

## COUNTERPOINT:

### AUSTRIA'S APPLICATION FOR MEMBERSHIP IN THE EUROPEAN COMMUNITY AND DELORS' CALL FOR A NEW EC—EFTA RELATIONSHIP

Absent some other satisfactory new relationship, the EC's need for economically stable members, coupled with Austria's potential loss of a major part of its trade market probably will result in Austria's membership in the EC - despite problems with Austria's neutral status. If, however, the EC and EFTA form the customs union that has been proposed by the president of the EC Commission, Jacques Delors, Austria probably will remain a member of EFTA and will withdraw its membership application. Formation of the customs union would allay fears of economic disaster while preserving Austria's neutral stance without compromise. Other EFTA countries would not feel compelled to submit applications for EC membership, which would allow the EC to handle its own internal affairs much more efficiently. If the customs union does not manage the delicate balancing act that both organizations hope for, then Austria will be even more eager to join the EC. Other EFTA applications would follow quickly. This might open the door for the rest of the EFTA members to join and could force a limit on EC security provisions.

On December 19, 1989, ministers from the European Community (EC) and the European Free Trade Association (EFTA) met in Brussels to discuss "closer cooperation" between the two trading organizations.<sup>1</sup> Further negotiations are expected to begin by mid-1990 with an agreement to be signed by the end of 1990.<sup>2</sup> The new treaty would be effective as of January 1993, after the total integration of the internal EC market.<sup>3</sup>

The European Free Trade Association was created in 1960 in direct response to the creation of the EC.<sup>4</sup> After initially attempting to form

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<sup>1</sup> *EFTA Ministers Conclude Meeting with Call for a 'Structured Partnership' with the EC.*, (July-Dec.) 6 Int'l Trade Rep. (BNA), at 1629 (December 13, 1989).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*; *EC, EFTA Foreign Ministers Agree to Launch Negotiations on Closer Economic Integration*, (Jan.-June) 7 Int'l Trade Rep. (BNA), at 22 (January 3, 1990).

<sup>4</sup> D. SCHLESINGER, *AUSTRIAN NEUTRALITY IN POSTWAR EUROPE 92-94* (1972). Both EFTA and the EC were created to improve trading conditions between its

a larger free trade area, Great Britain applied for EC membership in 1961.<sup>5</sup> Switzerland and Sweden began movement toward creation of a larger free trade area in 1958. Shortly thereafter, Austria joined the other two neutral countries in the creation of EFTA, followed by Finland as an associate member in 1961.

The one common goal of all the EFTA members was to make sure that the enlargement of the EC would not result in the reintroduction of tariff barriers in Western Europe.<sup>6</sup> In November of 1971 negotiations began between the EC and the individual EFTA members toward bilateral free trade agreements with respect to industrial goods.<sup>7</sup> Final implementation of the Free Trade Agreements led to the 1984 meeting between ministers from the EC and EFTA in Luxembourg.<sup>8</sup> It was at this meeting that the idea for creating a European Economic Space surfaced.<sup>9</sup> Generally, the two trading blocks agreed to work towards a closer cooperation in economic matters.<sup>10</sup>

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members and each organization. Luif, *The European Neutrals and Economic Integration in Western Europe*, 1987 EUR. Y.B. (Council of Eur.), at art. 2; Price, *EFTA and the European Communities: What Future for "Greater Europe"?*, 1985 EUR. Y.B., at art. 124. One striking difference between the two organizations is the treaty-making ability of the EC and the lack of this ability in EFTA. Each individual EFTA country must negotiate its own treaty with an outside entity. The EC can negotiate a single treaty that will bind all twelve of its members.

<sup>5</sup> Luif, *supra* note 4, at art. 2.

<sup>6</sup> Rabaeus, *1973 - A Turning Point for EFTA and for the Trading Arrangements of Western Europe*, 1973 EUR. Y.B. (Council of Eur.) 55.

<sup>7</sup> Luif, *supra* note 4, at art. 7. Treaties between the individual EFTA countries and the EC were quickly negotiated because many of the issues had been thoroughly discussed during aborted talks between the EC and Austria about possible Austrian association with the EC. The treaties were all signed by 1973. All tariffs on industrial goods were abolished by 1977, except for tariffs on paper goods which were abolished by 1980, and tariffs on steel which were abolished by 1984. Except for Finland's FTA, all of these bilateral agreements contained steps to be followed if one of the countries wanted to expand the cooperation with the EC to areas not covered under the FTA.

