to France as a builder of the EU, they are ready to increase the European political integration but it seems that France care about its own identity, its independence and it is not willing to abandon it to a European nation. A strong

\textsuperscript{17} European Commission, 2007
\textsuperscript{18} E. Balladur, 1994
France in a powerful Europe is a significant influence among French policy-makers. In 1994, the words of Edouard Balladur, French prime minister, sum up well the French point of view within the European Union: “All the French are convinced of the need to develop cooperation between the European countries and all want to see France lose neither her identity in it, nor, on essential matters, her independence.”. Today this balance between French independence and European integration is quite precarious. French and British policy-maker shared a similar view of Europe as a multiplier of national influence in world politics. And we can maybe feel this in the citizen’s point of view, through the no at the European constitution.

In spite of this, France is omnipresent in the European Institutions and take fully part of the main decisions. France has 87 members of the European Parliament, out of 626.

Moreover, France took the European presidency in the second semester of 2008. From the 1st of July to the 31st of December, Nicolas Sarkozy, French president, with his prime minister François Fillon, headed the European Union, thus they planed some objectives and targets to follow and try to lead the Union to this. This presidency was the twelfth exerted by France and was full of stakes, and according to Jean Pierre Jouyet this presidency marked the return of France within the European Union. The French presidency kept going on the priorities and the fundamental issues that were energy, the environment, climate, migration, European defence, external and internal security policy, preparations for the implementation of the new treaty from the beginning of 2009 and also launch the discussions on the future of the common policies post 2013 and especially the Common Agricultural Policy. This six month of French presidency reached important evolutions in the sectors of economy, finance, social and culture and also on the international level with eight summit meetings whose the launch of the Mediterranean Union. This French presidency and all the evolutions reached are proofs that France has still got involved in the European Union, and has dedicated its actions at a European level.
Chapter 2 : The institutional questions

Nowadays, the European Union is in a bend, after more than half a century of existence, and many enlargements, the EU has evolved a lot, but not that much in term of institutions. Moreover, the EU was until now based on the Treaty of Amsterdam of 1997. This treaty and the European institutions seem now obsolete for the EU 27, indeed it is quite impossible lead the European Union to evolve, and the attempts to establish a European constitution and a new treaty has posed problems because of an internal crisis, especially for some countries like France.

2.1 Enlargement problems and institutions obsolete for the EU27

We have seen that the history of the European Union has been marked by many different enlargements and that these enlargements are important the European Union and its functioning, and they involve many issues.

To become member of the European Union, the prospect must respect some criteria. In fact in 1989, the European Community's Phare program was created. It aimed to provide financial support for potential accession countries, that they could expand and reform their economies. To join the EU an applicant country must meet the following Copenhagen criteria established by the European Council in 1993:

- 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.

These criteria allow the European Union to define which countries can be candidates or not. According to these criteria Croatia has been officially a candidate to enter in the EU since 2004, after reaching all the process on integration, Croatia should become a European Union's member in 2010. Macedonia is also a candidate. For both of these countries, there isn’t special situation, they are in the geographical Europe, they have a European culture, and their history are closed to the European history. But some difficulties subsist with
another country, indeed, Turkey has been candidate of the European Union for a long while but geographical and political problems have caused integration problems. At the political level, three facts are against the United Nations' principles: the religion discrimination, ethnic discrimination against the Kurds and Armenian and the Cyprus' problem. This situation seems totally stuck and Turkey will probably never join the European Union except if the Turkish government launch reforms in order to respect the criteria and try an integration. In France the opinion about Turkey is divided, the main problem for the French is the cultural and religious differences.

Moreover, with the last enlargements in 2004 and 2007, the European Union reached an high level in term of members. The problem is that until the end of 2009 and the coming into force of the Treaty of Lisbon, the European Union and its 27 countries were govern by the Treaty of Nice which is a treaty with many lacks and which didn't prepare very well the institutions in view of the following enlargements. Thus the institutions didn't fit really well with the EU 27 and a need of change was important because the European Union was working in the same way with 27 members that with 15.

