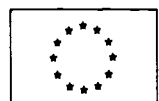
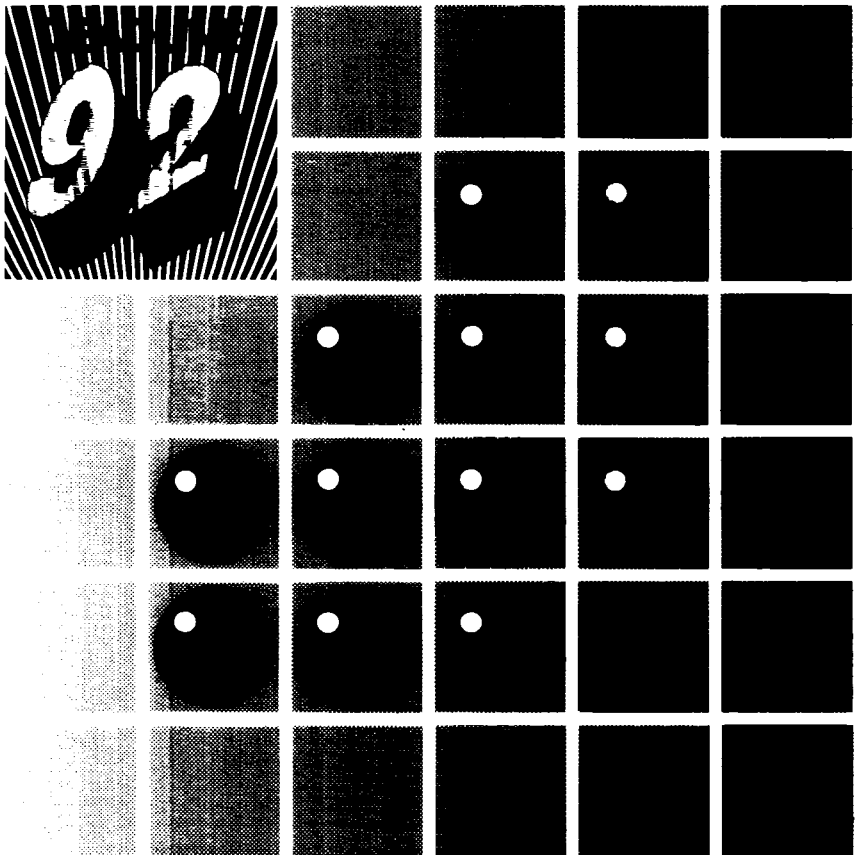


EUROPEAN UNIFICATION

The origins and growth of the
European Community



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European unification

The origins and growth of the European Community

(Third edition)

By Klaus-Dieter Borchardt
July 1989

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Introduction: Towards European unification

Even before the founding of the European Community the idea of a closely knit association of European States had found political expression in a variety of ways. There had been attempts to impose unity by force, notably by Napoleon and Hitler — Napoleon seeking to unite the Continent under French hegemony, Hitler to subjugate Europe under the dictatorship of the Third Reich. But there had also been peaceful schemes, especially after the harrowing experience of the First World War, for a voluntary grouping of States on terms of equality.

In 1923, for instance, the Austrian leader of the Pan-European Movement, Count Coudenhove Kalergi, had called for the creation of a United States of Europe, citing examples such as the success of the Swiss struggle for unity in 1648, the forging of the German Empire in 1871 and, first and foremost, the recognition of the independence of the United States of America in 1776. Then on 29 September 1929, in a now famous speech before the League of Nations Assembly in Geneva, the French Foreign Minister, Aristide Briand, with the backing of his German counterpart, Gustav Stresemann, proposed the creation of a European Union within the framework of the League of Nations. The immediate aim was merely to promote closer cooperation between the States of Europe, leaving their national sovereignty intact.

But all these efforts for peaceful unification failed to make any real headway against the still dominant tide of nationalism and imperialism. Only after Europe had yet again been devastated by war was the disastrous futility of constant national rivalry truly appreciated. Europe's complete collapse and the political and economic exhaustion of the European States with their outdated national structures set the stage for a completely fresh start and called for a far more radical approach to the reordering of Europe.

The subsequent moves towards integration sprang from three main factors. First was Europe's realization of her own weakness. As a result of her internal dissensions and wars she had lost her age-old position at the centre of the world stage. Her place was taken by the two new superpowers, the United States of America and the Soviet Union, each of which now wielded far greater military, political, and economic might than a divided, patchwork Europe of individual States could muster. Second was the conviction, summed up in the motto 'Never again!', that renewed military conflict must be avoided. Emerging from the terrible experience of two world wars — both of which had begun as European 'civil wars' and in which Europe had been the main battlefield and principal sufferer —

this took shape as the guiding principle of all political action. Third was the earnest desire for a better, freer, juster world in which social and international relations would be conducted in a more orderly way.

Taken together the post-war moves towards European unification offer a picture so confusing as to baffle anyone but the most knowledgeable expert on European affairs. A multitude of different organizations, all formally quite unconnected with each other, have come into existence side by side: the Organization for Economic Cooperation and Development (OECD), the Western European Union (WEU), the North Atlantic Treaty Organization (NATO), the Council of Europe, and the European Communities (comprising the European Coal and Steel Community, the European Atomic Energy Community and the European Economic Community). Their membership ranges from seven in the WEU to 23 in the Council of Europe. Looking at their underlying concrete aims, however, a clear pattern begins to emerge, revealing three major groups.

The *first group* consists of the 'transatlantic' organizations which grew out of the close links forged between Western Europe and the USA after the war. Not surprisingly, it was an American initiative that led to the founding in 1948 of the first post-war European



'Our Europe!' Schoolchildren looking at a map of the European Community.

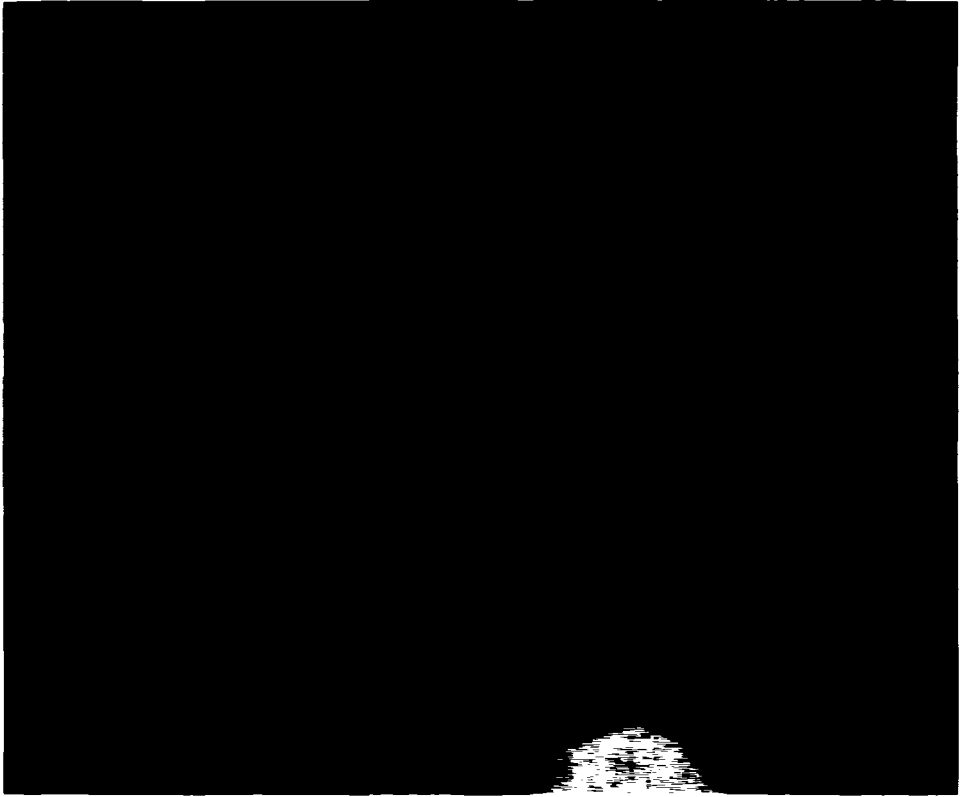
organization, the OEEC (Organization for European Economic Cooperation), after the then US Secretary of State, George Marshall, had called on the countries of Europe to pool their efforts for economic reconstruction, promising them American aid (which eventually took shape in the Marshall Plan). In 1960 the members of the OEEC, together with the USA and Canada, agreed to extend the organization's activities to include development aid for the Third World and, with those two countries becoming members that same year, the OEEC was renamed the OECD (Organization for Economic Cooperation and Development).

The founding of the OEEC was followed in 1949 by NATO — a military pact between the USA, Canada and the majority of the free States in Europe. Then in 1954 the Western European Union was founded. Intended to strengthen security cooperation between the countries of Europe, it extended the existing Brussels Treaty between Britain, France, Belgium, Luxembourg and the Netherlands to include the Federal Republic of Germany and Italy. Recently Portugal also applied for membership.

The WEU offers its members a platform for closer cooperation on security and defence, helping them to forge a European identity in this field and so lend greater weight to the European voice in the Atlantic alliance. The characteristic feature of the *second group* of European organizations is that their structure is designed to allow as many countries as possible to participate. Consequently it had to be accepted that their activities would not extend beyond the scope of normal international cooperation. Their prime concern is to accommodate countries which are unable or unwilling to become members of an organization endowed with supranational powers, either because their traditional neutrality — as in the case of Sweden, Austria, or Switzerland — or because of their reluctance to cede any part of their sovereignty.

This group comes under the umbrella of the Council of Europe, which was founded on 5 May 1949 as political organization. The Statute of the Council of Europe contains no reference to any such goals as federation or union, nor does it provide for any transfer or pooling of areas of national sovereignty. Decision-making power resides solely with a Committee of Ministers and unanimity is required for all decisions on matters of substance. This means that any country can use its veto to block a decision, as in the United Nations Security Council. There is also a Parliamentary Assembly, but it is a purely consultative body with no legislative powers. It can do no more than make recommendations to the Committee of Ministers; and as the Committee is not answerable to the Assembly, a recommendation can be rejected by a single dissenting vote. Even after a proposal has been adopted by the Committee of Ministers it has to be ratified by the national parliaments before it can have legal effect. By its very structure, then, the Council of Europe is merely an instrument of inter-governmental cooperation.

Nevertheless, its contribution to the cause of European unity, in particular in fostering European solidarity, cannot be rated highly enough. Its aim is to create closer links among the countries of Europe and to promote their economic and social progress. In this it has



The 'fathers' of Europe, at the signature of the first European Community Treaty, setting up the European Coal and Steel Community, in Paris on 18 April 1951. They are, left to right: Paul van Zeeland (Belgium), Joseph Bech (Luxembourg), Joseph Meurice (Belgium), Count Carlo Sforza (Italy), Robert Schuman (France), Konrad Adenauer (Germany), Dirk Stikker (Netherlands) and Johannes van den Brink (Netherlands).

succeeded. Its membership has grown from the 10 original founders to 23 (Britain, France, Belgium, Netherlands, Luxembourg, Italy, Ireland, Denmark, Norway, and Sweden being subsequently joined by Iceland, Greece, Turkey, the Federal Republic of Germany, Austria, Cyprus, Switzerland, Malta, Portugal, Spain, Liechtenstein, Finland and San Marino). Under its auspices numerous economic, cultural, social and legal conventions have been adopted by the member States. The most significant and most widely known of these is the European Convention for the Protection of Human Rights and Fundamental Freedoms, adopted on 4 November 1950. This not only laid down a practical minimum standard of human rights to be applied in the member States but also established a system for legal remedy, empowering the institutions set up under the Convention — the European Commission for Human Rights and the European Court of Human Rights — to condemn infringements of human rights by the signatories.

The *third group* of European organizations comprises the European Coal and Steel Community, the European Atomic Energy Community and the European Economic Community. From the legal point of view, the three Communities exist separately side by side. From the point of view of political reality, however, they can be treated as a single entity. Their creation can be regarded as marking the birth of 'the European Community'.

The major innovative feature of the European Community compared with other international bodies is that its members have ceded to it a part of their national sovereignty, with the goal of forming a cohesive, indissoluble organizational and political unit. They have endowed it with sovereign powers of its own, independent of the Member States, which it can exercise to adopt acts which have the force of national law. This novel approach of pooling national sovereignty and policies is commonly referred to as 'integration'. The European Community, then, offers the most advanced example of European integration. This booklet will look at its origins and growth in some detail.

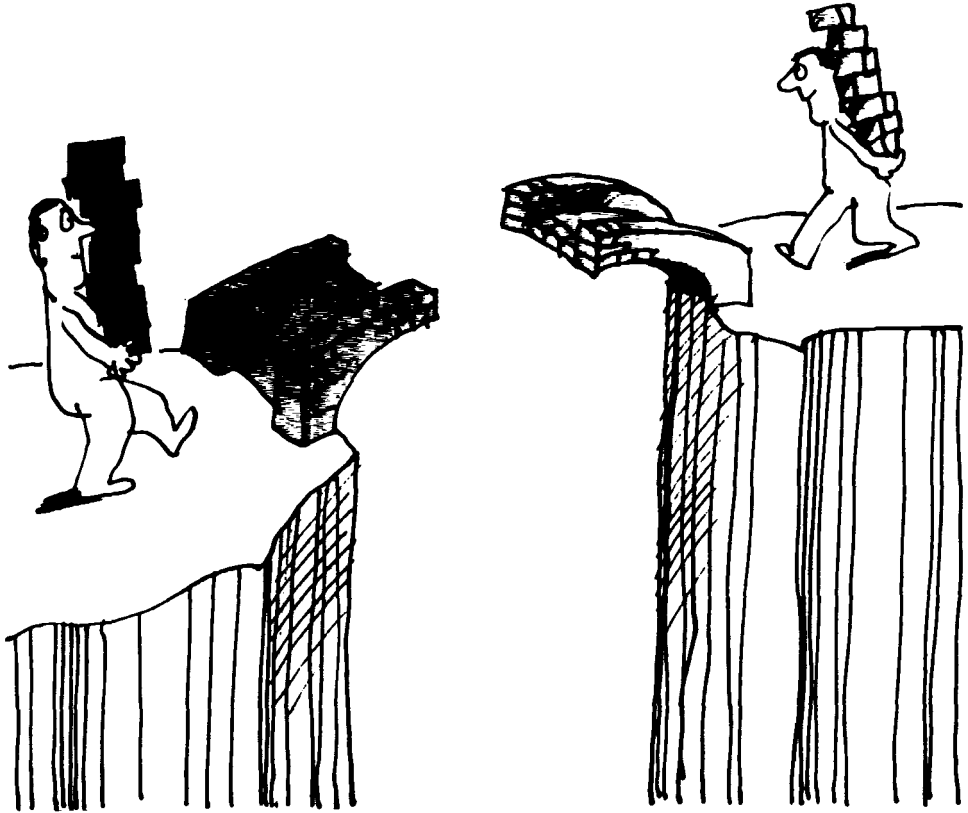
I. The origins of the European Community

The foundation stone in the building of the European Community was laid on 9 May 1950, when Robert Schuman, the French Foreign Minister, put forward a plan worked out by himself and Jean Monnet for France and Germany to pool all their coal and steel production under a joint High Authority within an organization open to any other country in Europe that wished to join.