<sup>8</sup> *EFTA's Consultative Committee Meeting: Cooperation with the EC the Main Theme*, [Oct.-Dec.] 4 EFTA BULLETIN at 15 (1986). Ministers from the two trading blocks met in Luxembourg in 1984 to discuss closer cooperation between the two organizations. The term "European Economic Space" was first used in the Luxembourg Declaration to set out the guidelines necessary to create the EES. Price, *supra* note 4, at arts. 124-25. This was the first meeting between the two organizations ever conducted at the ministerial level.

<sup>9</sup> *EFTA's Consultative Committee Meeting: Cooperation with the EC the Main Theme*, *supra* note 8, at 15.

<sup>10</sup> See *supra* text accompanying note 8; Price, *supra* note 4, at arts. 126-27. The Luxembourg Declaration called for continued cooperation in the area of industrial trade. The declaration itself was not a "formal commitment" on any of the proposed

EFTA continued on the Luxembourg path towards a slowly developing cooperation with the EC. The general consensus within EFTA was that because the EC required unanimity in decision-making, the EC would not be able to meet the projected deadline of 1992. The members of EFTA hoped that the Luxembourg Declaration would allow them to participate in the EC's goal of "the elimination of non-tariff barriers with Europe."<sup>11</sup>

The European Community's switch to majority vote decision-making in December 1985 shattered EFTA's complacency. With the change, the EC could move more quickly toward a unified Europe excluding the EFTA member countries, and possibly meeting their 1992 deadline. As outsiders, EFTA members would very likely face "economic discrimination" as the EC increased its internal cooperation.<sup>12</sup>

January of 1989 saw a startling development with Delors' invitation to EFTA to "look for a new more structured partnership with common decision-making and administrative institutions to make our activities more effective and to highlight the political dimension of our cooperation in the economic, social, financial and cultural spheres."<sup>13</sup>

At their March 1989 meeting in Oslo, the Heads of Government of the EFTA countries replied that they were willing "to explore together with the EC ways and means to achieve a more structured partnership with common decision-making and administrative institutions."<sup>14</sup> They expressed their desire that future negotiations would lead to "the fullest possible realization of free movement of goods, services, capital and persons" as well as cooperation in research, technology, education, environment, transportation, and social policy matters.<sup>15</sup>

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areas of cooperation but more a statement of "general intent." *Id.* One institutional outcome of the declaration was the creation of a "High-Level Contact Group" which was to meet once or twice a year. The meetings were to be "just below ministerial level" and were designed to further the increased cooperation between the EC and EFTA on the major issues outlined in the declaration.

<sup>11</sup> Price, *supra* note 4, at art. 127.

<sup>12</sup> *Id.*

<sup>13</sup> *Editorial: Two Tracks to Progress*, (April-June) 2 EFTA BULLETIN 1 (1989); Rowley, *Building Blocks: EC-EFTA Pact Would Heighten Protectionist Fears*, FAR EAST. ECON. REV., Mar. 9, 1989, at 74. Delors specifically mentioned the creation of a customs union between the two organizations as a "new form of association which would be more structured at the institutional level."

<sup>14</sup> *Editorial: Two Tracks to Progress*, *supra* note 13, at 1.

<sup>15</sup> *Id.* at 1-2.

The Heads of Government also stressed that in the future they would negotiate with the EC multilaterally through EFTA.<sup>16</sup> This means that EFTA will have to "strengthen [its] decision-making process and collective negotiating capacity," but will stop short of becoming a "mini-EC" with matching institutions and supranational decision-making powers.<sup>17</sup>

The Luxembourg Declaration<sup>18</sup> had also called for closer cooperation between EFTA and the EC, but with the two organizations only working parallel to each other.<sup>19</sup> Under the Declaration, the two organizations were to share information with each other and even adopt similar policies and laws, but neither organization was to participate in the decision-making process of the other.<sup>20</sup>

The new relationship that Delors has envisioned, however, would require participation by each organization in the other, giving EFTA some voice in the decision-making and administrative institutions of the EC as they complete their internal market integration.<sup>21</sup> This "third track"<sup>22</sup> relationship would be more integrated than the relationship created by the current Free Trade Agreements that exist between the individual EFTA member countries and the EC, but less integrated than membership in the EC.<sup>23</sup> It would involve a more structured relationship between the two organizations that would

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<sup>16</sup> *Id.* at 2. The EFTA countries would negotiate as a unit rather than negotiating a series of bilateral agreements between the EC and individual EFTA countries.

