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This section focuses on the keyword “EU,” and provides outlines of recent think tank reports and brief papers related to this topic.

An Expanding EU: Reform of the EC, Regional Disparities in Economic Growth and Employment, and the EU-US Relationship

Reform of the European Commission in a 27-member EU

A paper published by the Brussels-based **European Policy Center (EPC)** considers the future of the European Commission, the executive organization of the European Union. The accession of Bulgaria and Romania to the EU in 2007 has brought the number of member nations to 27, and the number of EC commissioners has also increased to 27 with the appointment of two new members. A Protocol to the Treaty of Nice stipulates that when the number of EU member states reaches 27, the number of commissioners on the EC must be less than the number of member states. This raises significant questions regarding the organization and functioning of the EC.

The present composition of the EC is in fact a temporary one. Before the institution of the present Commission, larger countries had two representatives on the EC. There is a degree of controversy regarding the current composition of the EC, with some believing that a single representative from each country is essential to the institution’s authority and legitimacy, and others regarding the idea of this strict national representation as weakening the role that the EC plays in relation to the other EU administrative entities. The situation becomes more complex with the potential further expansion of the EU. The paper indicates that a strict adherence to the idea of national representation could make the Commission the only EU institution in which smaller nations will have the same voting power as larger nations. The ideal number of commissioners is another difficult issue. The author suggests twelve, but goes on to indicate that a Commission even larger than today’s could still function, assuming that the principle of equality is not applied to both the member states and the roles of the commissioners. The paper concludes by recommending wider debate concerning the future of the EC.

“The European Commission at 27: between reshuffle and reform”, Antonio Missiroli, European Policy Center (EPC), *Policy Brief*, Nov 2006

<http://www.theepc.be/en/pub.asp?TYP=TEWN&LV=187&see=y&t=&PG=TEWN/EN/detailpub&l=12&AI=549>

Regional Disparities in Economic Growth and Employment in the EU-27

This paper published by the **Vienna Institute for International Economic Studies (wiiw)** examines disparities in income and employment between new EU member states (NMS) and old EU member states (OMS), and also between regions in the EU. It finds that while the NMS are displaying a trend towards convergence with the OMS in terms of income when viewed at the national level, it will be decades before they catch up, and the growth in income levels in these

countries is not uniformly benefiting their different regions. A “core-periphery” pattern of distribution of income, with higher incomes tending to cluster around the “core,” can be observed in the EU as a whole, but is particularly marked in the NMS. It is mainly the capital cities in the NMS that are demonstrating a rapid convergence with the average income of the EU as a whole, while incomes per capita remain much lower in most other regions. These regional disparities in the NMS increased between 1995 and 2002, and economic trends suggest that they will continue to increase.

With respect to employment, rates rose in all of the OMS between 1998 and 2003, while they declined over the same period in most of the NMS. At greatest risk of unemployment in the NMS are those workers who have completed only basic compulsory schooling. The paper suggests that the most important factor in ensuring improved employment prospects for workers of all levels of education is the development of the services sector, which is expected to occur as income levels continue to increase in the NMS.

“Economic Growth, Regional Disparities and Employment in the EU-27”, Michael Landesmann and Roman Römisch, Vienna Institute for International Economic Studies, *Research Reports*, No. 333, Dec 2006

http://wiiw66.wsr.ac.at/cgi-bin/t3cgi.exe/publ/listseries.taf?_function=detail&BERICHTLAND_uid1=R333&rabatt=&_UserReference=96FC3415BC39EC1C45CACE59

The EU Constitution and EU Policy

A paper published by the conservative US think tank the **Heritage Foundation** considers the EU constitution as a potential threat to US strategic interests. Despite its defeat in two referenda, the author claims, many European leaders remain enthusiastic regarding the constitution, and many of the proposals of the draft constitution are actually being implemented. The core of the constitution is the institution of a “legal personality” for Europe, enabling it to present itself as a single unified entity in the international arena, as opposed to its current status as an assemblage of nation-states. The author views this as disadvantageous for the US, because it would henceforth be required to deal with a single, potentially anti-US European power rather than with individual nations. The author reads the motivation of those pushing for further European integration as the need for a new power to counterbalance the US.