Behind this proposal lay a twofold realization: on the one hand it was pointless to impose unilateral restrictions on Germany; but at the same time a fully independent Germany was still perceived as a potential threat to peace. The only way out of this dilemma was to bind Germany politically and economically into a firmly based grouping of European States. The plan thus took up the idea put forward by Winston Churchill in his famous Zurich speech of 19 September 1946, in which he had called for the creation of a United States of Europe, singling out Franco-German cooperation as the essential prerequisite. Churchill, however, had envisaged Britain's role as a promoter rather than as an active participant.

On 18 April 1951 six countries (Belgium, Germany, France, Italy, Luxembourg and the Netherlands) signed a Treaty establishing the European Coal and Steel Community (ECSC) and with the Treaty's entry into force on 23 July 1952 the Schuman Plan became practical reality. The new Community's founding fathers hoped that it would be the seed from which the further political integration of Europe would grow, culminating in the emergence of a European Constitution.

In October 1950, before the ECSC Treaty had been signed, the French launched the idea of a European Defence Community (EDC). The outbreak of the Korean war and mounting East-West tension showed the need for a greater defence effort by the Western European countries, and this meant that West Germany had to be included. But the wounds of the Second World War had hardly begun to heal and the idea of a German national army, especially in French eyes, was quite unacceptable. Known as the Pléven Plan, the answer once again was to bind Germany into a supranational Community (this time covering defence as well) which would ensure adequate control of a re-armed Germany. In August 1954, however, the plan was dashed when the French National Assembly, unwilling to countenance such a far-reaching curb on French sovereignty as to relinquish the right to maintain a national army, refused to ratify the Treaty.



The failure of the European Defence Community also dealt a severe blow to efforts aimed at the political unification of Europe. For a while optimism gave way to resignation. But then, in June 1955, the Foreign Ministers of the ECSC countries launched a new initiative for the 'creation of a United Europe'. The governments of the Six had come to realize that it was in their interest to progress further along the path on which they had embarked with the founding of the ECSC.

For the Federal Republic of Germany involvement in the integration process signified its political rehabilitation within the community of nations. As a major exporter, Germany was — and still is — economically dependent on the European market. The creation of the European Economic Community made this market more secure, substantially reducing the dangers of its reliance on foreign trade. The figures for German trade with the other Member States give eloquent testimony to the resulting economic benefits. The proportion of German exports going to other Community countries rose from 27% at the outset to 48% today.

For France the founding of an economic community that included Germany was the political expression of its readiness for reconciliation and of its desire for lasting peace in Europe. Moreover, membership of the Community offered a welcome opportunity to stimulate much-needed industrial expansion. Access to a large European trading area also opened up vital new markets for its agricultural industry.

Belgium, like Germany, relies heavily on foreign trade and hence on secure export markets, and so the idea of a common market was very attractive from the economic point of view. The country's interest in the establishment of close economic ties in Europe was reinforced by the fact that in the 1950s its industry was still centred almost totally on coal and steel. A European internal market was potentially very significant, partly because of the immediate prospect of boosting its sales of coal and steel products, but above all with a view to establishing and developing new industries.

Italy had already begun a drive to industrialize and saw the planned European internal market primarily as a unique opportunity for growth. It also counted on financial



Signature of the two Treaties of Rome, setting up the European Economic Community and the European Atomic Energy Community (Euratom), in Rome on 25 March 1957. Photos shows (front row, left to right): P.H. Spaak and J.Ch. Snoy d'Oppuers (Belgium), C. Pineau and M. Faure (France), K. Adenauer and W. Hallstein (Germany), A. Segni and C. Martino (Italy), J. Bech and L. Schaus (Luxembourg), J. Luns and J. Linthorst Homan (Netherlands).

assistance from Community regional aid schemes to develop the more backward parts of the country and so reduce the high level of unemployment there.

The Netherlands also had great expectations. Involvement in the integration process would give a boost to its industrialization effort and — given its position as the major European freight carrier, with large ports and a tailor-made infrastructure — opened up bright new prospects for the future. Last but not least, the Dutch, too, were faced with the need to secure and expand their markets for agricultural produce. The government's European policy found widespread public support, not so much because of the economic advantages which beckoned as because of the prospect of security and peace in Europe and free and unrestricted travel to neighbouring countries.

Owing to its geographical situation, Luxembourg had, throughout history, been at the mercy of the rivalries between its great neighbours. European integration appeared to offer a way to protect its political, economic and social interests.

Given these coinciding interests, the logical place to resume the task of European unification was at the point where the ECSC had left off, in other words with the less emotionally charged question of economic integration. The EDC plan had obviously been over-ambitious. Now the aim was more modest, but more realistic. The Foreign Ministers of the six founder members of the ECSC, meeting at the Messina Conference, asked a committee under the chairmanship of the Belgian Foreign Minister, Paul-Henri Spaak, to look into the prospects for further integration. In 1956 the Spaak Committee presented its report. This formed the basis for negotiations on the Treaties establishing the European Atomic Community (Euratom) and the European Economic Community (EEC), which were signed by the Six in March 1957 and entered into force on 1 January 1958.

The Treaties had not yet taken effect, however, when the British Government provoked a fierce quarrel within Europe over the best approach to European economic integration. The British idea was to set up a European free trade area which would involve no sacrifice of national sovereignty. Tariffs between the members would be dismantled, but each country would retain its freedom of action in respect of trade with non-members. Although Britain was able to win over Denmark, Norway, Iceland, Austria, Portugal, and Switzerland, the initiative eventually failed in the face of the continued determination of the Six to press ahead with their scheme for the European Economic Community (now underpinned by a treaty). Subsequent British efforts to create a large European free trade area embracing the European Economic Community and the other OEEC countries finally broke down in late 1958 because of irreconcilable differences between France and Britain. Their response was to found the European Free Trade Association (EFTA) in 1959, comprising Britain, Norway, Sweden, Denmark, Austria, Portugal, Iceland and Switzerland, together with Finland as an associate member.

Impressed by the initial successes of the EEC, the British Government very soon began to reconsider its refusal to play an active part in the process of European integration. It

realized that Britain could not be sure of making its political influence felt simply by virtue of its pre-eminent position in the Commonwealth. EFTA was an equally unsuitable medium through which to work since its objectives were purely economic — unlike those of the Community, which were also political. It was rightly felt that Britain risked political isolation by remaining outside the Community. Because of the changing pattern of world trade it found itself, like all the major trading nations, under considerable pressure to protect its existing export markets and to open up new ones. The rapidly growing Community market offered an ideal opportunity, presenting British firms with a chance to mobilize their reserves of strength in the fiercely competitive European arena and so help to revitalize the economy as a whole. In August 1961 Britain made its first formal application for full membership of the Community. Three other countries — Denmark and Norway from EFTA, together with Ireland — followed suit.

The attraction of Community membership for the Scandinavian countries derived from their long-held view that they stood to gain more from free trade than they might lose. Given this basic attitude, the strongest factor behind Denmark's application was the prospect of free access to the common market. Danish food production was sufficient to feed 15 million people — three times the country's population; it was therefore a matter of vital interest to be able to export this substantial surplus freely to a common internal market at guaranteed prices. The argument for membership was reinforced by Britain's application, since Britain was Denmark's largest export market. Another major factor was the longer-term prospect of new openings for Danish industrial goods. The country's years as a member of EFTA had shown that its industry would be able to exploit the opportunities. All these factors outweighed the doubts and fears about the consequences of integration and the loosening of national control over important aspects of economic policy.

Ireland had a tradition of close and wide-ranging cultural, religious and military ties with the Continent and the Irish attitude was therefore very open to participation in the process of European integration. It, too, saw entry into the Community as a chance to boost its vital farm exports. Ever since independence in 1922, Irish agricultural trade had remained largely geared towards the British market, but this was not large enough to allow Irish agriculture to exploit its full productive potential. The importance of agriculture for the Irish economy is demonstrated by the fact that it employs one in every five workers and accounts for a third of all exports, while the associated food industry provides almost a quarter of all industrial jobs. The industrialization process begun in the mid-1930s had led to strong industrial growth, and this also called for new markets. At the same time, improved competitiveness gave Irish industry good cause to expect a healthy increase in trade and wealth as a result of joining the common market. Yet another significant factor from the Irish point of view was the Community's Social and Regional Funds, which both promised further economic benefits.

However, in 1963 the accession of the applicant countries was blocked when General de Gaulle abruptly broke off the negotiations because of his deep mistrust of the intentions behind Britain's application for membership.

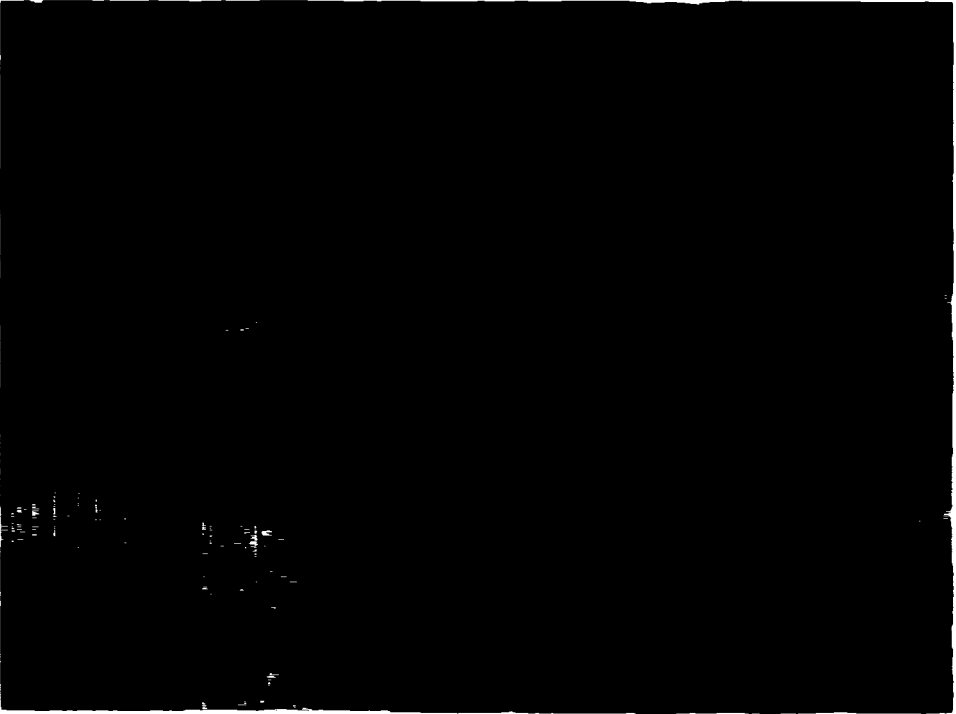
In 1967 Britain applied for the second time — again followed by Ireland, Denmark and Norway — and once again the attempt foundered against French reservations. Only after de Gaulle stepped down in April 1969 did the final breakthrough come at the Hague Summit later that year. Following lengthy negotiations the Treaties of Accession were eventually signed on 22 January 1972, and on 1 January 1973 — after successful referenda in Ireland and Denmark and ratification by the national parliaments — Britain, Ireland, and Denmark became members of the Communities. A referendum was also held in Norway, but there the idea of membership failed to gain acceptance and the result was a 53.49% vote against accession.

During the course of the accession negotiations the question had, of course, arisen as to what should happen with the remaining EFTA countries (Sweden, Switzerland, Austria, Portugal, Finland, Iceland, and — following its decision against membership — Norway), some of whom could not join the Community because of their neutral status while others could not be accepted as members because of their non-democratic regimes. The solution eventually adopted was for them to conclude free trade agreements with the Community, and these were signed in July 1972.

With their return to democracy, Greece (1975) followed by Portugal and Spain (1977) applied for membership of the Community. Greece saw this as a means of stabilizing its newly restored democracy and enhancing its standing and influence on the international stage. In economic terms the hope was that, through modernization of agriculture and industry, membership would help to put the economy back on its feet. Widely held reservations about the resulting limitation of national sovereignty and fears of increased foreign intervention in Greek domestic affairs were not allowed to overshadow these economic interests, and on 1 January 1981 Greece became the 10th member of the Community.

The accession of Spain and Portugal also raised numerous difficulties, but these were eventually settled in negotiations and, after the signing of the accession treaties in June 1985 and their ratification by the Parliaments of the Member States and the applicant countries, Spain and Portugal duly became the 11th and 12th members of the Community on 1 January 1986.

For Spain this is the fulfilment of an old ambition, even though since Franco's death its isolation from Europe has already largely come to an end. From the economic point of view the main impact of accession, thanks to the funds this will make available, will be to give an appreciable boost to an already highly competitive agricultural industry with considerable reserves of productive capacity. Spain's share in Community regional programmes will, it is hoped, help it to bridge the differences in living standards between the

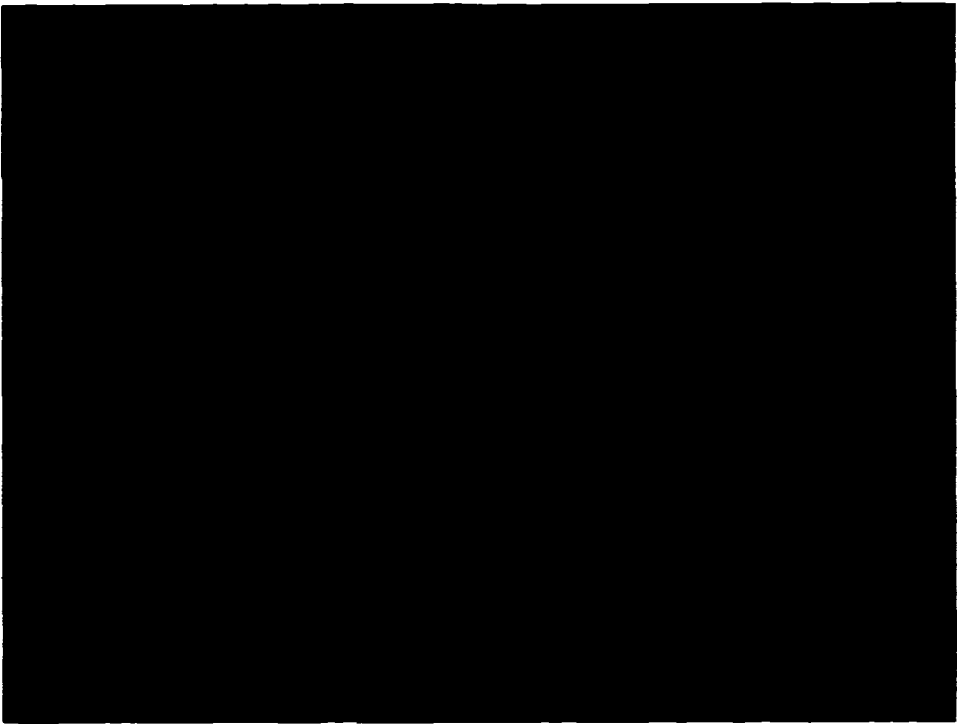


British Prime Minister Edward Heath signs the Treaty of Accession, in Brussels on 22 January 1972. Ireland, Denmark and Norway also signed for what was to be the first enlargement of the European Community, on 1 January 1973. Norway, however, did not ratify the treaty, so the Six only became the Nine in 1973, and not the Ten.

various regions. In the industrial sector it will, with the assistance of its new partners, be in a better position to initiate the painful but necessary process of structural adjustment and so close the long-standing gap between itself and the other countries of Europe.