<sup>17</sup> *European Community: European Free Trade Area, EC Talks Could Lead to Closer Ties, Cooperation* [Jan.-June] 6 Int'l Trade Rep. (BNA) at 362 (March 22, 1989). Georg Reisch, Secretary General of EFTA, forecasted the extent of EFTA's evolution:

[W]e will have enforcement measures which will be identical with those of the EC. We have to follow the same laws and their interpretation, but we are not negotiating to include ourselves in the EC. We have to match them with our own efforts.

<sup>18</sup> See *supra* notes 8-10 and accompanying text.

<sup>19</sup> Reisch, *1992 A Tremendous Challenge for EFTA*, (Jan.-Mar.) 1 EFTA BULLETIN, at 4-8 (1989). George Reisch noted that EFTA had to make sure that the differences between EFTA and the EC had to be "as small as possible." The method outlined would be to keep the border controls to a minimum and to mirror the EC internal changes as much as possible within each EFTA country.

<sup>20</sup> *Id.* at 4-5.

<sup>21</sup> *Survey: Europe's Internal Market*, THE ECONOMIST, Jul. 8, 1989, at 38.

<sup>22</sup> Rowley, *Building Blocks: EC-EFTA Pact Would Heighten Protectionist Fears*, *supra* note 13, at 74. EC President Jacques Delors used the term "third track" to describe the need for a closer relationship with EFTA during his January 17, 1989, address to the European Parliament in Strasbourg.

<sup>23</sup> *EC, EFTA Representatives Agree to Hold Negotiations Toward Closer Relations*, (July-Dec.) 6 Int'l Trade Rep. (BNA), at 1386 (October 25, 1989).

facilitate the "free movement of goods, services, capital and persons," also known as "the four freedoms."<sup>24</sup> This new relationship would enhance the European Economic Space (EES)<sup>25</sup> that the two organizations are jointly working to create.<sup>26</sup>

Delors' call for the new "third track"<sup>27</sup> relationship between the EC and EFTA came about for two distinct reasons. First, EFTA countries were worried about incurring an economic loss after 1992 when internal integration of the Common Market was supposed to be completed.<sup>28</sup> Second, the EC wanted to discourage any new mem-

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<sup>24</sup> *Trading Partners in Europe, Canada, Mexico Revise U.S. Relations*, Daily Report for Executives (BNA) DER No. 11, (January 17, 1990). *Survey: Europe's Internal Market*, THE ECONOMIST, Jul. 8, 1989, at 38. This means the EFTA countries will implement EC laws concerning the "four freedoms." The decision-making model proposed is a "two-pillar" approach with a "common organ". This would mean "a powerful committee representing the commission and EFTA at the highest level; and a special court, including EFTA judges, to ensure compliance with EES law . . . [which] would have primacy over national law."

<sup>25</sup> *EFTA's Consultative Committee Meeting: Cooperation with the EC the Main Theme*, *supra* note 8, at 15.

<sup>26</sup> *EC, EFTA Representatives Agree to Hold Negotiations Toward Closer Relations*, *supra* note 23, at 1386. Creation of the European Economic Space is very important to both organizations. *Closer Cooperation Between EC, EFTA Likely to Present Major Challenges for U.S., Other Countries, Analysts Say*, (July-Dec.) 6 Int'l Trade Rep. (BNA), at 1244, (September 27, 1989). The EC and EFTA are each other's largest trading partners with \$200 billion in trade. EFTA ships approximately fifty-five percent of its exports to the EC and the EC ships approximately twenty-five percent of its exports to EFTA; Balstad, *EFTA Summit: A Most Appropriate Time to Meet*, (Jan.-Mar.) 1 EFTA BULLETIN 3 (1989). Balstad, Norway's Minister of Trade and Shipping, states that, "EFTA is a larger market for Community exports than the United States and Japan combined."