Another source of difficulties was the “non” at the European constitution which reach to a deadlock for the institution and for the European political plans.

2.2 French “non” at the European constitution

The Treaty establishing a Constitution for Europe is an unratified international treaty intended to create a consolidated constitution for the European Union. This treaty expected an important progress for the EU, especially in term of politics and institutions. The Treaty was signed on 29 October 2004 by representatives of the then 25 European member states. It was later ratified by 18 member states, which included referendums endorsing it in Spain and Luxembourg. However the rejection of the document by French and Dutch voters in May and June 2005 brought the ratification process to an end. Indeed, in 2005, French people were called to accept or refuse the European constitution by voting a referendum, whereas most of the countries chose the indirect election with a vote by the parliament.

This referendum called-up many citizens but the French opinion was divided: 54, 67% said “non”, and 45, 33% said “oui”. The reasons of this rejection are many and it had a lot of consequences for European Union and it obligated to change the way to follow. At
first we can say that in France, these elections appeared in a climate of confusion. At the beginning the constitution was presented without any specific interest but as time went by the media started to talk frequently about the question and the politicians started an huge campaign. Thus it called-up many citizens to vote but not without any confusion, the main problem was a significant lack of informations and knowledges, the constitution was a long book not accessible to everyone and to make oneself a clear opinion of it, political and economics knowledges were needed. The citizens voted but not with full knowledge of the facts. Moreover it was difficult for the citizens to find their positions due to political confusions, the two main political parties were mostly for this constitution, but there were divisions inside the parties. The constitution question was diverted from its first interest, and from the European level, some politicians used on their own to defend political questions. For example the nationalist party linked the European constitution to the integration of Turkey in the EU and they took advantage of this referendum to make stronger their opinion against the membership of Turkey. Thus, the main reason of this French rejection can be considered as internal political problems in France and a lack of trust in the government, by voting “non” the citizens got the message across of their discontentment.

The French “non” at the European Constitution had for consequences a reassessment at the national level but also at the European level. We cannot say that France put itself out of the European system with this “non”, France is still an important actor on the European stage but not without any difficulties. It was probably a mistake to use the referendum way and it would have been easier to ratify the constitution and then explain the role of it in France and in the EU. Just some days after the French referendum there was the Netherlands referendum, the Dutch also rejected the Treaty with 61,1 % of no, we cannot say that this result was influenced by the French result, because the Dutch were massively against. These rejections had for consequences a break in the European process and involved a loss of time and confidence. The European Union reacted positively by trying to develop a new treaty in order to govern better the EU 27 and its institution, this the Treaty of Lisbon.  

2.3 The Treaty of Lisbon

Now more than ever, in a global world in constant progress, the European Union needs to face up to new stakes. The economic globalisation, the demographic evolution, the climatic changes, the energetic supply and the questions of security and immigration are the challenges of the 21st century and the European Union needs a good intern organisation to evolve in this new age. The main stake is to face up these new challenges through a collective effort at the European scale. Moreover, with 27 countries, the EU must strengthen its policies and its institutions. Europe must dispose of efficient, suitable and coherent tools. After the rejection of the European Constitution, the necessity to keep evolving was fundamental and the best solution was to adopt a new Treaty tailored. That is the Treaty of Lisbon.

The Treaty of Lisbon was signed by the European member states on 13 December 2007 and entered into force on 1 December 2009, it amends the Treaty on European Union (Maastricht 1992) and the Treaty establishing the European Community (Rome 1957). The Treaty of Lisbon equipped the European Union with an efficient juridical frame and the means necessary, this Treaty is organised around several main points:

➢ An European Union more democratic and more transparent:
- The European parliament has been strengthen: elected by the European citizens, the European parliament has been allocated by new powers in the legislative, budget, international agreement areas.
- The increased participation of the national parliaments: they can take part of some of the European decisions, notably through of the subsidiarity principle.
- Citizens can stand up and be counted: through the European citizen's initiative.
- Relations between member states and European Union are clarified thanks to a specific classification of the skills.
- For the first time the Treaty of Lisbon plan explicitly the right for the European member states to retire from the European Union.