For Portugal, after the loss of its colonies and recovery from domestic political upheaval, membership of the Community means a return to its basic European roots. The Community offers both an opportunity to escape from political isolation and the best prospect for economic recovery. The confidence inspired by membership has revived investment activity by large firms — essential especially for the country's industrial development, and an area where progress has been very hesitant since the revolution. Equally the Portuguese look to the Community for stimulus and support — not least financial — for economic restructuring, especially in agriculture.

The latest enlargement by no means marks the end of the Community's expansion. Indeed, the prospect of completion of the single European market by the end of 1992 has added to its attractions. Turkey and Austria have already formally applied for member-

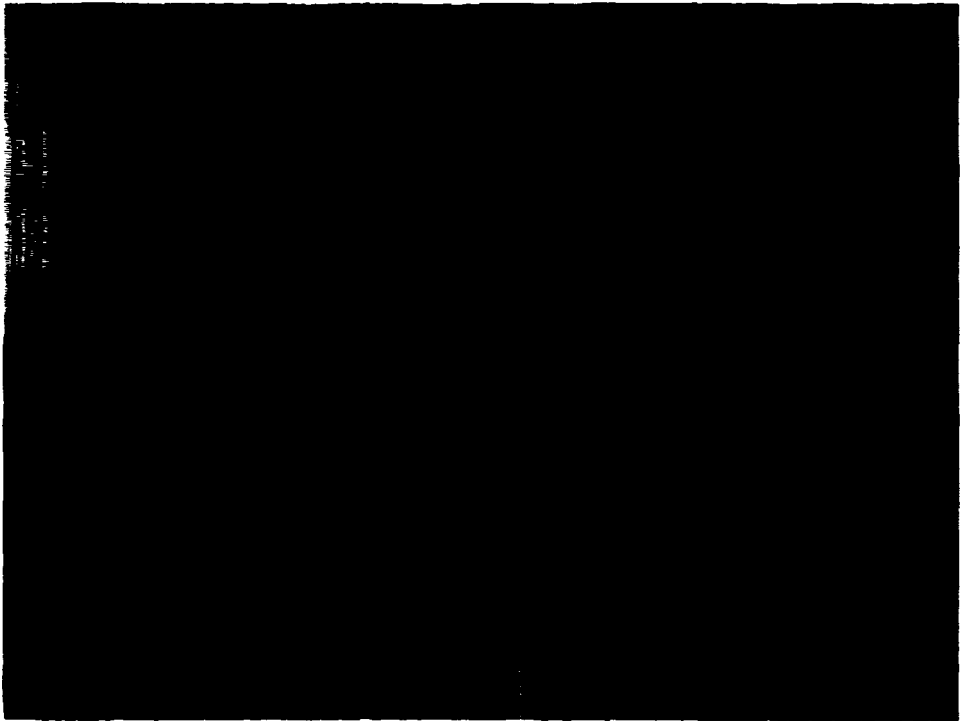


Spain and Portugal join the European Community, to become its 11th and 12th members from 1 January 1986. The photos (above and opposite) are of the signing of the Accession Treaty by Portugal (in Lisbon), by Spain (in Madrid) and by representatives of the European Community on 12 June 1985. This was the third enlargement of the Community. The first was in January 1973, when Denmark, Ireland and the United Kingdom joined the original six members (Belgium, France, Federal Republic of Germany, Italy, Luxembourg and the Netherlands). The second was in January 1981, when Greece joined.

The photo above shows the signing ceremony in Lisbon with Portuguese Prime Minister Mario Soares (left) and Vice-Prime Minister Rui Machete (centra) signing the Accession Treaty. Waiting to sign is Mr Jaime Gama (right), Foreign Minister. Immediately behind and between Mr Soares and Mr Machete is Mr Giulio Andreotti, President of the Council of Ministers of the European Community and Foreign Minister of Italy, who signed the Treaty on behalf of the Community.

ship, while Malta and Cyprus have clearly indicated that they intend to do so too. But it will be some time before any of them actually joins, as the Community is still at the consolidation stage following Spanish and Portuguese accession and the most pressing item on the agenda right now is setting up the single European market among the Twelve.

In February 1982, by contrast, the Community had to accept a move away from expansion, when the people of Greenland voted by a narrow majority against continued membership. Greenland had become part of the Community in 1973 by virtue of its belonging to Denmark. Although the Treaties make no provision for withdrawal, in



This photo shows the signing ceremony in Madrid, with Mr Felipe Gonzales (right), Spanish Prime Minister, and Mr Fernando Moran, Foreign Minister, signing the Treaty. Waiting to sign (with beard) is Mr Manuel Marín, Spanish Minister for European Affairs, who led the Spanish team in the accession negotiations and was later appointed one of Spain's two Members of the European Commission.

February 1984 the Ten agreed to allow Greenland to leave the Community with effect from 1 January 1985, granting it the status of an associated overseas territory instead.

II. Aims and methods

1. Aims

The intensification of efforts towards European unification after the Second World War sprang from the realization that there was no other sure way to put an end to Europe's sorry history of conflict, bloodshed, suffering and destruction. This underlying concern left its mark on the three Treaties establishing the European Communities, in which the principal stated aims are to preserve and strengthen peace, to achieve economic integration for the benefit of all the peoples of Europe through the creation of a large economic area, to work towards political union and, last but not least, to strengthen and promote social cohesion in the Community.

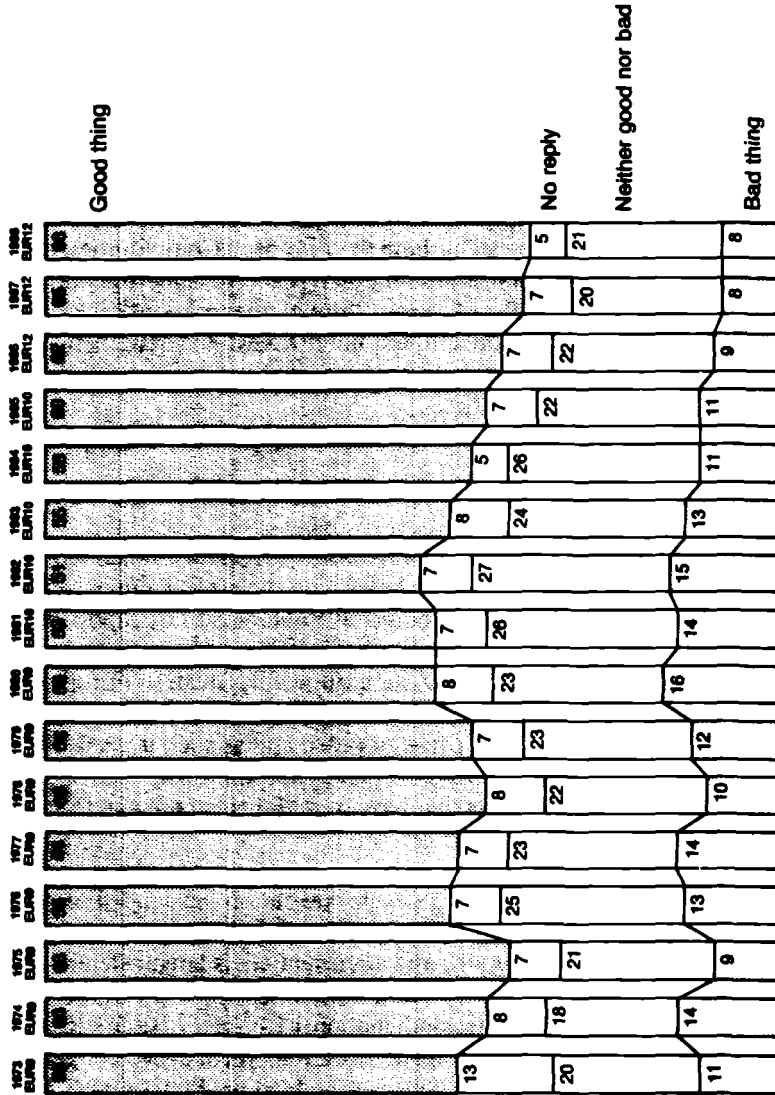
Safeguarding peace

The Schuman Plan, which led to the creation of the ECSC, saw Franco-German reconciliation as the keystone of a new European order, with the explicit aim of creating conditions that would make war in the future not merely improbable, but impossible. With the establishment of the European Communities this ideal became a reality and military conflict between the Member States is now quite unthinkable. Western Europe today, with the Community at its heart, forms a genuine 'island of peace'. The Community is Europe's greatest achievement in the cause of peace and as such it needs the constant support and encouragement of us all. What has been accomplished so far should provide an incentive to preserve those aspects that have proved their worth and to seek to make improvements where shortcomings still persist.

Regrettably this fundamental aim of European integration has tended to be forgotten both in the media coverage of the Community and in public awareness. People's general attitude to the Community, if they take any interest at all, is largely determined by the negative aspects. Wine lakes and butter mountains, for example, are viewed not merely with incomprehension but with genuine indignation; in the face of such surpluses people feel cheated by being asked to pay such high prices. Reports of alleged or genuine crises within the Community, the squabbling between the Member States on key issues affecting the future course of integration, the inconclusiveness of many summit meetings — all these tend to undermine public confidence in the Community's ability to tackle the

Membership of the common market

Generally speaking, do you think that (your country's) membership of the European Community (common market) is a good thing, a bad thing or neither good nor bad?



major economic and social problems of our time. For most people, Brussels — the seat of the Council of Ministers and the Commission — is a scene of mysterious, incomprehensible goings-on, a place from where a huge and powerful bureaucracy regulates countless aspects of their everyday lives, usually making things more complicated and difficult rather than less so.

This booklet will show many of these attitudes to be simple prejudice. The Community is much more than just bureaucracy, butter mountains and enormous costs. First and foremost it is a sure guarantee of peace; and for this reason alone, if for no other, it is a treasure of inestimable worth for the people of Europe.

Economic integration

Higher living standards, full employment and economic expansion — these are the broad aims behind the economic integration of Europe through the Communities and they apply, with binding force, to all the sectors of the economy covered by the three Treaties.

The ECSC is responsible for ensuring the most rational distribution of coal and steel with the maximum of efficiency. Among other things, this involves securing coal and steel supplies for the market, regulating prices, improving living and working conditions for workers, promoting trade and investment, and — more recently — overseeing the structural adjustment of the coal and steel industries to a changed world economic climate.

Euratom, which like the ECSC covers only a limited sector of the Member States' economies, aims to promote the growth and development of the nuclear industries in the Community and to secure their supplies of fissile material.

The last of the three, the EEC, is concerned with general economic integration. The objective is to transform the Member States' separate and disparate markets into a large common market where people and goods can move about as freely as in a domestic market.

The Single European Act has added a new dimension to economic integration, setting the binding objective of completing the single European market (or internal market) by the end of 1992. The Community's aim is to build up a coherent, integrated economic framework where border checks and other obstacles will disappear, guaranteeing free movement for persons, goods, services and capital. This does not apply just to a single branch of the economy or to particular sectors of special concern to one Member State or another; all existing physical, technical and tax barriers that hamper the free workings of the market are to be removed. Nor is the Community going to be content with only modest proposals readily acceptable to the Member States. This is to be a wide-ranging effort to channel economic resources, in the form of manpower, materials, capital and investment to wherever they will do most good. The achievements in the field of

economic integration, the setbacks and the new prospects for the future are dealt with in Chapter III — Economic integration.

Political integration

Although the principles and measures laid down by the Treaties relate only to the establishment and operation of the common market, economic integration is not meant to be an end in itself but merely an intermediate stage on the road to political integration. The Preamble to the ECSC Treaty expresses the resolve first of all to create 'real solidarity' 'through practical achievements' and, by 'establishing an economic community', to create 'the basis for a broader and deeper community among peoples', while the Preamble to the EEC Treaty speaks of the determination 'to lay the foundations of an ever closer union among the peoples of Europe'. The state of progress towards this political objective is discussed in Chapter VI — The road to political union.

Social cohesion in the Community

The Treaties also contain a social component: one of the objectives they assign to the Communities is to improve living and working conditions and to strengthen social cohesion. In practice this translates into the guaranteed basic right of freedom of movement for working people, the right of establishment for the self-employed and businesses, the promotion of equal rights for men and women, measures to safeguard the social security entitlements of migrant workers and to encourage vocational training, and the establishment of a Social Fund. These topics are discussed in greater detail in the chapter on economic integration and the Community's social policy.

As the 1993 deadline for completion of the internal market approaches, these basic achievements will have to be thought over afresh and extended further, for the single European market must also include greater safeguards for all sections of society. It will not be enough just to boost economic growth and strengthen the competitiveness of business and industry. Much more important is to make sure that the benefits and advantages of a common economic area are fairly distributed. Above all, this means giving a share in the fruits of the single market to the people whose labour is the ultimate foundation on which that market rests. There would be little point in creating a frontier-free area if this were to jeopardize living standards and social protection. Its justification — both economic and political — lies precisely in increased social progress and the benefits it offers everyone in the Community.

2. Methods

European integration has been shaped by two fundamentally different approaches — the ‘confederalist’ and the ‘federalist’.

The essence of the confederalist approach is for countries to agree to cooperate with each other, but without ceding any of their national sovereignty. The aim, then, is not to create a new ‘super State’ embracing them all but to link sovereign States in a confederation in which they retain their own national structures. This is the principle underlying the work of the Council of Europe and the OECD.