The EES, which encompasses Western Europe, "produces about as much as North America . . . and more than the USSR and Japan together." Wijkman, *EES: Exploring the European Economic Space*, (Jan.-Mar.) 1 EFTA BULLETIN at 10, (1989); *Closer Cooperation Between EC, EFTA Likely to Present Major Challenges for U.S., Other Countries, Analysts Say*, *supra*, at 1244. The EES will also comprise the world's largest market with a population of 350 million people. *EC Cautious on Pace of Link-up With EFTA Countries*, Reuter Library Report (Reuters) (January 15, 1990) (LEXIS); Marshall, *Europe Reaches for a Postwar Dream—Unity*, L.A. Times, Mar. 12, 1989, § 1, at 1, col. 5. The population of the eighteen countries in the EC and EFTA is "a third larger than that of the United States" and provides "a trading volume more than twice that of Japan."

<sup>27</sup> See *supra* notes 13 and 22-26 and accompanying text.

<sup>28</sup> Rowley, *supra* note 13, at 74-75. Taylor, *The Nordic Countries in a Changing Europe: An End to Isolation*, Fin. Times, Feb. 21, 1990, § IV, at 1, col. 5. The Nordic countries, composed of EFTA member states Norway, Sweden, Finland, and Iceland, conduct the bulk of their export-import trade with the EC. Their economies have flourished since the 1973 Free Trade Agreements opened up free trade with the 320 million consumer EC market. The same economic boom the Nordic countries

bership applications until after the integration process had been completed.<sup>29</sup> Without the creation of a viable "third track" relationship between the two organizations, it is predicted that most of the EFTA countries will deluge the EC with membership applications.<sup>30</sup>

Numerous authorities have stated that should Austria be granted EC membership, other EFTA states would apply for membership in the EC as neutral states.<sup>31</sup> But, by submitting to more cooperation in certain areas, Delors hoped to discourage a rash of membership applications from EFTA members submitted because EFTA was entirely outside the decision-making process.<sup>32</sup> Admitting so many neutral members would limit the amount of unification that the EC could achieve and defeat Delors' dream of a truly unified Europe.<sup>33</sup>

On the other hand, the EC is not sure exactly how much decision-making power they want to share with EFTA.<sup>34</sup> As the EC marches toward internal integration, many of the proposed directives to be implemented need to be coordinated with new EES developments.<sup>35</sup>

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experienced after the 1973 FTAs is expected to occur within the EC once all the internal barriers are down. With the internal free market, EC member countries are expected to do the bulk of their trading among themselves and turn away from former export-import partners outside the EC. Another fear of the Nordic countries and other EFTA countries is that foreign investors will cease investing in their countries and concentrate on the larger EC market to EFTA's detriment.

<sup>29</sup> Rowley, *supra* note 13, at 74-75.

<sup>30</sup> *European Community: EFTA Countries Fear Removal of Internal EC Trade Barriers Will Force Membership Issue*, [July-Dec.] 4 Int'l Trade Rep. (BNA) at 1599, (December 23, 1987); Greenhouse, *As Europe Unites Outsiders Line Up to Join the Club*, N.Y. Times, Sept. 4, 1988, § 4, at 4, col. 1. It was thought by European Community officials in 1988 that Austria would apply for EC membership in 1989. This prediction came true. Community Officials also predicted in 1988 that Norway would be next and that eventually Sweden, Switzerland, Finland, and Iceland would join. So far Austria is the only EFTA country that has applied for EC membership.

<sup>31</sup> *European Community: EFTA Countries Fear Removal of Internal EC Trade Barriers Will Force Membership Issue*, *supra* note 30; *Hearings on Political and Military Implications of European Economic Integration before the Subcomm. on European Affairs of the Senate Comm. on Foreign Relations*, 101st Cong., 1st Sess. 135 (1989) (testimony of Mr. Røbert Hormats) [hereinafter *Hearings*].

<sup>32</sup> *Unequal Partners*, THE ECONOMIST, Dec. 2, 1989, at 62; *Survey: Europe's Internal Market*, *supra* note 24, at 38. "Mr. Delors' offer was not an expanded European vision: it was chiefly a bid to prevent the dilution of his existing one."

<sup>33</sup> *Hearings*, *supra* note 31.

<sup>34</sup> *Unequal Partners*, *supra* note 32, at 62. Although EFTA is insisting on joint decision-making, the EC will agree only to allow EFTA to have a voice in the shaping of EES laws but not in the actual EC "working parties and ministerial meetings" that are charged with the final form of the laws and the actual ratification of them.