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20 Treaty of Lisbon, on the European Union, 1st of December 2009
➢ An European Union more efficient:
- An efficient decision-making: the supermajority vote is extended to new political areas in order to increase the efficiency and the rapidity of the decision making.
- An institutional frame more simple, stable and sustainable has been created.
- Improve the European citizen’s way of life: the EU has the capacity to act in priority subject, like terrorism, security, tourism, trade policy, etc.

➢ An European Union of rights, values, liberty, solidarity and security:
- Democratic values are strengthen.
- Citizens’ rights and granting of the fundamental rights: the Treaty of Lisbon protect the rights and introduced new rights for the European citizens.
- Solidarity between the European member states.
- The security has been increased the European Union.

➢ The European Union: an actor on the international stage: an high representative is nominated for the foreign affairs, along with a new European service for the foreign actions. The European Union benefit also of an unique juridical frame and can act on the international stage on most of the areas.

This new Treaty seems to be a symbol of modernity and evolution for the European Union and it is more adapted to the challenges of the 21st century, but this treaty was not accepted without any criticisms by the French citizens. Indeed some citizens and media consider was imposed and is against the democracy. The parliament voted the modification of the constitution beforehand refused by the referendum of 2005, through this vote, the member of parliament, thus the French government, imposed the new Treaty at the French people. Non-governmental organizations, like Attac, are mobilised to fight against that they call “a blow against democracy”.

Even if this treaty doesn’t reach unanimity everywhere, it is a good evolution and ot was a real need for the European Union and its 27 member states.

In this part we analysed the weight of the European institutions and the current stakes, challenges and evolution. And especially the position of France in the European
Union of the 21st century. We are going now to introduce more precisely the Eurozone.

**Part 3 : France within the Eurozone**

**Chapter 1 : Involvements of the Euro in France**

As we have seen previously, the European Union reached an important step in the economic integration by launching an Economic and Monetary Union. We analysed the efficiency of the Eurozone but now we are going to study the involvements of the Euro in France, by analysing France before and after the Euro, the benefits and disadvantages of the Euro and the trade consequences.

1.1 France before and after the Euro

Before the switch-over to Euro, before 1999, French were not really prone to the Euro and didn't trust totally the European Union. Moreover the French economic situation was not really good, French had no confidence into the unstable government which just switched and didn't bring any changes on the economic questions. In 1998, the unemployment rate was 12% according to the French source INSEE, and the labour market had known difficulties for a while, with high unemployment rates and instability.

For many economists, an explanation to this economic situation was the problem of deflation, indeed the first preoccupation of the French central bank was a low inflation, and it put the inflation rate at its lower level for more than 40 years. The inflation rate was around 0%, 0,7% for the average of 1998. Some economists interpreted the inflation problem because of the European Union and the Maastricht criteria, indeed as we know before to join the Euro-system, the member states needed to respect some criteria, notably on low inflation and low public expending. With the pool of the monetary policy some changes occurred, and the transmission phase can probably explain the economic difficulties at this time.

Another explanation can be the constant re-evaluation of the French currency, the Franc, to try to have a strong money before the switch-over to Euro. French government also re-evaluated the tax in order to try to respect the 3% of annual public debt imposed by the Maastricht Treaty. And the worker week time decreased. For those reasons, the economic situation was not good, with an high unemployment rate and a low GDP. In
1997, the GDP growth was 2.3% in a thriving international context, especially an high dollar in comparison to a low Franc. in 1998, the situation was not better. Thus, for France the transition to the Euro appeared in a context of crisis, with a global mood really bad, a low growth and some problems on the labour market.

10 years after the switch-over to Euro, how is the French economic situation? We are going to analyse the evolutions in term of the GDP growth, the inflation rate and the unemployment rate, but we are going to stop this analyse in 2007, because of the financial crises which have skewed the statistics for 3 years.