The federalist approach, on the other hand, aims to dissolve the traditional distinctions between nation States. The outdated notion of inviolable and indivisible national sovereignty gives way to the view that the imperfections of social and international co-existence, the specific shortcomings of the nation-State system, and the dangers of the predominance of one State over others (so frequent a phenomenon in European history) can only be overcome by individual States pooling their sovereignty under a supranational community. The result is a European federation in which the common destiny of its peoples — still retaining their individual identities — is guided, and their future assured, by common (federal) authorities.

The European Community is a product of this federalist approach, though in a somewhat modified form owing to the Member States’ reluctance simply to abandon altogether their sovereignty and the old nation-State structure which they had only just regained and consolidated after the Second World War in favour of a European federation. Once again a compromise had to be found which, without necessarily establishing a federal structure, would provide more than mere cooperation along confederal lines. The solution, both brilliant and simple, was to seek to bridge the gap between national autonomy and European federation in a gradual process. Rather than relinquish all sovereignty overnight, the Member States were asked merely to abandon the dogma of its indivisibility.

The first question, then, was simply to decide in what areas they were prepared to cede some sovereignty to a supranational community. The result is reflected in the Treaties establishing the Communities. All three confine themselves to the economic sphere since this was where progress appeared most likely.

The first steps towards economic integration were to be the establishment of a common market and the gradual alignment of national economic policies. These were the two main pillars on which the Community was to rest. However, they differ in their practical significance, primarily because — even in the economic sphere — the Member States were not prepared at the outset to grant the Communities full powers of overall control.

To establish the common market, which was to be the basis for an economic union, the Community was given wide powers to formulate, shape and implement a Community policy. For the alignment of the various areas of economic policy, on the other hand, the EEC Treaty offers two contrasting methods: the introduction of common policies and the coordination of national policies. The essential difference is that common policies — for the creation of the common market, for example — involve transferring responsibility to the Community, whereas coordination leaves responsibility for shaping policy in the hands of the Member States. Specifically the EEC Treaty provides for common policies on trade, agriculture, transport, and competition, but for coordination in the field of economic and monetary policy.

However, with an eye to the future and the ultimate aims of European integration, the lines drawn by the Treaties are only provisional. In the minds of the Community's founding fathers, the fusion of economic interests that began with the establishment of the Communities would automatically generate or at least foster conditions favourable to more far-reaching political integration (the functionalist approach). They believed that in the first instance the momentum of integration inherent in the Treaties themselves, through the establishment of a customs union and its gradual extension into a general common market, would be a sufficient guarantee of success. Before the Second World War the League of Nations had described the process as follows: 'For a customs union to come into existence, goods must be allowed to circulate freely within the union. For it to become a reality, persons must be allowed to move freely. For it to have permanence, free currency exchange and fixed parities must be maintained within the union. This necessarily implies, among other things, free movement of capital within the union. But if there is free movement of goods, persons and capital within a given area, differing economic policies cannot be pursued to maintain the economic process.'

A further factor which the founding fathers believed would guarantee the continued advance of integration and act as a brake on any retrograde tendency was the Community institutional system set up under the Treaties. Conduct of the tasks assigned to the Community and control of the integration process were deliberately not left in the hands of the Member States or to international cooperation alone. Instead the Treaties set up an institutional system enabling the Community, in the areas assigned to it, to enact legislation that is equally binding on all its members. Under this system, there are four leading actors on the Community stage: the Council of Ministers, the Commission, the European Parliament and the Court of Justice.¹

At the centre of the stage stands the Council of Ministers, made up of representatives of the Member States. The 12 governments send one or more representatives to Council meetings — usually, though not necessarily, the ministers responsible for the subject area

¹ The following brief survey concentrates only on the essential functions of the four main Community institutions and is not meant to be an exhaustive description of the Community's entire institutional system.

in question (e.g. foreign or economic affairs, finance, employment, agriculture, transport, science). It is the Council, acting on a proposal from the Commission, which take the decisions necessary for the attainment of the goals laid down in the Treaties. Ensuring freedom of movement, freedom to provide services and the right of establishment, defining common policies, and establishing the Community budget are some of its responsibilities.

Although the Council is primarily a forum for national interests, its members are nevertheless obliged to take the Community interest into account. It is this, together with the fact that under the Treaties it has the power (in principle at least) to decide by a majority vote, that distinguishes it from an intergovernmental conference. Majority voting is significant not so much because it prevents individual countries from blocking important decisions, but rather in that it allows a large Member State which could otherwise resist simple political pressure to be outvoted.

In practice, however, majority voting is rarely used. The explanation goes back to 1965, when France, fearing that arrangements for financing the common agricultural policy might prove detrimental to vital French interests, refused to attend Council meetings (the 'empty-chair policy') and so blocked all decision-making in the Council for more than six months. The dispute was eventually settled on 29 January 1966 with the 'Luxembourg compromise', by which it was agreed that where vital interests of one or more members were at stake, the Council would endeavour, within a reasonable time, to reach a solution acceptable to all its members while respecting their mutual interests and those of the Community. At French insistence the agreement also included a statement recording their view that in such cases the discussion must be continued until 'unanimous agreement' was reached. If even this should prove impossible, the only solution envisaged by the Luxembourg agreement is to note that disagreement between the Member States still persists. The compromise extricated the Council from the impasse, but it also meant the end of majority voting to all intents and purposes. No criteria exist to enable the Council to determine whether vital interests of one or more of its members really are at stake. It is left to the Member States to decide for themselves. Each of them in effect enjoys the right to veto any major decision by insisting on unanimity.

The Single European Act¹ signed in Luxembourg in February 1986 largely remedies this weakness in the Council's decision-making capacity. Although the unanimity requirement has not been completely eliminated, the Act reflects a general acknowledgement that majority voting should be used more often than in the past.

Essentially the idea is that in future unanimity will be required only to produce a consensus between ministers on the main outlines of a policy. When putting this consensus into

¹ For the background to the Single European Act and its place in the system of Community Treaties, see Chapter VI — The Community and progress towards political union.

practical effect, on the other hand, the Council will be able to take decisions by a qualified majority.

It is proposed to use these new decision-making arrangements in a range of important areas such as completing the internal market, promoting economic and social cohesion, furthering research and technological development and protecting the environment.



European Community heads of government, foreign ministers and other dignitaries outside the Zappeion Palace, Athens, following the signature of the Treaty of Accession of Greece on 28 May 1979, for the second enlargement of the European Community. In the front row are, left to right, Wilfried Martens, Prime Minister of Belgium, Roy Jenkins, President of the European Commission, Gaston Thorn, Prime Minister of Luxembourg, Giscard d'Estaing, President of France, Constantin Caramanlis, Prime Minister of Greece, Jack Lynch, Prime Minister of Ireland and Giulio Andreotti, Prime Minister of Italy.

How far this intention will actually be put into practice in the harsh world of political reality remains to be seen. In view of the very cautious nature of the move towards increased majority voting, much will probably still depend on the good will of the governments.

Besides Council meetings there are also summit conferences of the Heads of State or Government of the Community countries. In 1975 they began meeting three times a year as the 'European Council'. The true purpose of the European Council is to define new objectives, giving a fresh stimulus to European integration. The European Council has, for example, launched initiatives on economic and monetary union, direct elections to the European Parliament, social policy measures and the question of enlargement. The Single European Act formally incorporated the European Council into the Community's institutional framework. It comprises the Heads of State or Government of the Member States and the President of the Commission, supported by the Foreign Ministers and a Member of the Commission, and now meets at least twice a year.

The Commission is the engine of Community policy, the guardian of the Treaties and the advocate of the Community interest. It is made up of 17 members who, although appointed by mutual agreement between the governments for a four-year term, are required to act in complete independence for the good of the Community.

As the engine of Community policy the Commission has what is known as the right of initiative, i.e. it is responsible for making proposals for Community measures to the Council; without such proposals the Council cannot, as a rule, take any action. As the guardian of the Treaties, its task is to see that the Treaties and Community law are respected and applied, acting against any infringements and taking matters to the Court of Justice if necessary. As the advocate of the Community interest it has to endeavour to steer a course through often tortuous negotiations within the Council in order to find an acceptable compromise without sacrificing that interest; in this it is able, thanks to its non-partisan position, to act as a mediator between the Member States.

With the introduction of direct elections in 1979 (held every five years, the most recent being in June 1989) the European Parliament can rightly claim to be the representative of the people within the Community. This has greatly strengthened the democratic legitimacy not only of Parliament itself but of the Community as a whole. But compared with the parliaments of the Member States, it has yet to develop anything beyond the most rudimentary legislative role, for the hopes that direct elections would bring it wider powers were not fulfilled. It does not normally have any direct say in the Community decision-making process, fulfilling only a consultative function *vis-à-vis* the Council and Commission. The one exception is in the area of the Community budget, where it does indeed exercise far-reaching powers of co-decision placing it in an extremely strong overall position.

Its consultative function primarily involves exercise of the advisory powers conferred on it by the Treaties, under which Parliament may deliver opinions on Commission proposals before the Council takes a decision. But its influence on the Council's decisions is relatively slight since its opinions are not binding. Besides these advisory powers, it also enjoys an extensive right under the Treaties to put questions to the Commission — and in practice to the Council too. It thus has the opportunity for direct political dialogue with both of them.

Parliament also has a supervisory role, but this is confined to the Commission. Principally this means that the Commission has to defend and justify its position in public debates



The European Commission at its regular weekly meeting in the Berlaymont building, Brussels. This Commission took office in January 1989, for a four-year term. It is the first Commission to have women among its members, and it is the second to be presided by Mr Jacques Delors, a former French Minister for Economy and Finance.

Seated around the table are Ms Vasso Papandreou (nearest to the camera), and clockwise from her: Sir Leon Brittan (Vice-President), Mr Maria Filippo Pandolfi (Vice-President), Mr Abel Matutes, Mr Manuel Marín (Vice-President), Mr Frans Andriessen (Vice-President), Mr Carlo Ripa di Meana, Mrs Christiane Scrivener, Mr Jean Dondelinger, Mr Karel Van Miert, Mr Ray Mac Sharry, Mr Bruce Millan, Mr António Cardoso e Cunha, Mr Henning Christophersen (Vice-President), Mr Jacques Delors (President), Mr David Williamson (Secretary-General), Mr Peter Schmidhuber and Mr Martin Bangemann (Vice-President).

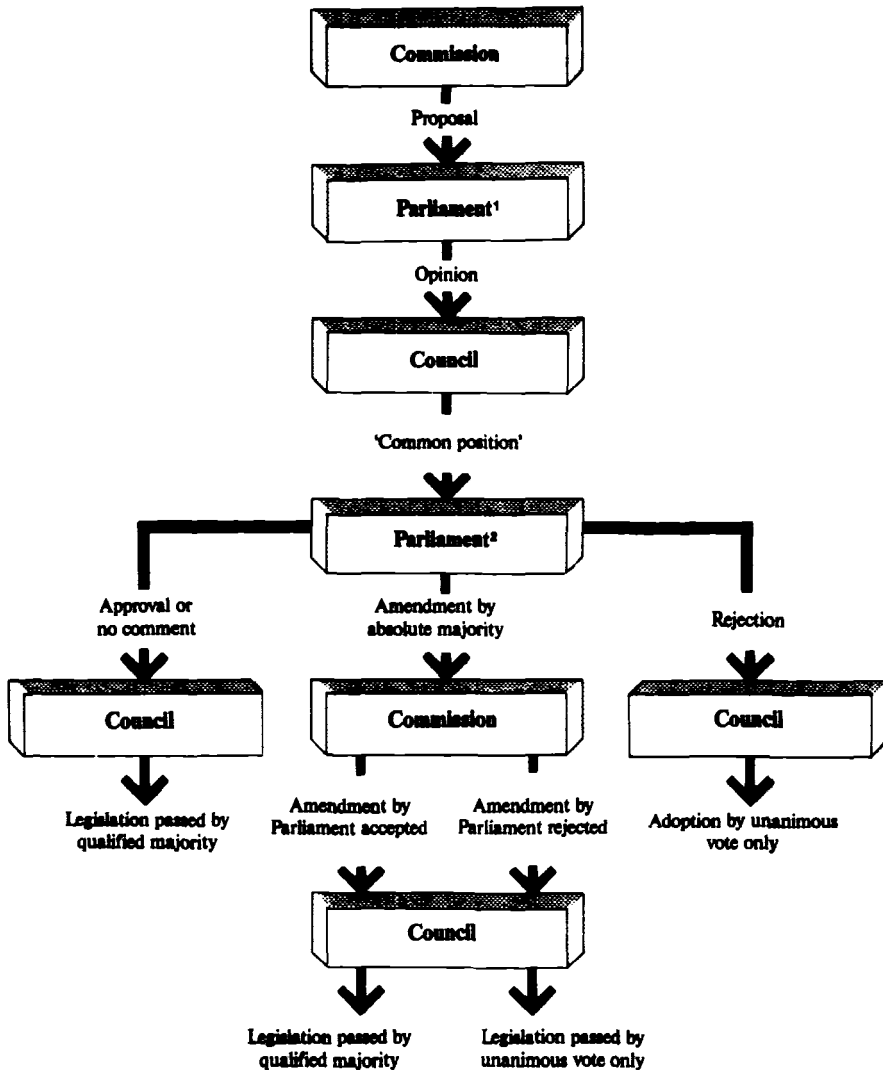
before Parliament in full session and present an annual general report on the activities of the Communities for discussion. Ultimately the Commission is responsible to Parliament and it can even be forced to resign by a motion of censure carried by a two-thirds majority.

Parliament's position within the Community institutional framework is, then, unsatisfactory from the point of view of the Community's democratic legitimacy and the Single European Act has failed to produce any substantial improvement: Parliament's only real involvement in decision-making concerns the accession of further Member States or the association of non-member countries. Otherwise, the Council of Ministers continues to have the final say.

Nevertheless the new cooperation procedure introduced by the Single Act for all major decisions on the completion of the internal market should help to strengthen Parliament's influence on the Community decision-making process. This is not the place to go into the procedure in detail, but the basic innovation it introduces into the Community's legislative process is that proposals on such matters are given a second reading in the Council.