In response, the author recommends that the US should: Acknowledge the fact that the EU constitution jeopardizes US interests; support allies which seek to maintain an EU made up of sovereign nation-states; stop supporting the unification of European foreign policy; establish coalition-building with European nations as a central tenet of US foreign policy; support opposition to an EU détente with China; and support opposition in the US to the use of foreign law in interpreting US law.

“The EU Constitution: Will Europe Force a Way Forward? ”, Sally McNamara, Heritage Foundation, *Backgrounder* #1991, Dec 2006

<http://www.heritage.org/Research/Europe/bg1991.cfm>

< Policy Proposals by Japanese Think Tanks >

Local Content in East Asian Economies

This paper, published by the **Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO)**, reviews rules of origin (the conditions that determine whether a product is eligible for tariff concessions) in East Asian FTA and trends in local content in East Asian countries between 1990 and 2000. Local content and cumulative local content are the most important determinants of the origin of a product in East Asian FTA.

The authors find that the manufacturing sector overall displayed lower local content than other sectors. The manufacturing sector displayed reduced local content over the period considered in all regional countries other than Singapore. Consideration of value added-based local content, which the authors regard as representing real local content, also showed that a focus on direct input-based local content, as used in the East Asian rules of origin, resulted in an overestimation of local content.

The greatest decline and the greatest increase in local content between 1990 and 2000 were displayed by the electronics and automotive industries respectively. The authors indicate that the automotive industry has a higher incentive to source parts locally, because the greater weight of the parts makes transport more expensive than is the case in the electronics industry. The paper also finds that the cumulation rule used in AFTA and the ASEAN-China FTA increased local content in industries that have a high rate of imports from FTA member countries. The contribution of this rule to local content increased in the 1990s with increasing regional dependency on neighboring countries and China, and the authors predict that this trend will accelerate with the continuing removal of trade barriers in East Asia.

"Rules of Origin and Local Content in East Asia", Ikuo KUROIWA, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO), *Discussion Paper*, November 2006
<http://www.ide.go.jp/English/Publish/Dp/Abstract/078.html>

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< Focus Topic : East Asian Institution-Building >

An Assessment of the Japan-Philippines Economic Partnership Agreement

This *Policy Note* from the **Philippine Institute for Development Studies (PIDS)** offers an assessment of the Japan-Philippines Economic Partnership Agreement concluded in September 2006.

Like other EPA negotiated by Japan in the region, this is a “new age FTA” that goes beyond the standard liberalization of trade that characterizes FTA to include measures promoting cooperation in a variety of other areas. This increased scope provides an opportunity for Filipino manufacturers to become more competitive. Research shows that the EPA will increase the GDP of the Philippines by 0.09%, and will have a poverty alleviation effect. Benefits may be higher (between 1.7% and 3.3%) if the EPA results in increased foreign investment and productivity. Estimates also show that the tariff revenues foregone by the nation will be offset by increased tax revenues. In addition to the economic benefits of the EPA, the authors also indicate that the conclusion of a bilateral agreement with Japan is strategically beneficial, given the trend towards East Asian integration.

“Assessing the Japan-Philippines Economic Partnership Agreement (JPEPA)” ,
Josef T. Yap, Erlinda M. Medalla, Rafaelita M. Aldaba,
Philippine Institute for Development Studies (PIDS), *Policy Notes*, December 2006
<http://dirp4.pids.gov.ph/ris/pn/pidspn0610.pdf>

Multilateral Institutions in East Asia

This paper published by Singaporean think tank the **S. Rajaratnam School of International Studies (RSIS)**, formerly the Institute of Defence and Strategic Studies, considers the prospects and requirements for East Asian institution-building. The author notes five major characteristics of East Asian multilateralism when considered from the perspective of security: The region today boasts a wide variety of security structures, both bilateral and multilateral; since the end of the Cold War, the region has gone from being “under-institutionalized” to being characterized by a variety of overlapping multilateral arrangements; awareness of the relationship between economics and security is increasing; since 9.11 and terrorist attacks in the region, existing structures such as ASEAN, the ARF and APEC have adopted security roles, and non-traditional security issues are being discussed at the multilateral level; and the structural capacity of East Asian institutions remains weak, limiting their ability to respond to security threats.

The main forces which will propel change in East Asian institution-building in the immediate future are identified as the participation of the US, the way in which China involves itself in the process, and Southeast Asian regionalism.