According to the National Institute of Statistics and Economic Studies (INSEE) in 2007, the unemployment evolved on this way: in 2002 the unemployment rate was 9%, in 2003 9.8%, 10% in 2004, 9.9% in 2005 and in 2006 the unemployment was about 9.1%. During this period the level of unemployment was perceptibly lower than in 1998, the level was still high but we can notice that the job creation was better. Then even if the unemployment rate seems better after the switch-over to Euro, with a variation of 3% in 7 years, the evolution is not really important and we cannot say that Euro has changed radically the employment situation.

In 2002, the GDP growth was 1%, after three years with the Euro, this level is really low we must precise that it was just the year following September 11, this tragic event which affected the GDP growth all over the world. In 2003, the growth rate was 1.1%, in 2004 it was 2.5%, 1.7% in 2005 and 2% in 2006. The French new governments made a reflate policy, trying to reduce the tax to keep the assets in France, this tax reduction concerned especially the fiscal shield. The main supports of this growth are the households consumption, which rose by 3% in few years, probably explained by an augmentation of the purchasing power by 2%. The growth had been supported also by the firm's investments.

Another evolution, that we can directly link to the switch-over to Euro is the increase of the inflation rate. Indeed the inflation rate depends on the monetary policy, and we know that with the switch-over to Euro the monetary policy is common for all the Eurozone member states, and that the inflation target is at 2%. Ans as we can see on the following table, the inflation rate has started to increase after 1999, probably for the previous reasons. A popular spread idea is to say that the prices increased after the switch-
over to the physical Euro (bills and coins) because the traders and shopkeepers would have
taken advantages of this change to increase the prices. This idea is not really valuable and
don't really find economic explanations, because as we can see the increase start in 1999,
not in 2002.

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>0.7</td>
</tr>
<tr>
<td>1999</td>
<td>0.5</td>
</tr>
<tr>
<td>2000</td>
<td>1.7</td>
</tr>
<tr>
<td>2001</td>
<td>1.7</td>
</tr>
<tr>
<td>2002</td>
<td>1.9</td>
</tr>
<tr>
<td>2003</td>
<td>2.1</td>
</tr>
<tr>
<td>2004</td>
<td>2.1</td>
</tr>
<tr>
<td>2005</td>
<td>1.8</td>
</tr>
<tr>
<td>2006</td>
<td>1.6</td>
</tr>
<tr>
<td>2007</td>
<td>1.5</td>
</tr>
<tr>
<td>2008</td>
<td>2.6</td>
</tr>
</tbody>
</table>


To compare with the average of inflation on the Eurozone, French inflation rate is
globally lower, in 2006 the inflation rate was 2.6% for Eurozone. In France the domains
with a high inflation rate are: energy, transport and services, conversely, the inflation rate is
low for health and recreation.

These are the consequences of the switch-over to Euro in terms of economic statistics,
but this change had also benefits and disadvantages.

1.2 Benefits and disadvantages

One of the aim of the Euro was to create a competition between Euro and Dollar, in
order to become the second international currency and in the long run the first currency,
used for all the international transactions and governing the trade all over the world. But at
its beginnings, Euro knew some difficulties, especially because of a strong devaluation,
indeed, between January 1999 and December 2000, Euro lost 20% of its value against the
Dollar. But in 2003, a reversal of the situation appeared and Euro started to rise against the
Dollar. In February 2008, for the first time Euro reach the level of 1.5\$, now in the dawn of 2010, the Euro Dollar conversion is stable around 1€ = 1.43\$. But the devaluation of Euro and the strength of this one have both benefits and advantages for the Eurozone and its trade.

Figure 4 : Evolution of the rate of exchange between Euro and Dollar

Source : http://www.eurosduvillage.eu/POLITIQUE-MONETAIRE-Mythes-et

Among the advantages of a strong Euro, one is the improving of the trade within the Eurozone, indeed, the main raw materials are formulated in Dollar, thus Europe have strongly reduced the prices of its supplying these last years. We especially find this benefit with the increase of the oil price, since 2007. Thanks to a strong Euro, the Eurozone member states, have less felt this increase and the trade has been less hit in comparison to the other countries. This is a significant advantage, when we know that oil is the main source of energy and supplying in the world.