At the first reading, the Council adopts a 'common position' (which amounts to its version of a Commission proposal) by a qualified majority vote. Parliament then has three months in which to do one of four things. The first two possibilities are for Parliament to approve the common position or to allow the time-limit to expire. In either case the next step is quite straightforward: the Council goes ahead and passes the legislation set out in the common position. However, Parliament may also reject the common position or propose amendments to it. Either way the Council can still impose its view (though the method differs). If the common position is rejected, the Council can pass the legislation at the second reading only by a unanimous vote — otherwise it has to drop the decision altogether. Since unanimity is very hard to obtain, this effectively blocks the whole process and as a rule Parliament will only reject a common position in rare instances. More usually it proposes amendments, in which case everything hangs on whether the Commission accepts them or not. If the Commission does accept them, the Council can decide by the normal procedure, in other words by a qualified majority (or by a unanimous vote if it wishes to depart from the Commission's revised proposal). If, on the other hand, the Commission does not accept them, unanimity is again required for the Council to act. Generally speaking, then, it is difficult for Parliament on its own to impose its will on the Council. If it wants to get its way, it has to win over the Commission. Even so, the Council can still apply an emergency brake by refusing point-blank to take any decision at all on Parliament's proposed amendments or the Commission's revised proposal, again bringing the legislative process to a halt. Nevertheless the cooperation procedure does, all in all, represent a considerable step forward in the Community's decision-making.

The interinstitutional cooperation procedure



¹ First reading.
² Second reading.

Parliament's task must now be to concentrate its efforts on exploiting these promising new avenues and developing effective new strategies to consolidate its position in the Community system.

The Court of Justice of the European Communities consists of 13 judges assisted by six Advocates-General. Its task is to uphold the law in the interpretation and application of the Treaties and acts adopted by the Council and the Commission. From the very outset it approached its task not merely as a purely judicial business but in a broader, active law-making spirit, fleshing out the basic principles of Community law to lay a firm foundation for integration and thereby rightly earning a reputation as one of its foremost champions.

Looking at the approach chosen by the Community's founding fathers in the light of experience to date, two conclusions emerge. The first is that the decision to restrict integration initially to the economic sphere was right. The existence of a unified European economic area has given a substantial impetus to trade between the Member States.

Alongside the USA, the Community is now the world's greatest economic power. It plays a pre-eminent part in world trade, accounting for more than a third of all exports and imports if intra-Community trade is included. These few figures clearly demonstrate that the Community is a very tangible factor which cannot be ignored by the Member States and which has proved its worth as a solid and useful basis for cooperation and coexistence. In another respect, however, the expectations of those who inspired the founding of the Community have not been fulfilled. European integration has not automatically progressed towards the ultimate political goals which they held. Some of the Member States continue to insist on retaining an inviolable core of sovereignty. Transferring further powers to the Community is felt to be too high a price to pay for the perceived benefits which they would stand to gain. In the last resort they evade the economic or political pressures to expand existing common policies or to formulate and implement new ones by using their veto on the grounds that vital national interests are at stake.

What is needed here is a renewed effort for further decisions to consolidate what has been achieved, to foster the new developments that are under way, to correct the shortcomings that have emerged and to guide the Community cautiously, as reality dictates, towards the ultimate goal of political union. Seen in this light, European integration poses a ceaseless challenge to all those concerned, and its progress and realization depend essentially on the political will of the Member States.

III. Economic integration

1. The common market

The focal point of economic integration is the common market, in which the Member States have combined to create a unified economic territory undivided by either customs or trade barriers. This common market rests on the pillars of four fundamental freedoms: the free movement of goods, persons and capital, and freedom to provide services.

First and foremost it allows capital and labour — two basic factors of production — to develop their potential untrammelled and unhindered. Workers can move freely to seek jobs where demand is higher and wages and working conditions accordingly better. They can settle with their families and go to work anywhere in the Community. Firms can produce and sell their goods in free competition wherever suits them best. No Member State may give its own nationals preferential treatment over those of its Community partners.

To create this large European internal market — which, with the entry of Spain and Portugal, now has to serve almost 320 million people — the Community countries have had to dismantle all manner of trade barriers, harmonize legislation, administrative practices and tax structures, and extend their cooperation on monetary policy.

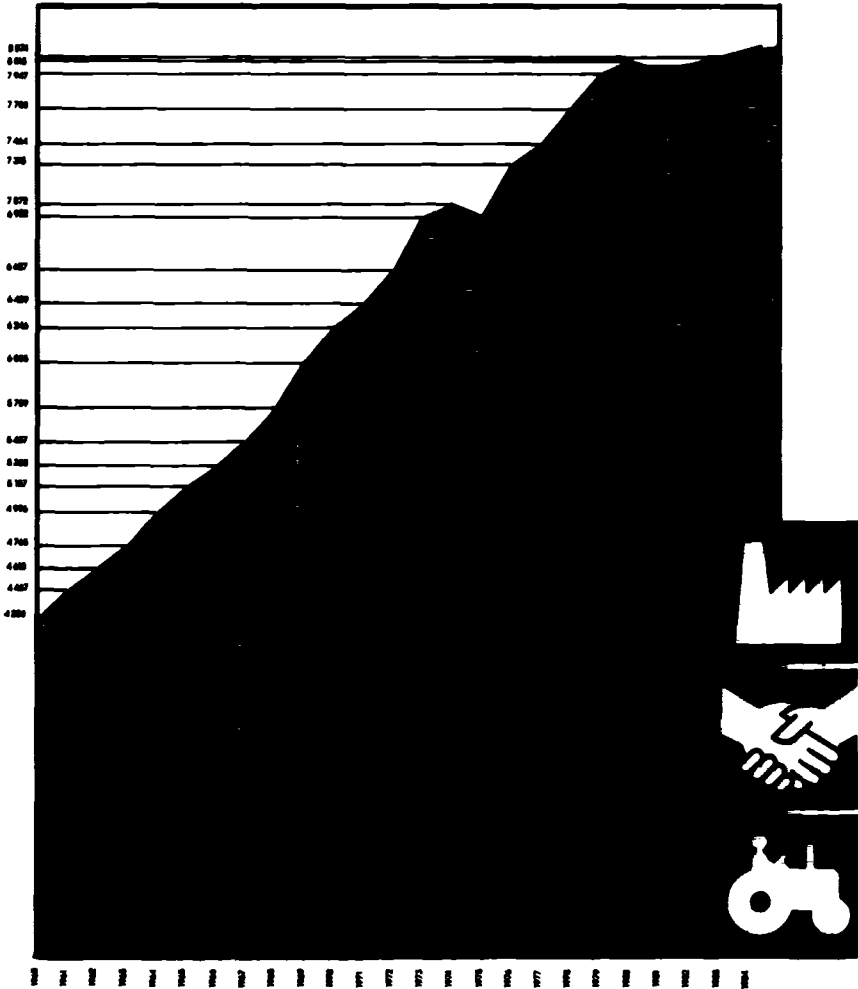
In the run-up to the economic deliberations of the European Council in Milan on 28 and 29 June 1985, the Commission prepared a White Paper listing all the measures still required for the completion of the internal market and setting out a detailed timetable for their implementation by 1992. At the Luxembourg European Council in December 1985 the Heads of State or Government endorsed the Commission's objectives and gave the go-ahead in the Single European Act. All the necessary decisions on customs tariffs, freedom of movement for the self-employed, the services sector, the liberalization of capital movements and air and sea transport, and the approximation of laws and administrative rules are now scheduled for adoption by 1992.

The prospects for success are good, since it was agreed at the same time that all these decisions — except those on tax harmonization, the free movement of persons, and workers' rights — would be adopted by majority voting, while special temporary arrangements would be allowed for Member States which encountered problems in implementing them.

Per capita gross domestic product (GDP), expressed in purchasing power standards (PPS)

Gross domestic product (GDP) — the aggregate output of all economic activity, (industry, agriculture, services, etc.) — is expressed in the following graph in purchasing power standards (PPS). A purchasing power standard represents an identical volume of goods and services for each country. Conversion into the national currencies is based on the following purchasing power parities: 1 PPS = BFR 37.3 — DKR 8.36 — DM 2.27 — DR 53.6 — ESC 48.0 — FF 6.17 — HFL 2.45 — IRL 0.585 — LFR 37.7 — LIT 1 036 — PTA 78.1 — UKL 0.520 — USD 0.947.

In the following graph, curve 1 gives GDP at 1980 prices and parities; this produces comparable figures and shows real growth.



The following sections describe the development of the internal market so far and the current state of progress.

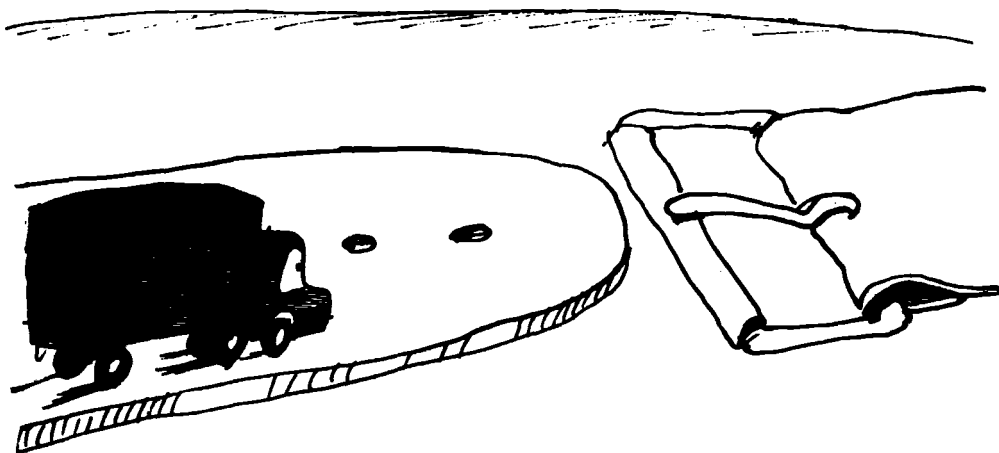
(a) The customs union and free movement of goods

The first step in the creation of the common market was to eliminate all the customs duties levied on imports and exports between the Member States before the EEC was established. The EEC Treaty laid down a fixed timetable for the gradual dismantling of these internal duties within 12 years. The original Six had no difficulty in meeting the deadline, and the last customs barriers came down in 1968, 18 months ahead of schedule. The later entrants also successfully met the tight deadlines set for removing their pre-accession customs duties and adapted to the requirements of the common market surprisingly quickly.

The elimination of customs duties within the EEC was accompanied by the establishment on 1 July 1968 of a common tariff (CCT), setting up a single customs barrier around the entire Community for all imports from non-member countries, with duty normally being levied when goods enter the economic territory of the Community. This was necessary in order to prevent diversion of trade flows. When the Community was founded, wide disparities existed between the Member States in their rates of external duty. These were very high in France and Italy, for example, but low in the Benelux countries and Germany. Without a common customs tariff, French or Italian importers could have evaded the high rates at home by taking advantage of the removal of internal duties to import through agents in low-duty countries and then transport the goods to France or Italy. This could eventually have led to the ridiculous situation of a Bordeaux wine merchant getting cheap Spanish corks via Hamburg.

The CCT rates have frequently been adjusted since 1968. This is done either unilaterally, by a decision of the Council of Ministers, or through negotiations between the Community and individual non-member countries or other international organizations, especially within the framework of GATT (General Agreement on Tariffs and Trade). Since 1975 the proceeds from customs duties form part of the Community's own resources and are paid over to it by Member States. The introduction of a common external tariff signalled completion of the first stage of economic integration: the establishment of a customs union.

The creation of a large European market on which all goods can be freely traded requires not only the removal of customs barriers but the lifting of quantitative restrictions too. These are designed to protect a country's industries, warding off foreign competition on the domestic market either by a temporary or indefinite ban on certain imports or alternatively by restrictions on their value or volume (quotas). Measures of this kind are prohibited by the Treaties and this ban has, in the main, been respected by the Member States



since the expiry of the prescribed transition periods. Intra-Community trade, then, is also free of all quota restrictions.

One obstacle to the free movement of goods within the EEC which still persists is what are known as 'measures having equivalent effect' (to quantitative restrictions). These are measures which, though not actual prohibitions or quotas, have an indirect impact on intra-Community trade by making it expensive, difficult or well nigh impossible to import or export certain goods. With structural problems in a number of major industries (steel, shipbuilding, textiles), rising unemployment, and escalating imports from low-cost producing countries, Member States have been increasingly tempted to erect protectionist barriers, thereby excluding other Member States' goods from their domestic markets and hampering intra-Community trade.

This is a game at which the Member States have shown a considerable degree of imagination and ingenuity. It starts at the frontier, where, despite much simplification, certain formalities continue to cause tedious and costly delays. The pressing need to solve the problems facing freight transport was highlighted by the incidents which occurred at the Italian-French and Italian-Austrian-German borders in the spring of 1984.

The Council of Ministers took a major step towards streamlining frontier formalities in December 1984 when it introduced a single document for intra-Community freight to replace a whole series of forms from 1 January 1988.

Agreement has also been reached on combining border posts at the Community's internal frontiers. This means that the remaining formalities required when goods or people cross the border are confined to the customs entry post, already making border crossings a lot easier.

But once across the frontier, goods still face countless bans or restrictions in the form of a vast array of national rules and regulations prescribing — in the interests of health, safety, consumer protection or fair competition — their exact make-up and labelling. These range from rules on product ingredients and packaging to technical safety and industrial standards. Paradoxically, they succeed in crippling the sale of foreign goods to the advantage of domestic products even though they apply to both alike — the reason being that they vary so widely from one country to another. A clear indication of the extent to which the Member States make use of such obstructive measures are the 250 or so complaints that arrive on the Commission's desk each year. These the Commission investigates and if it finds the measures in question contrary to Community law, the Member State concerned is requested under a special formal procedure to amend or desist from the offending rules or practices. If the Member State fails to comply with the request, the Commission can refer the case to the Court of Justice, whose decision is binding. In this way a whole range of rules and measures have been rejected by the Court as incompatible with Community law, so averting more serious dislocations of free trade between the Member States.

When following up infringements of this kind, the Commission endeavours to go beyond individual cases and find more general solutions based on mutual recognition of national technical standards. The principle of mutual recognition is that any product of merchantable quality which is lawfully manufactured in one Member State may be marketed in another. It applies even where the technical standards governing a product are not the same, provided there are adequate guarantees of consumer safety. Thanks to mutual recognition, foreign household electrical appliances such as refrigerators and cookers now enjoy easier access to the French market, fittings and decorative items can be sold freely in Spain, and chipboard can be used in Germany — even though they do not meet the relevant national technical specifications. In the area of foodstuffs, mutual recognition has opened the French market to Italian salami, the German market to tinned meat containing certain additives, the Italian market to low-alcohol beverages and the Greek market to confectionery — with the proviso in each case that the products concerned must be of merchantable quality, lawfully manufactured and marketed in another Member State.

The only definitive solution to the problem, of course, is to make all the national rules identical, especially the many differing technical standards. At the same time a boost needs to be given to the work being done by the European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (Cenelec) to draw up European standards. Only when this has been done and when the Member States' systems of value-added tax and excise duty have been aligned will it be possible to claim that there is genuine free movement of goods within the Community. Checks on goods moving between Member States could then be dispensed with.