<sup>35</sup> *EC Cautious on Pace of Link-up with EFTA Countries*, *supra* note 26.

Coordination among the twelve EC members is difficult without adding another six countries into the decision-making process.<sup>36</sup>

If the predicted domino defection of other neutral EFTA members (Sweden, Switzerland, Finland, Norway, and Iceland) to the EC occurs,<sup>37</sup> admission of these neutral countries into the EC would limit the Community in its defense strategy development. Great Britain and France have voiced concern over Austria's possible admission, fearing that it might bar future cooperation on security matters.<sup>38</sup> The new members would possess the same voting rights of the current members, and because they would comprise one third of the membership, they would be able to exercise considerable control over policy matters. With the added possibility that other neutral countries will apply in Austria's wake, the stronger unification advocated in the Single European Act could become difficult to achieve if such a large neutral block were admitted.<sup>39</sup>

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<sup>36</sup> Marshall, *Europe Reaches for a Postwar Dream—Unity*, *supra* note 26, § 1, at 1, col. 5. "Even the shape and depth of European unity is disputed . . . Even the smallest issues evoke bitter disputes."

<sup>37</sup> *European Community: EFTA Countries Fear Removal of Internal EC Trade Barriers Will Force Membership Issue*, *supra* note 30; *European Community: European Free Trade Area, EC Talks Could Lead to Closer Ties, Cooperation*, 6 Int'l Trade Rep. (BNA) 362; McDermott, *Norwegians Ponder the Security of NATO's North Flank*, *Fin. Times*, Aug. 4, 1989, at 2, col. 5.

<sup>38</sup> Buchan, *Belgium Bridles as Austria Applies to Join the EC*, *Fin. Times*, Jul. 18, 1989, at 2, col. 9. *Spain Urges Defence Cooperation*, EP News (European Parliament UK edition) Jan. 16-20, 1989, at 1, col. 1. As early as 1989, Spain was voicing support for an increased security dimension. Waxman, *France, West Germany Calling for European Security Alliance by '93*, *Atlanta J. and Const. Apr.* 20, 1990, at A3, col. 1. Recently, political union incorporating a common "foreign and security policy" has been proposed for the EC by French President Francois Mitter and West German Chancellor Helmut Kohl. Whether the European security policy would be made within NATO was unclear. All indications point to a stronger European element in NATO with the EC assuming "a greater security dimension."

<sup>39</sup> *Hearings*, *supra* note 31. The Single European Act, 30 O.J. EUR. COMM. (No. L 169) 1 (1987). The preamble calls for closer unity among the European Community member states through the creation of a European Union "speaking ever increasingly with one voice." *Closer Cooperation Between EC, EFTA Likely to Present Major Challenges for U.S., Other Countries, Analysts Say*, *supra* note 2, at 1244. The admission of neutral members to the EC would mean that any security or defense issues raised by economic and growing political unification would have to be addressed outside the EC forum. Neutrality of one-third of the membership would mean that a common strategy in the area of security could not be developed. For example, the United States stationed ships in the Mediterranean Sea during the Iran-Iraq War when shipping interests, particularly oil shipments, in the area were threatened. The EC would be unable to provide security if its interests were similarly threatened. This would defeat the call by Great Britain, West Germany, France, and Spain to include a security dimension in the future political and economic unification of the EC.

Nonetheless, the EC may be quite eager to admit Austria after 1992 because of Austria's robust economy and strong trade ties with the EC.<sup>40</sup> Austrian admission would help the EC balance its membership between the economically needy Ireland and Portugal and the economically sound Germany and France.<sup>41</sup> Further unification of Europe would also be advanced by the admission of a Central European state into the EC.<sup>42</sup> Potential loss of access to Austria's largest trade partner, the EC market, after 1992 will necessitate closer alignment with the EC in some fashion to ensure future economic stability.<sup>43</sup>

Austria would be the first truly neutral state admitted to the EC.<sup>44</sup> Although all of the EFTA members, including Austria, had chosen to work together through EFTA to continue negotiations with the EC,<sup>45</sup> Austria submitted an application for EC membership in July 1989.<sup>46</sup> As part of its application, Austria insisted that it be allowed to maintain its permanent neutrality.<sup>47</sup>

Alois Mock, Austria's foreign minister, has stated that his country's neutrality is not inconsistent with EC membership<sup>48</sup> and is thus not inconsistent with the more limited "third track" cooperation envisioned with the EC. The Austrian Government's currently restrictive definition of neutrality as "the inability to join a military alliance or have foreign military bases on its soil,"<sup>49</sup> is consistent with Austria's

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<sup>40</sup> *European Community: Austria Files Request for Membership in EC, Other Countries Also Expected to Submit Bids*, 6 Int'l Trade Rep. (BNA), at 962-63 (July 19, 1989).