Another benefit is that a strong Euro, create positive anticipation on the evolution of the monetary conditions and the interest rate evolution in the Eurozone, thus the general level of the interest rate is lower in the Eurozone than in the Dollar zone, which make the investments more auspicious in the Eurozone.

A strong Euro also benefit at the households and the companies which import from the USA, indeed the devaluation of the Dollar in comparison to Euro make the tourism, leisures, shopping and importations in the Dollar zone, cheaper for the Europeans. But this situation can we a real disadvantage for some French companies, because Europeans are
more likely to buy some of their purchase in Dollar, for example the cars.

The main disadvantages of a strong Euro are the commutativity of the European companies and the European trade. Indeed, when the European currency is strong, the price to pay for the European products is relatively more expensive than the price to pay in the other countries. To stay on the market, many exporter companies have had to reduce their prices, which is a problem for the perspectives of profit. Moreover, the European companies which invoice in Dollar see their gross profit decrease, for example the Franco-German group EADS.

According to some specialists, if the strength of Euro keeps going, it could affect the European growth and in long run it could cause an increase of the unemployment rate.

A strong Euro has both strength and weakness and there is no argumentation for a depreciation or an appreciation of Euro, the necessity is more to keep Euro stable, and a lot of economists agree to say that a conversion without big fluctuations, around $1 = 1.4 \text{C}$ is OK for the Eurozone’s stability.

Nevertheless, we are going to analyse the economic and trade consequences of Euro.

1.3 Economic and trade consequences

The introduction of the Euro, has inevitably had economic consequences, we are going to analyse these consequences, in term of trade, more precisely foreign trade, for both the Eurozone and France.

From 2000 to 2008, the foreign trade in Eurozone increased, with an explosion of both the exportations and the importations, this could be a consequence of the new age we are living in, governed essentially by trade and exchanges, but also a consequence of the many international agreements made by the European Union. The following figure also points out that the general trend since the switch-over to Euro has been a negative balance. Moreover the balance has increased negatively since 2004, date representing the beginning of the appreciation of Euro in comparison to Dollar. The figure also points out an important decrease of the trade, indeed importations and exportations shrank in 2008 and 2009, but as noticed before we cannot take account of these years because of the financial crises which
distort the result.

Figure 5 : The Eurozone foreign trade

Consequently, the effects of the switch-over to Euro, strong Euro, benefits and disadvantages, are expressed by these trend of the foreign trade, the following table shows the evolution of the foreign trade in figures.

Table 4 : Data of the Eurozone foreign trade

<table>
<thead>
<tr>
<th>Date</th>
<th>Export</th>
<th>Import</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>164 249</td>
<td>191 122</td>
<td>-26 873</td>
</tr>
<tr>
<td>2008</td>
<td>201 399</td>
<td>233 635</td>
<td>-32 236</td>
</tr>
<tr>
<td>2007</td>
<td>201 843</td>
<td>225 720</td>
<td>-23 877</td>
</tr>
<tr>
<td>2006</td>
<td>195 710</td>
<td>212 138</td>
<td>-16 428</td>
</tr>
<tr>
<td>2005</td>
<td>181 901</td>
<td>198 406</td>
<td>-16 505</td>
</tr>
<tr>
<td>2004</td>
<td>175 951</td>
<td>182 210</td>
<td>-6 259</td>
</tr>
<tr>
<td>2003</td>
<td>166 937</td>
<td>170 189</td>
<td>-3 252</td>
</tr>
<tr>
<td>2002</td>
<td>165 540</td>
<td>169 279</td>
<td>-3 739</td>
</tr>
<tr>
<td>2001</td>
<td>165 638</td>
<td>168 056</td>
<td>-2 418</td>
</tr>
<tr>
<td>2000</td>
<td>166 128</td>
<td>166 904</td>
<td>-776</td>
</tr>
</tbody>
</table>

In spite of a negative balance, the introduction of the Euro coincide with an important extension of the foreign in the Eurozone, which can be considered as a real benefit, for the European Union but also for its member states. We are going to analyse the effects of the Euro on the French economic situation.