As we have just noted, a key element here is the need to reduce the disparities between Member States as regards taxes on trade. There are two basic reasons for the continued

existence of tax borders. Firstly, they ensure that taxes levied on the consumption of goods traded in the common market (known as indirect taxes) are paid over to the right Member State, in other words the State where the goods are actually consumed (this is known as the destination principle). At the moment this is done by granting tax remission on exports. So if an item manufactured in Germany is exported to France and consumed there, the German exporter gets back the indirect tax paid in Germany, while the French importer pays the corresponding French tax. In the end, of course, it is the consumer who foots the bill, as the tax is passed on. The system thus ensures that domestic and imported products in competition with each other receive roughly equal tax treatment. Tax borders, then, are the inescapable price that has to be paid for this advantage.

In the second place, tax borders play an important part in combating tax evasion and preventing the diversion of trade. Without tax borders and the associated frontier controls, no check could be kept on whether goods had actually been exported. This would open the way for unscrupulous dealers to declare goods as exports and claim a refund of national indirect taxes without actually going through with the transaction. They could then either pocket the money straight away or use it to undercut their competitors by selling the goods on the domestic market at a much reduced price. If there were no border controls, even private individuals would be able to stock up on consumer goods wherever the tax rate was lowest and the goods therefore cheapest. This would seriously distort trade and reduce traders' turnover — and hence also tax revenue — in high-tax countries, especially in border areas.

In the present circumstances tax borders and the associated frontier controls are therefore essential. Of course, this does not mean that a frontier-free system of taxation is impossible; but it does mean that the present system needs a radical overhaul to set the stage for the removal of tax borders. If the objective of completing the single market by 1993 is to be achieved, resolute actions on this front must be a high priority.

(b) Free movement of workers

Freedom of movement for workers is already largely a reality in the Community. The right of all Community nationals to equal treatment in terms of employment, wages and other working conditions within the Community, enshrined in the Treaties, was comprehensively covered in the 1968 Council Regulation on freedom of movement. Individuals are guaranteed geographical and occupational mobility and a minimum level of social integration in the Member State where they choose to work.

Geographical mobility encompasses a person's right to go to another Member State and remain there for the purposes of seeking or taking up employment. At the moment the right of residence guaranteed under Community law is still only three months for someone seeking work in another Member State, whereas anyone with a job enjoys a guaranteed right of residence for five years, with a possible extension for a further five

years. Under certain circumstances people may even stay on where they are after retirement; but there is no general right yet for pensioners to spend their retirement wherever they please.

National immigration authorities cannot refuse to grant someone the right of residence guaranteed under Community law (particularly on the grounds of public safety, order or health) except in extremely serious cases, and any such refusal can be challenged before the Court of Justice. The Commission's declared aim is to continue dismantling the remaining restrictions on the right of residence until any Community national can live anywhere in the Community for as long as he or she wants.

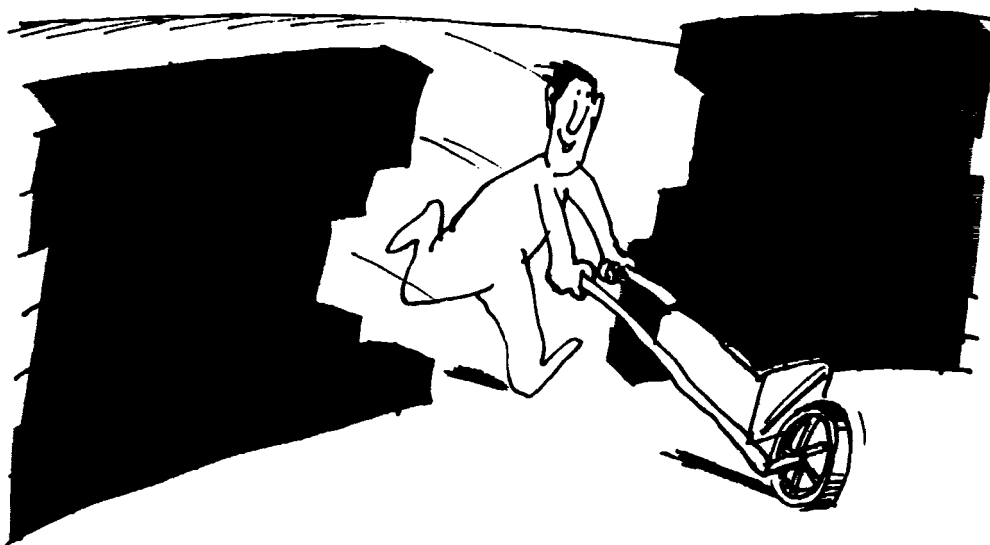
Geographical mobility also means giving Community nationals an opportunity to better their situation by applying for jobs anywhere in the Twelve, and to help them do so the Community has set up an information exchange system. At present it is still at the trial stage, but eventually people will be able to find out locally about job vacancies wherever they want and to apply for them or advertise for employment.

Occupational mobility covers people's pursuit of an occupation and their terms of employment and working conditions. Here again, nationals of other Member States may not be treated differently from local workers. They are, for instance, entitled to the same pay, free access to the labour market, admission to training establishments or retraining centres or to re-employment in the event of redundancy.

Then there is social integration, which means the right of a worker to all the general social benefits which the host country offers. In other words, workers from other Member States are entitled to the same rights and privileges as local people when it comes to accommodation (including access to subsidized housing), trade union activity or social security assistance, for example. They and members of their families are entitled to all the subsistence allowances, student grants, maternity benefits or reductions on public transport or other public amenities that are normally available. Members of their immediate family (i.e. spouses and children) are also free to take paid employment or to work in a self-employed capacity, while children are entitled to general schooling and can enter into apprenticeships and vocational training on the same terms as local children.

Lastly, Community regulations on social security guarantee employees and the self-employed, including members of their families, adequate cover not only as regards family allowances but also in the event of illness, disability, occupational accident or disease, unemployment, death of a close relative, and old age. The point is above all to ensure that no one loses out or is penalized in terms of social security entitlements as a result of exercising the right to move freely within the Community.

However, the free movement of workers guaranteed by these measures will not succeed fully in practice until the linguistic, social and cultural difficulties of integrating workers and their families into the working and social life of their host countries are overcome.



This requires not only the equality of legal status already achieved, but above all the emergence of a true sense of community among the people of the Community, rooted in the basic idea of European unity.

The Community itself has launched a wide range of schemes in an effort to promote the basic conditions which will allow people to exercise their right to free movement. Prominent among these are a scheme to encourage student and staff mobility among universities (the Erasmus programme), a plan to stimulate international cooperation and interchange among European researchers (Science), and the European strategic programme for research and development in information technologies (Esprit).

(c) Right of establishment and freedom to provide services

Members of the professions and the self-employed are also, in principle, guaranteed the right to establish themselves in business and provide their services wherever they like. The knowledge, skills or qualifications required of anyone wishing to set up on his own account in another Member State or to provide a service during a period of temporary residence may not be any different from what is required of that country's nationals. Conversely, Community citizens are assured equal rights in another Member State only if they satisfy the same conditions as apply to that country's nationals. They must therefore, for example, be able to show that they have completed any vocational training required, or passed the necessary examinations and obtained the relevant qualifications in their host country. Since they will not normally have been able to do so, these freedoms

will continue to count for very little in practice until the conditions for setting up in a self-employed capacity are brought into line or until the Member States recognize each other's degrees, diplomas and other qualifications as equivalent.

The work of putting Community legislation for the mutual recognition of degrees, diplomas and other qualifications on to the statute book has proved to be an extremely slow and difficult task, not least because the original idea was to adopt separate Community legislation for each individual profession. The greatest and almost the only headway made along this path has been in the health professions, with the adoption of a number of Council Directives enabling general practitioners, specialists, nurses, midwives and veterinary surgeons to practise in any of the Member States. Chemists and architects have also subsequently joined the list. The only gain for lawyers, on the other hand, is that the provision of services has been made somewhat easier. They can now act as legal advisers in other Member States and bring actions in the courts there provided they are assisted by a lawyer from the country in question. But the crucial issue of the mutual recognition of legal qualifications, so as to allow lawyers to establish practices in other Member States, has proved impossible to resolve using this case-by-case approach.

However, at the end of 1988 the Community managed, as part of its drive towards the single European market in 1992, to bring in a system for the recognition of higher-education diplomas that involve at least three years' study and qualify their holders to enter a recognized profession. As a matter of principle, the scheme avoids laying down a single set of criteria as to the type of studies involved and relies instead on the principle that anyone who has completed a university-level course entitling him to admission to a profession in his home country can be deemed to be adequately qualified to practise anywhere else in the Community. Since educational standards are high in all the Member States it would be absurd to argue that people lose the skills they have acquired the moment they cross a border. Even so, there are specific national features and differences between university courses which mean that some adjustments do have to be made. To cope with this problem, adjustment courses and/or aptitude tests may be held, or certain requirements imposed as regards previous professional experience. The Commission wants to introduce similar arrangements for other vocational qualifications too. The main sectors concerned are the hotel and catering industry, motor engineering, the building industry, electrical engineering, farming, horticulture, forestry, and the textile and clothing industries. It is planned to bring out a Community description of occupations and qualification requirements in these fields to help workers find jobs in other Member States where they can make the most of their qualifications. Eventually the aim is to introduce a European vocational training card giving information about the holder's qualifications.

(d) Free movement of capital and liberalization of payments

The free movement of capital and liberalization of payments is one of the key factors for the completion of the single market. All the Member States acknowledge this. In the long run free trade in goods and services cannot be sustained unless capital too is free of restrictions. Capital must always be able to flow in the direction where it can be used most efficiently in economic terms.

At the moment only Germany, the United Kingdom, the Netherlands, Belgium and Luxembourg have lifted all restrictions on capital movements. France, Italy and Denmark still restrict short-term capital movements and transfrontier financial credits, while controls in Ireland, Greece, Spain and Portugal are even stricter. These mainly apply to residents, for example making it illegal for them (except perhaps on certain conditions) to hold foreign currency accounts, conduct money market transactions, or acquire foreign securities. In mid-1988, however, a major breakthrough was made when the Community managed to set definite deadlines for removing the remaining restrictions, so setting the Twelve on course for a completely free capital market by 1992. France, Italy and Denmark will have to liberalize capital movements fully by mid-1990, while Spain, Portugal, Greece and Ireland have been granted a transitional arrangement until 1992 (with the possibility of an extension of up to three years for Greece and Portugal). Eventually the Member States will only be allowed to impose restrictions — subject to approval by the Commission — as a protective measure in the event of major short-term capital movements putting the currency markets and exchange rates under very heavy pressure.

This is not all, however. The creation of a free capital market also calls for other steps and, in particular, for some measure of institutional alignment. At the moment, the rules governing credit institutions operating on the capital markets vary quite considerably from one Member State to another. The need for alignment is especially acute in the area of bank supervision and safeguards for depositors, as well as over the question of freedom of establishment for credit institutions in the Community. The Commission has already begun to tackle these issues and has put forward several proposals for directives to the Council.

It is essential that the free movement of goods, persons, and capital and freedom to provide services should be accompanied by measures to liberalize payment transactions. Anything that hampers payments for goods delivered abroad, the payment of wages to Community citizens working in other Member States or the payment of charges for services provided makes it difficult, if not altogether impossible, to exercise these basic freedoms. The Member States must therefore allow such payments to be made in the currency of the Member State in which the creditor or recipient resides.

2. The common policies

The common market is the nucleus of economic integration around which the Community's common policies revolve. These policies are: the common agricultural policy, competition policy, transport policy, and commercial policy (which is discussed in detail in Chapter V — The Community in the world). Like the establishment of the common market, the conduct and implementation of the common policies is the exclusive preserve of the Community and its institutions. In these areas the Member States have transferred sovereignty to the Community and granted it the power to formulate and carry out its own policies.

(a) The common agricultural policy

Agriculture, as one of the 'foundations of the Community', plays a key role in Community policy. It accounts for much the largest proportion of Community legislation and more than two thirds of expenditure under the Community budget.

There are two reasons why it is such a major concern. First, ensuring the security of food supplies is traditionally one of the main areas of State activity. And the only way to do this is to attain more or less complete self-sufficiency, which means a tendency to over-produce so as to guarantee supplies when harvests are poor. Second, agriculture is a special case among productive sectors, since it is dependent on factors — such as climate, soil and disease — over which man has little control and which often result in major fluctuations in harvests, thus affecting farm incomes. These incomes must be high enough to preserve the family-run farms necessary for self-sufficiency and to prevent such people from leaving the land. In this respect agricultural policy also fulfils the roles of incomes policy, employment policy, structural policy, regional policy, and population policy.

In view of agriculture's fundamental importance for the general well-being of the people of the Community as a whole, the EEC Treaty had to include rules on the establishment and organization of a common agricultural market. However, these were couched in very broad terms so as to permit the existing national control mechanisms to be brought into line gradually.

The main lines of the common agricultural policy were laid down immediately following the entry into force of the EEC Treaty at a specially convened conference held at Stresa in July 1958. The most difficult problem was to incorporate the different national systems in a common system of market organizations so as to create a Community-wide market for agricultural products. To start with, all tariff and trade barriers between the Member States had to be eliminated. In addition, a common pricing system had to be introduced to guarantee uniform price levels for farm products in all the Member States.



This involves three types of price, which serve as the main instruments of the common agricultural policy. The system centres on the target price, which is the price that Community farmers are ideally supposed to receive. This price is fixed every year by the Council. If the actual market price for a product drops below the target price as a result of over-supply, the Community intervenes in the market to stabilize the situation. The point at which it does so is determined by the intervention price, which is the price at which the intervention agencies set up for this purpose in the Member States have to buy up the product concerned in unlimited quantities (marketing guarantee). The intervention system thus guarantees Community farmers a minimum price for their products when they cannot earn more on the market, so as to ensure that they receive an adequate income. In order to protect prices within the Community and agricultural production as a whole, threshold prices are set. These are minimum prices for agricultural imports into the Community. For many products they are higher than the world market prices, because growing conditions in other parts of the world are more advantageous. To prevent the Community market from being flooded by cheap imports from non-member countries to the detriment of European farmers a levy is imposed to bring import prices up

to the threshold level. The levies, like customs duties, are part of the Community's own resources and revenue from them is entered in the budget. Conversely the Community pays agricultural exporters a refund, i.e. an export subsidy to offset the difference between the world price and the Community price. This enables Community farmers to sell their products on the world market despite the fact that their prices are generally higher.