<sup>41</sup> *Id.*

<sup>42</sup> *At the EEC's Door*, THE ECONOMIST, March 25, 1989, at 11, col. 2.

<sup>43</sup> Protzman, *An Icy Reception for Austria's Bid to Join the European Community*, May 1, 1989, N.Y. Times, at D8, col. 3.

<sup>44</sup> *Hearings*, *supra* note 31.

<sup>45</sup> Hamilton, *EC, EFTA Could Reach Accord on Single Market by 1991*, The Reuter Library Report BC Cycle (Reuter) (November 7, 1989) (LEXIS); 'Outer Six' EFTA Ministers Discuss Links with EC, BC Cycle (UPI) (Financial) (October 27, 1989) (LEXIS).

<sup>46</sup> Buchan, *supra* note 38, at 2, col. 7. Austria applied for EC membership on July 17, 1989.

<sup>47</sup> *European Community: Austria Files Request for Membership in EC, Other Countries also Expected to Submit Bids*, *supra* note 40, at 962-63. This issue was not seen as an immediate threat to the EC-EFTA negotiations since Austrian membership in the EC would not be considered by the EC until sometime in the mid-1990's, after unification of the internal market.

<sup>48</sup> *Id.*

<sup>49</sup> Buchan, *supra* note 38, at 2, col. 8.



claim of the right to define its own neutrality.<sup>50</sup> By limiting Austria's scope of neutrality to an avoidance of military involvement, the government creates a means of circumventing potential conflict between permanent neutrality and membership in an organization like the EC.<sup>51</sup> Until EC membership requires adherence to a common defense policy, Austrian neutrality will not conflict with EC law. Austria's historically political involvement in world affairs, as a bridge between East and West,<sup>52</sup> and "the growing obsolescence of war"<sup>53</sup> make Austria's maintenance of neutrality less necessary.

"Neutrality" in an international context means that the neutral party can not join organizations of a supranational nature who can impose its policies on member states.<sup>54</sup> Many of the neutral members of EFTA are willing to "sacrifice some independence" so that they can negotiate with Brussels "with one voice."<sup>55</sup> Giving up part of their autonomy to negotiate with the EC is a necessity, but the ensuing close relationship might call for even more loss of autonomy.<sup>56</sup> The new organizations and laws required would mean that, in certain areas, these new organs of the relationship would have precedence over national administrative bodies and laws.<sup>57</sup>

<sup>50</sup> H. SIEGLER, *AUSTRIA: PROBLEMS AND ACHIEVEMENTS SINCE 1945* 84 (1969). T.D. SCHLESINGER, *supra* note 4, at 95; Buchan, *supra* note 38, at 2, col. 8.

<sup>51</sup> Buchan, *supra* note 38, at 2, col. 8.

<sup>52</sup> Bock, *Austrian Neutrality*, *THE AUSTRIAN SOLUTION* 158 (R. Bauer ed. 1982); Johnson-Freese, *Austria*, *EUROPE'S NEUTRAL AND NONALIGNED STATES: BETWEEN NATO AND THE WARSAW PACT* 161, 164-65 (1989).

<sup>53</sup> Neuhold, *Permanent Neutrality and Nonalignment Similarities and Differences*, *THE AUSTRIAN SOLUTION* at 166 (R. Bauer ed. 1982). War is no longer seen as a viable option for deciding issues on the world stage.

<sup>54</sup> *Id.* Boczek, *Introduction: The Conceptual and Legal Framework of Neutrality and Nonalignment in Europe*, *EUROPE'S NEUTRAL AND NONALIGNED STATES: BETWEEN NATO AND THE WARSAW PACT*, 1, 10, 14-15 (1989).