From the following table, we can notice that the introduction of Euro in France coincide with an increase of the foreign trade, both exportations and importations. In addition, the balance seems to be more unstable, with important fluctuations, for example in 2002, the balance is positive with 5128 millions of Euro, in 2007 the balance is -40636 millions of Euro. Moreover, the French foreign trade is higher than the Eurozone foreign trade, indeed the figures and trends of the Eurozone are an average of the 16 member states' foreign trade, thus it seems that France has a trade trend higher than most of the European countries.

Table 5 : Data of the French foreign trade

<table>
<thead>
<tr>
<th>Date</th>
<th>Export</th>
<th>Import</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>342 338</td>
<td>383 461</td>
<td>-41 123</td>
</tr>
<tr>
<td>2008</td>
<td>411 049</td>
<td>466 463</td>
<td>-55 414</td>
</tr>
<tr>
<td>2007</td>
<td>401 380</td>
<td>442 016</td>
<td>-40 636</td>
</tr>
<tr>
<td>2006</td>
<td>389 063</td>
<td>418 347</td>
<td>-29 284</td>
</tr>
<tr>
<td>2005</td>
<td>356 743</td>
<td>380 395</td>
<td>-23 652</td>
</tr>
<tr>
<td>2004</td>
<td>341 954</td>
<td>347 039</td>
<td>-5 085</td>
</tr>
<tr>
<td>2003</td>
<td>323 511</td>
<td>322 495</td>
<td>1 016</td>
</tr>
<tr>
<td>2002</td>
<td>330 725</td>
<td>325 567</td>
<td>5 158</td>
</tr>
<tr>
<td>2001</td>
<td>332 036</td>
<td>332 111</td>
<td>-75</td>
</tr>
<tr>
<td>2000</td>
<td>326 711</td>
<td>331 036</td>
<td>-4 325</td>
</tr>
</tbody>
</table>

Source : [http://lekiosque.finances.gouv.fr/Appchiffre/nationales/presse/Presse_frame.asp](http://lekiosque.finances.gouv.fr/Appchiffre/nationales/presse/Presse_frame.asp) (French customs 2009)

It is not easy to analyse the benefits or advantages of a negative balance, but it is clear that Euro has had real positive effects on the economic situation of the Eurozone. The foreign trade has clearly increased, and even if the importations stay higher than the exportations, the trade is good for the wealth of the Eurozone and for its countries, notably France.
Conclusion:

The European Union is an entity which is continuously evolving, after periods of progression but also periods of doubt, we can say that nowadays, the EU, play an important role for its members. From a simple cooperation around the coal and steel trade in 1951, to the Treaty of Lisbon in 2009, Europe has become a social, juridical, economic and political entity, with 27 member states, stable institutions, some commune policies and an Economic and Monetary Union.

France can be considered as a founding father of the European Union, which had really supported the launch of the European Union, many French statesmen fought to create an Area of peace and trade within a destroyed Europe and to develop this concept to the European Union that we know today. But this position has suffered from some intern criticisms but also from the successive enlargements, which have progressively modified the structure of the European Union and reduced the influence of France. France has also developed an image of bad student, with the non-respect of the European criteria on the deficit.

Instead of these difficulties, which have maybe sometimes delayed the evolution of the European Union, France is still an important actor within the EU and a member respect by its congeners. Since its creation, the European Union has brought to France evolutions in term of economy, an also for example in term of agriculture through the PAC, but the most important contribution has been the creation of the Euro-system and the introduction of Euro. Source of many criticisms from the French citizens and some statesmen, Euro is now accepted by French, Euro has many advantages for France, at several levels.

To conclude, we can say that in spite of some difficulties, both France and the European Union have had positive influences on each other and the European Union could not have grown in this way without France, in opposition, outside the European Union, France would lose a lot of influence.

Nowadays, both France and the European Union have to reach new challenges and objectives, especially on the international level. Europe has to find its place between the American superpower and the huge China which is growing up really quickly. We can wonder in which the European Union and the Eurozone will evolve and how can they emphasize their strength on the international stage?
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