The cost of operating the common agricultural market is financed through the European Agricultural Guidance and Guarantee Fund (EAGGF). The Guarantee Section of the Fund, which consumes by far the greatest proportion of resources, principally covers the cost of the minimum price guarantee and export refunds. The Guidance Section provides funds for structural improvements in agriculture. Originally the Fund was financed by the Member States direct, each contributing a proportion in accordance with a special scale, but since 1970 it has formed part of the Community budget.



Angry farmers demonstrating for a larger increase in farm prices invade the meeting of the Council discussing agriculture on 15 February 1971, bringing two cows with them — right up to the 14th floor of the Council's office building in Brussels.

This, then, is the basic theory underlying the common agricultural policy; it forms a coherent whole that is consistent with the aims and objectives described earlier. Putting

the theory into practice, however, has posed a number of problems. Setting prices that were out of line with market conditions led to surpluses, which, because of the open-ended commitment to buy up products, had to be financed by the Community rather than the farmers. This in turn led to the accumulation of large stocks — the much-publicized butter, fruit and vegetable mountains and the wine lake — which entail substantial storage costs and can only ultimately be reduced at best by special sales and at worst by withdrawal from the market (as in the case of perishable products).

It is mainly because of such operations that the common agricultural policy has come in for growing public criticism. However, it would be over-hasty to condemn the entire policy simply because of these aberrations and shortcomings and from there, as sometimes happens, to call into question the utility and purpose of European integration in general. The problems are due less to the system itself than to its implementation. Reforms are essential and proposals have been submitted.

In 1985 the Commission responded with the publication of a Green Paper on the perspectives for the common agricultural policy, setting out the various ways in which these shortcomings could be corrected. In particular, it put forward some new ideas on how to contain agricultural production and on restoring market balance by reducing surpluses.

Agricultural policy would be made to reflect the actual market situation more closely, the main proposals being:

- (i) Prices policy should be more firmly market-oriented. The resulting drop in agricultural incomes would be cushioned by specific income support. Although it is still expensive, this approach makes more efficient use of available funds since the cost is far less than for the storage and disposal of surpluses.
- (ii) The intervention mechanism should be adjusted and made more flexible. For example, price and buying-in guarantees could be temporarily suspended or quotas could be introduced.
- (iii) Agricultural land could be taken out of production in return for a set-aside premium and the land involved put to long-term non-agricultural uses for ecological niches and leisure parks, for instance for planting more forests.
- (iv) An early retirement scheme should be brought in to encourage older farmers to give up farming.
- (v) Alternative crops, such as timber or fruits in short supply in the Community, should be developed and promoted and new outlets opened up for agricultural produce, especially in the industrial sector.

The agriculture ministers have already taken a number of decisions along these lines as regards milk, meat and cereals. To restore market balance in these sectors (with income support for the farmers affected), prices have been frozen and the conditions for interven-

tion have been changed. At the same time the need for a drastic reduction in production was confirmed.

This is encouraging, but only a start in a long-term process to make European agriculture more efficient and market-oriented. To reach that ultimate goal will call for firmness and perseverance from everyone involved in the interests of the Community and all its citizens.

(b) Competition policy

The common market for the goods produced by industry and agriculture can operate smoothly only if conditions of competition are uniform. This is the only way to safeguard equality of opportunity for all in the common market and to prevent action that distorts competition by the private or public sector or by government. One of the Community's tasks is therefore to create a system to protect free competition within the common market, based on the competition rules laid down in the Treaties. These rules prohibit agreements between undertakings to restrict competition and all forms of abuse by an enterprise of a dominant position on the market, for example, imposing unfair prices or limiting production, markets, or technical development; they also ban or place under the Commission's supervision national subsidies (State aids) to individual firms or sectors of industry in order to prevent them from gaining an unfair competitive advantage.

The Commission ensures that the principles of fair competition are observed in the common market and punishes infringements with heavy fines. Assisted by the Court of Justice, it is also responsible for refining the competition rules so that they are fully effective. The task facing the Community — now as in the past — is the laborious one of developing the wide armoury of rules and individual decisions necessary to put the established principles into practice.

(c) Transport policy

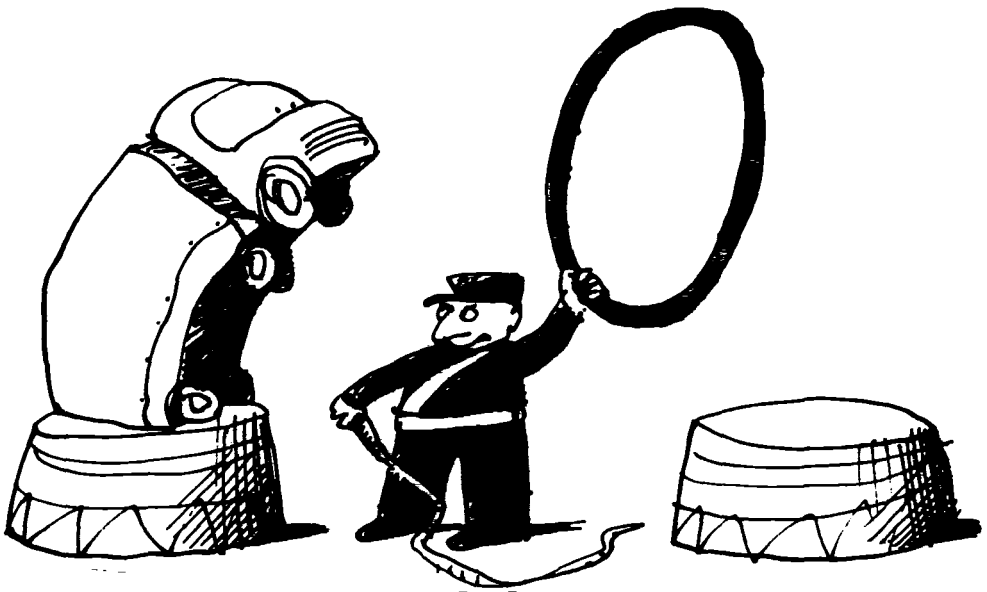
Under the EEC Treaty transport policy, like agricultural policy, was intended to be a common policy area. But very little has emerged in the way of common solutions in this complex sector so far. The individual types of transport — in particular road freight, the railways, and inland waterways — still largely rely on the old national structures. In this they are backed by the Member States which, for a variety of reasons (economic, geographical, political, and historical), still want to pursue their own transport strategies. Moreover the difficulties facing a common transport policy have increased even further since enlargement.

Because of the discrepancy between the Treaty requirement for a common transport policy and the progress actually made, in 1982 Parliament, backed by the Commission,

brought an action against the Council before the Court of Justice on the grounds of the Council's failure to act.

In May 1985 the Court delivered its judgment, partly vindicating the position taken by Parliament and the Commission. After seeking to clarify the specific obligations which the EEC Treaty imposes on the Council in this connection, the Court concluded that the Council was indeed bound to act to ensure freedom to provide services within the Community — something which had been guaranteed since 1969. In this respect the Council had failed to adapt the appropriate measures and rules, its main tasks being to guarantee international and transit traffic between and through the Member States and to lay down the conditions under which non-resident carriers may operate transport services in other Member States. But the Court refused to condemn the Council outright for its failure to introduce a common transport policy, since in the case of transport, unlike agriculture, the Treaty did not set out a detailed timetable or inventory for completion.

The judgment also reflects the Court's policy of not intervening in political disputes between Community institutions where their rights and obligations are not sufficiently clearly spelt out. The Court of Justice cannot be — and refuses to become — an alternative legislature in the Community. Nevertheless, the ruling had a decisive impact, prompting immediate moves to liberalize transport. The Commission has since presented a range of proposals to the Council aimed at giving transport operations real freedom to provide services and at removing the remaining technical and physical barriers.



In the area of freight transport, any road haulier will be allowed to operate between the Member States from 1993 onwards provided that he is professionally competent, is of good repute, satisfies certain financial requirements and can produce evidence of at least three years' practical experience in the business. Controls and formalities between the Member States are also to be eased considerably by bringing in uniform checking procedures and longer opening hours at border posts, concentrating checks and confining them to random sampling, and extending the range of documents that are mutually recognized. This does not mean that checks will be abolished completely, but it will reduce waiting times at frontiers substantially, resulting in lower costs for hauliers and shippers. In the medium term, the aim is to shift legal controls on road haulage and inland navigation away from the borders to inland locations.

As far as ocean shipping is concerned, the Community has already adopted a package of measures to open up the shipping market and combat national protectionism effectively so as to ensure free competition. In future, ocean shipping operators will also be given full freedom to provide services.

For some years Community policy on air transport has been geared towards gradually dismantling the web of regulations governing capacity and fares. Routes already being served between Member States must be opened up to competition. The computerized reservation systems operated by the airlines will be an important factor here. The Community's approach has already produced benefits for both business travellers and private passengers. The choice of routes is now wider and regional links with the main European air network have improved. Further moves now under way to dismantle pricing and capacity restrictions will work to the consumer's advantage by favouring the emergence of a much greater range of services and pushing down fares. The Community must, however, take care to ensure that the rapid growth of air-traffic is accompanied by more effective government planning of airports and air-traffic control facilities. The bottlenecks already evident in the air and on the ground make it abundantly clear that the air-traffic system needs to be adapted to cope with rising demand.

3. Economic and monetary policy

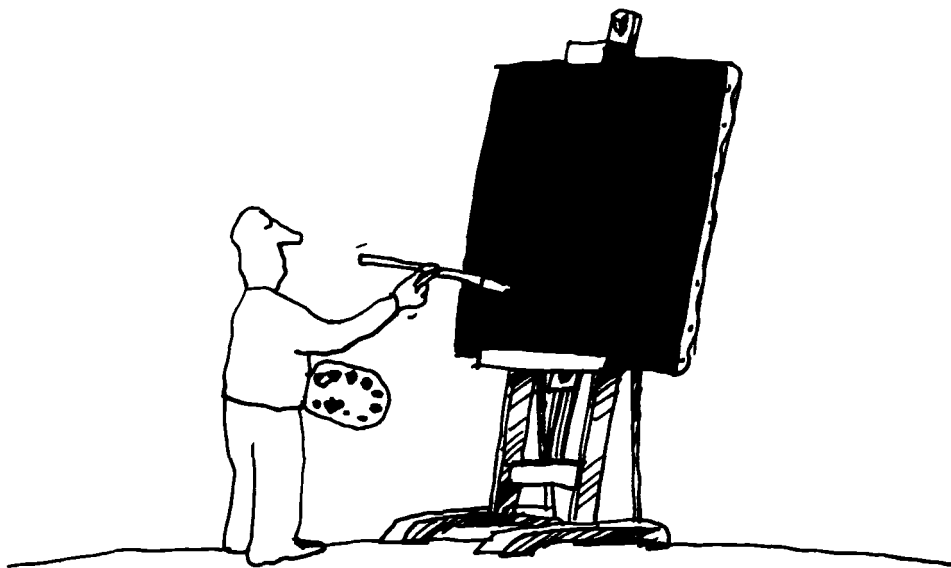
The Community's founders fully realized that the creation of the common market and the effective implementation of common policies would have to be accompanied by a common economic and monetary policy. It was clear that the gradual establishment of the common market would lead to growing economic interdependence between the Member States, making it more difficult for them to pursue their own short-term economic policy objectives. Conversely economic and monetary measures adopted by one country would have a considerably greater impact on its partners as economic

interdependence grew. It was therefore essential to establish at least some common ground in these policy areas.

However, when the Community was founded no one had sufficient courage to brave the leap forward to a common economic and monetary policy that would lead to economic and monetary union. The Member States were not prepared to yield their sovereignty to the Community in matters of monetary, budgetary and fiscal policy. Instead, the common aims of national economic policies were laid down, whereby the Member States committed themselves to the goals of full employment, price stability, balance of payments equilibrium and currency stability. The six founding members also resolved to coordinate their economic policies in close consultation with the Community institutions. But responsibility for formulating and implementing economic policy was to remain the sole prerogative of the Member States.

It very soon became apparent that the realities of progress in coordination fell far short of expectations. Although it was generally held to be of vital importance for the consolidation of European integration, the great step forward to economic and monetary union proved impossible to achieve.

At the 1969 Hague Summit the political leaders of the Community launched a new initiative for economic and monetary union. The Council and the Commission were instructed to draw up a timetable setting out the stages for its achievement. A committee was set up under the chairmanship of Pierre Werner, the Prime Minister and Finance Minister of Luxembourg, and in October 1970 the committee presented its final report. The 'Werner Plan' envisaged three stages on the road to economic and monetary union,



aiming to achieve the final stage ('Communitization' of national instruments for economic and monetary control and their use for common ends) by the year 1980. On 22 March 1971 the Council adopted a number of decisions, to be effective retroactively from 1 January, opening up the way for the first stage of economic and monetary union to begin.

But as early as April 1973 the Commission presented a sobering report to the Council on the initial stage. The Member States had achieved hardly any progress in coordinating their economic policies. Under the pressure of accelerating inflation everywhere and violent fluctuations on the international foreign exchange markets, they all preferred to seek refuge in unilateral national action rather than to embark on a common course with the prospect to medium-term success. Their political will to submit to a common discipline and to make effective use of the Community armoury was sacrificed to the desire for short-term gains. Nevertheless the Community endeavoured to keep to the timetable for economic and monetary union, with the second stage due to begin in February 1974. However, the attempt failed and the second stage never got off the ground. Instead the starting date merely saw the adoption of a number of individual measures to improve and extend the range of instruments available for monetary policy and the coordination of economic policies.

The setting up of the European Monetary System (EMS) in March 1979 gave a new dimension to European monetary cooperation. Its purpose was to create a zone of monetary stability in Europe as free as possible of wild currency fluctuations. It was primarily because of the volatility of exchange rates that European firms had fought shy of undertaking major, long-term investment projects in other Community countries and had been unable to take full advantage of the common market. With frequent unpredictable shifts in exchange rates, firms found that making broad economic calculations had become little more than a game of roulette, and the stakes were too high for their liking.

The EMS seeks to achieve its objectives of internal (price) and external (exchange rate) stability by means of a system of fixed but adjustable guidance rates resting on a variety of intervention and credit mechanisms. The obligations imposed on Member States by the system and the way in which it operates have led to greater convergence between the economic and monetary policies of the Member States, with the result that it is generally held to be a success. This is demonstrated most notably by the 3% rate of inflation recorded in the Community in 1986, the lowest rate in 20 years.

Within the system the 'ecu' plays a central role. (The name has a dual parentage: it stands for 'European currency unit'; at the same time it also revives the name of a 13th century French gold coin). The ecu comprises a 'basket' of the currencies of the Member States, each currency accounting for a proportion which is determined on the basis of the economic strength of the country in question. The exact value of the ecu in terms of each currency is fixed every day by the Commission and the rates are published in the *Official Journal of the European Communities* (C series).