<sup>55</sup> *Unequal Partners*, *supra* note 32, at 62. This means that EFTA countries will implement EC laws concerning the "four freedoms." The decision-making model proposes a "two pillar" approach with a "common organ". This would mean "a powerful committee representing the commission and EFTA at the highest level; and a special court, including EFTA judges to ensure compliance with EES law . . . [which] would have primacy over national law." *Id.*

Although EFTA is insisting on joint decision-making, the EC will only agree to allow EFTA to have a voice in the shaping of EES laws but not in the actual EC "working parties and ministerial meetings" that are charged with the final form of the laws and the actual ratification of them. *Id.*

<sup>56</sup> *Id.* The result of the negotiations will surely mean that new EES law will be formulated to allow both organization to fully participate in the four freedoms. In order for this to be truly functional EES, law would have to take precedence over national law.

<sup>57</sup> *Id.*

Given that neutral countries formerly opposed to joining the EC are now seriously considering it, economic forces appear to be overshadowing neutrality.<sup>58</sup> Traditional neutrality and EC membership are incompatible,<sup>59</sup> but if forced to choose between economic stability and neutrality, many formerly neutral countries, such as Ireland, probably will opt for economic stability.<sup>60</sup>

If Austria is admitted as a neutral member, other EFTA members might also apply for membership in the EC on terms similar to Austria's. Sweden is said to be considering full EC membership even as the current talks for closer ties are progressing.<sup>61</sup> Sweden had claimed that maintenance of its neutrality ruled out EC membership.<sup>62</sup> With the "democratic change in Eastern Europe," however, factions within Sweden are now calling neutrality "out of date."<sup>63</sup>

Sweden is not the only other neutral EFTA country debating eventual EC membership.<sup>64</sup> If the changes that are occurring across Eastern Europe continue to create more democratic societies and open markets, then neutrality may become an outdated mode of countering a disappearing threat. Furthermore, since the potentially neutral members, as democratic societies, already share foreign policy positions with the EC, integration of foreign policy would not be unthinkable.<sup>65</sup>

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<sup>58</sup> *European Community: Austria Files Request for Membership in EC, Other Countries Also Expected to Submit Bids*, 6 Int'l Trade Rep. (BNA), at 962-63 (July 19, 1989).

<sup>59</sup> See *supra* notes 55-56 and accompanying text.

<sup>60</sup> *European Community: Austria Files Request for Membership in EC, Other Countries Also Expected to Submit Bids*, 6 Int'l Trade Rep. (BNA), at 962-63 (July 19, 1989); McDermott, *Norwegians Ponder the Security of NATO's North Flank*, Fin. Times, Aug. 4, 1989, at 2, col. 5.

<sup>61</sup> Austin, *Sweden Debates Europe Links but May Build a Bridge to Denmark*, The Reuter Library Report (Reuters), January 30, 1990. LEXIS. "Swedes are still debating whether to seek full membership of the European Community . . . Three years ago, Swedish King Carl Gustav predicted that his country would move politically closer towards the European Community and eventually join it."

<sup>62</sup> Taylor, *Swedish Neutrality Poses a Difficult Hurdle*, Fin. Times, Feb. 21, 1990, § IV, at II, col. 1; Austin, *supra* note 61. The Centre Party sees Swedish neutrality as "something we must hold fast to in these changing times. Whatever is decided between the EC and EFTA, Swedish sovereignty must not be impaired."

<sup>63</sup> Austin, *supra* note 61.

<sup>64</sup> Fairlamb, *The Nordic Countries' Play-It-Safe Strategy for 1992*, The Institutional Investor, Inc., (Institutional Investor) (Banking) at p. 99 (August 1989) LEXIS. "Join the EC club. That possibility is being actively deliberated in every Nordic country."

<sup>65</sup> Bock, *supra* note 52, at 159-60. Marshall, *supra* note 26, at 1, col. 5. *EFTA Countries Determined to Broaden Cooperation with the EC Beyond Trade*, (Oct.-Dec.) 4 EFTA BULLETIN 2 (1988). Common environmental policies are being de-

Ultimately, Austria and the other EFTA members will probably join the EC. The growing regionalism of World markets will force such a move by the EFTA members. As the roles of the United States and the Soviet Union lessen in Western Europe, the EC and EFTA will be drawn together in an economic and eventually, political and defensive unity.

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veloped between the two organizations and similar political stands towards the Middle East and Africa have been taken by the Member States of both organizations.