Given its influence in the region, the author considers active US involvement to be a key factor in the continuing development of East Asian multilateralism. The nature of Chinese involvement in multilateral institutions is also a key consideration. Assertiveness on the part of China could create tensions, but if the nation maintains the accommodating attitude towards multilateralism which it is currently displaying, the author concludes that Chinese involvement could have a beneficial effect on the development of multilateral institutions in East Asia. ASEAN has also played a leading role

in promoting East Asian multilateralism, and the author believes that it can continue to do so if it acts innovatively.

"The future of East Asian Institutionalism", Ralf Emmers,
S. Rajaratnam School of International Studies NTU, *RSIS Commentaries*, January 2007
<http://www.rsis.edu.sg/publications/Perspective/RSIS0022007.pdf>

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< Articles and Papers Relating to this Issue's Keywords >

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EU (European Union)

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Danish Institute for International Studies (DIIS), Denmark, *DIIS Brief*, 200612, pp.1-7
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"Regional Income Inequality and Convergence Processes in the EU-25", Tiiu Paas and Friso Schlitte
Hamburg Institute of International Economics (HWWA), Germany, *HWWA Discussion Paper*, 200612, n355, pp.1-32
http://www.hwwa.de/Forschung/Publikationen/Discussion_Paper/2006/355.pdf

"A Social and Economic Model for Europe", Marcel Canoy, Peter M. Smith
Hamburg Institute of International Economics (HWWA), Germany, *Intereconomics: Review of European Economic Policy*, 200612, Nov/Dec, vol.41 n 6, pp.314-327
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Ifo Institute for Economic Research (Ifo), Germany, *CES ifo Forum*, 200612, v7 n4, pp.3-10
http://www.cesifo-group.de/portal/page?_pageid=36,2354627&_dad=portal&_schema=PORTAL

"Macroeconomic policy and EMU enlargement", Reinhard Neck with Gottfried Haber
Ifo Institute for Economic Research (Ifo), Germany, *CES ifo Forum*, 200612, v7 n4, pp.17-21
http://www.cesifo-group.de/portal/page?_pageid=36,2354627&_dad=portal&_schema=PORTAL

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Ifo Institute for Economic Research (Ifo), Germany, *CES ifo Forum*, 200612, v7 n4, pp.48-49
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"Wider Europe / Nordic and Baltic Lessons to Post-Enlargement Europe", Fabrizio Tassinari, Pertti Joenniemi and Uffe Jakobsen, eds.
Danish Institute for International Studies (DIIS), Denmark, *DIIS book*, 200610, pp.1-148
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"EU Global Power? / Reflections on the European Security and Defence Policy after the Failure of the 2004 Draft Constitutional Treaty", Niels Aadal Rasmussen
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European Policy Center (The EPC), Belgium, *Challenge Europe*, 200609, 15, pp.19-23
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"EU Constitutional Governance: Failure as Opportunity?", Ralf Boscheck
Hamburg Institute of International Economics (HWWA), Germany, *Intereconomics: Review of European Economic Policy*, 200601, Jan/Feb, vol. 41 n 1, pp.25-36
<http://www.hwwa.de/Forschung/Publikationen/Intereconomics/2006/ie0601.pdf>

East Asian Institution-Building

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<http://www.nira.go.jp/newse/wp/300/303/2006-2.pdf>

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National Institute for Research Advancement (NIRA), Japan, *NIRA Working Paper Series*, 200611,
2006-3, pp.1-11

<http://www.nira.go.jp/newse/wp/300/303/2006-3.pdf>

"ASIA-PACIFIC / The ASEAN Charter: An Opportunity Not to Be Missed", Rodolfo C. Severino
Research Unit on Security and International Cooperation (UNISCI), Spain, *UNISCI Discussion Papers*,
200610, 12, pp.163-171

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Korea Institute for International Economic Policy (KIEP), South Korea, *Working Paper (KEIP)*, 200610,
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exporters?", Rosalina Palanca-Tan

Philippine Institute for Development Studies (PIDS), Philippines, *Policy Notes*, 200504, 2005-02,
pp.1-8

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"The Impact of Free Trade Agreements in Asia", Kenichi KAWASAKI

The Research Institute of Economy, Japan, Trade and Industry (RIETI), *Discussion Paper*, 200309,
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* Data listed -----

Article or paper title / Name of think tank / Series title or journal name, publishing data, vol. no., pages; a URL
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