The ecu fulfils four functions: it is the reference unit for the exchange rate mechanism; it acts as an indicator to determine when one currency deviates from the others; it serves as a unit of account for transactions under the intervention and credit mechanisms; and it is used for settling debts between national monetary authorities. It is also used as the unit of account for the Community budget, and all specific external duties, levies, refunds and other internal Community payments are expressed and settled in terms of ecus.

In private transactions the ecu offers businesses, workers, and the ordinary citizen protection against sudden fluctuations in exchange rates. For banking purposes it already operates as a fully-fledged Euro-currency, being used for private and business savings and overdrafts, especially by small and medium-sized firms and independent operators. The hope is that people will ultimately be able to use the ecu in any Member State as an acceptable alternative to the national currency. But this goal is still a long way off, and economic and monetary policies will have to grow much closer before it becomes a practical proposition.

Seen in a broader context, then, the pursuit of economic and monetary union is still very relevant to safeguarding the achievements of the common market and ensuring the continued progress of European integration towards the goal of European union.

The Single European Act therefore sought to revive the goal of economic and monetary union by writing into the EEC Treaty a binding commitment on the part of the Member States to work progressively to bring it about. Acting on the instructions of the Heads of State or Government, a committee of experts chaired by Jacques Delors, the President of the Commission, met to consider ways and means of achieving this objective. Their conclusions, known as the 'Delors Plan', were put before the Madrid European Council in June 1989.

The plan envisages the establishment of economic and monetary union in three stages. The first step is to bring the pound sterling, the drachma, the escudo and the peseta into the exchange rate mechanism of the European Monetary System by mid-1990 so that it covers all the Community currencies. Economic policy in the member countries is also to be more closely coordinated than in the past. The second stage would involve the adoption of new treaties gradually transferring national powers in the areas of fiscal, monetary and exchange-rate policy to the Community institutions. In the third and final stage an independent central bank system would be set up, paving the way for the introduction of fixed exchange rates (or a single currency).

In Madrid the Heads of State or Government agreed in principle to go ahead with the first stage, holding out the prospect of an intergovernmental conference on how to proceed to the second stage once the necessary preparatory work was completed.

4. Energy policy

Energy policy is a crucial factor for the continued growth and development of the European economy. Although the Community used to be largely self-sufficient in energy supplies, it has over the years become dangerously dependent — dangerous in both economic and political terms — on a number of countries outside Europe, particularly the oil-exporting countries. The consequences for the security of supplies and price stability were dramatically brought home by the sudden huge oil price rises in 1973 and 1979. The Community was forced to respond with a new energy strategy. The first steps in the direction of a common energy policy have already been taken.



HM the Queen unveils a commemorative plaque at the official opening of the European Community's JET research project into nuclear fusion at Culham, England, 9 April 1984. Present at the opening were President François Mitterrand of France (back to the camera), Mr Gaston Thorn, President of the European Commission, and representatives of the countries participating in the research.

All the Member States accept that even though they may continue to pursue national energy policies, there is also a Community dimension which requires the coordination of national measures, the completion of specific Community programmes, and the definition of fundamental Community objectives in this field. The primary objectives up to 1990 are to break the link between economic growth and energy demand, to keep oil imports below a certain level, and to increase the proportion of power generated from coal and nuclear energy. In order to guarantee adequate energy supplies up to 1995 and beyond, the Commission in 1985 put forward a series of new Community energy objectives reflecting the changes on the energy markets. These objectives indicate the path which the Member States should follow and to that extent they are evidence of general agreement on the broad lines of the policy to be pursued. But a true common energy policy is still a long way off and a wide range of specific problems and conflicts of interest between the Member States remain to be resolved.

In 1988 the Commission completed an exhaustive inventory of all the remaining obstacles to freedom of trade in the Community energy market. The aim now is to work towards completion of an internal energy market by gradually bringing these obstacles down and so helping to increase security of supplies, bring costs down and boost competitiveness. Here again, the Community will have to inch its way cautiously towards its goal; but integration is the only sure way to secure its future energy needs.

5. Research and technology policy

Research and technology pose one of the greatest challenges facing the Community today. Advances in this field are crucial for its political and economic future if it is not to fall hopelessly far behind the USA and Japan in the relentless technological race of the modern world. To this end it must mobilize its true wealth: the creative spirit and energy of its people. This potential is the basis for its scientific strength and competitiveness, on which rests the high technical and scientific quality of its industry and agriculture.

The balance sheet of achievements is quite impressive. Starting from the Treaties on coal and steel (ECSC) and the peaceful use of nuclear energy (Euratom), a comprehensive European research and technology policy has developed over the past 30 years and more. The Community supplements and concentrates national research with its own extensive scientific and technical research programmes. This avoids unnecessary duplication of effort and ensures the rational and effective use of funds. The Community is therefore principally concerned with research programmes which:

- (a) call for greater financial, personnel and technical resources than can easily be mobilized by the Member States individually;
- (b) involve projects that can only be properly tackled across national frontiers, such as protection of the environment; or

(c) serve to promote completion of the internal market (e.g. the definition of common standards).

Research programmes are adopted on a proposal from the Commission and can be carried out in one of three ways.

Direct action — Direct action projects are carried out by the Community's own Joint Research Centre, which has some 2 300 staff employed in establishments in Ispra (Italy), Geel (Belgium), Karlsruhe (Germany) and Petten (Netherlands).

Contract research — This is carried out by universities, research centres and industrial firms on a shared-cost basis.

Concerted action — Here the Commission acts primarily as a coordinator between individual national projects, ensuring the necessary compatibility and smooth flow of information.

The practical manifestation of these basic principles of Community research and technology policy is the framework programme drawn up by the Commission for 1984-87. This sets the following goals for the Community's numerous scientific and technical activities:

Promoting industrial competitiveness through the Esprit (European strategic programme for research and development in information technology), Brite (basic research in industrial technologies for Europe) and RACE (research and development in advanced communication technologies for Europe) programmes and various biotechnology programmes.

Improving the use of energy through programmes on controlled thermonuclear fusion, which includes the JET project (Joint European Torus) in Culham (UK). In operation since 1984, it is considered the most powerful nuclear fusion test installation in the world. In addition there are research programmes on non-nuclear energy (solar energy, energy from biomass, wind energy, geothermal energy, rational use of energy), reactor safety, management and storage of radioactive waste and the decommissioning of nuclear installations.

Improving the use of raw materials, with programmes on metals and minerals, recycling non-ferrous metals and substitution and materials technology.

Improving agricultural competitiveness, with programmes on the use and management of land and fisheries resources, on productivity in animal and crop farming and on structures.

Improving living and working conditions, with programmes on environmental protection and climatology, radiation protection and medical research.

Improving the efficacy of the Community's scientific and technical potential, with measures to promote scientific and technical cooperation and exchange in Europe and work on forecasting and assessment in science and technology.

Reinforcing development aid through research into agriculture in the tropics and tropical diseases.

Despite the relatively modest funds allocated (in 1985 the Community research budget amounted to only 3% of the total Community budget and 2% of national budgets) and the cumbersome nature of the decision-making procedure in the Council (where unanimity is required) the Community's research programmes have triggered off wide-ranging cooperation across national frontiers in practically every major area of scientific and technical research. In addition to this there is the prospect of broad technological advance on an unprecedented scale following the agreement reached in July 1985 in Paris on European Technological Cooperation (known as the Eureka project) between 17 European countries (the 12 Member States of the Community, together with Sweden, Finland, Norway, Austria and Switzerland).

With the rapid advance of science and technology worldwide, the Community must press ahead in this direction, further strengthening its joint research activities. The Community's leaders are fully aware of the challenge and the Single European Act reflects the general agreement that research and technology policy — which up till then had been based on Article 235 of the EEC Treaty¹ — should have its own place in the EEC Treaty.

¹ Article 235 of the EEC Treaty states: 'If action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the Assembly (European Parliament), take the appropriate measures.'

IV. A Community for the people

Any political system must attend to the needs of the people living under it, and the European Community is no exception. The Community endeavours to do this in two ways. First, all measures for economic integration are also geared towards the goal of social progress. The basic freedoms of the common market, for example, encompass not only the economic objective of a large internal market but also the individual freedoms which guarantee Community citizens a minimum measure of personal self-realization transcending national frontiers. Second, the Community has been able over the years to extend its responsibilities to various policy areas which directly affect the social life and well-being of its people. The door to significant progress was opened at the Paris Summit in 1972, when the Heads of State or Government agreed on the need for a common approach on social and regional policy, the environment and consumer protection. These are the policy areas which we shall look at in this chapter.

1. Social policy

Because of the high level of unemployment in the Community, especially among young people, social policy is coming to be regarded more and more as the touchstone of European integration.

The first outlines of a Community social policy can already be seen in the Treaties of 1951 (ECSC) and 1957 (EEC and Euratom). But the underlying assumption at the time was that the workings of the common market which they sought to create would more or less automatically bring the Member States' different social security arrangements into line with one another. The Treaties therefore did no more than sketch out the rudimentary features of a Community social security model. Apart from guaranteeing basic freedom of movement within the Community, they only specifically covered equal treatment for men and women, social security for migrant workers, vocational training and the establishment of a Social Fund.

By the early 1970s, however, the Member States came to realize that this minimalist view of the Communities' role in social policy had been overtaken by events. Experience had shown that the economic mechanisms of the common market did not automatically lead

to social progress and full employment. In 1974, therefore, the Social Fund was overhauled and the Community adopted a social action programme comprising some 40 measures aimed at full and better employment, improved living and working conditions and increased involvement of the social partners. Achievements so far include Directives covering worker protection against the hazards of noise and certain dangerous substances, equal treatment in the workplace, safeguards against mass redundancy, workers' rights in the event of takeovers, and worker security when firms go bankrupt.

The world recession of the late 1970s and early 1980s and the resulting economic pressures on the Member States, plus soaring unemployment, led to the formulation of a plan to take the idea of the common market a stage further and establish a true internal market. But this was not simply a response to the challenge posed by world economic trends and the breakneck pace of technological development; there was, too, a realization that the Community could only assert and consolidate its economic cohesion in the face of international competition if it also strengthened its social cohesion. It became accepted that Community social policy needed to be expanded just as much as economic, monetary and industrial policy.

The major changes introduced in 1987 by the Single European Act included giving the Community wider powers in the social field to enable it to press ahead with the coherent European social policy on which it had already embarked. The social dimension has thus become a vital part of the single market project, the aim being not simply to boost growth and strengthen competitiveness but to make fuller and more effective use of resources and to distribute the benefits more fairly.

After all, the whole exercise would be pointless if it were to jeopardize people's living standards and levels of social protection. Its justification lies precisely in the social progress and benefits which it will generate for everyone.

The level of occupational mobility within the Community is a key factor for the success of the single market, but at present it is too low and will therefore have to be encouraged as the internal market gradually takes shape. This means providing better opportunities for workers to exercise their right to move and settle freely in practice. The Commission is also working to raise training standards, with the focus on encouraging schemes for further training and the rapid integration of young people into working life. Improving health and safety at work is another major problem being tackled by the Commission, the emphasis here being above all on rules for the protection of workers exposed to hazardous substances.

The key issue, however, and the main focus of concern and effort remains the fight against unemployment. Completing the internal market marks the start of a process that will also stimulate job creation throughout the Twelve. But even with the accompanying measures to reinforce social cohesion, it will not bring about an immediate reduction in unemployment. So in the interim there will have to be a further increase in the resources made

available under the Community's structural policy (especially the Social Fund) to combat long-term unemployment and help young people find work.

Projects assisted by the Social Fund range from training in new information technology to aid for migrant workers and vocational training for the disabled. The balance to date is impressive: over 915 000 persons under 25 have been given basic vocational training on leaving school; more than 420 000 young people have been given additional training to improve their qualifications and 480 000 persons of all ages have found employment under the job creation measures.

Finally mention should also be made of Article 119 of the Treaty, which requires men and women to be given equal pay for equal work. This amounts to a guaranteed fundamental right for women workers in the Community — a right which they can enforce *vis-à-vis* their employers through the national courts. In the mid-1970s women's rights were substantially strengthened by three Directives which extended the legal guarantees of equal treatment at work beyond the field of equal pay so as to include access to employment, vocational training, working conditions and promotion, and social security.

The Commission has proposed underpinning the foundations of Community social policy by means of a Social Charter of basic rights which will reflect the European model of society, social dialogue, and the rights of each and every individual in the Community.

2. Regional policy

In the Preamble to the EEC Treaty the Member States declared their aim of 'reducing the differences existing between the various regions and the backwardness of the less-favoured regions'. The Community set about the task with the creation of a number of structural Funds. The centrepiece is the European Regional Development Fund (known as the Regional Fund for short), which was set up on 18 March 1975. The Social Fund also operates along regional lines in the sense that the level of assistance available for labour market measures is geared to the scale of the problems facing each individual region. Lastly there is the EAGGF Guidance Section, which helps to finance structural measures in rural areas. With effect from 1 January 1989 the Funds were completely overhauled so as to give them a much greater impact: assistance is to be specifically targeted towards national schemes to stimulate investment and create jobs in less-developed regions, so helping to reduce the disparities between rich and poor regions of the Community. The key element in this reform is the doubling of the Funds' resources between 1987 and 1993, rising from ECU 7 800 million in 1988 to ECU 14 100 million eventually. The money is to be allocated among regions according to five objectives:

- Objective 1 — Regions whose development is lagging behind;
- Objective 2 — Areas affected by industrial decline;

Objective 3 — Combating long-term unemployment;
Objective 4 — Combating unemployment among young people;
Objective 5 — Speeding up the adjustment of agricultural structures and promoting the development of rural areas.

Objective 1 encompasses large parts of Spain and Italy, the whole of Greece, Portugal, Ireland and Northern Ireland, the French Overseas Departments and Corsica. A list of the regions to receive aid under the other objectives is currently being drawn up using more general criteria.

This reform entails a massive effort on the part of the Community. But it is yet another essential component of the internal market project, since one of the aims is precisely to reduce regional disparities within the Community.

3. Environment and consumer protection

The Treaties make no explicit reference to environment and consumer protection as one of the Community's tasks. The explanation is principally that the threat to the environment and the risks facing the consumer were less readily apparent when the Rome



Treaties were signed in 1957 than they are today. It is, however, characteristic of the Community — and clear evidence of the dynamic force of integration — that it has been able to adapt its range of policy instruments to suit the changing needs of the times and society.

The Community's environment and consumer protection policy was launched at the Paris Summit in 1972, when the Heads of State or Government declared protection of the environment and the consumer to be one of the Community's most important and pressing concerns and called for the preparation of action programmes to set such a policy in motion. The Commission responded by drawing up a series of detailed and comprehensive programmes which have since been steadily refined and expanded. Originally the legal basis for this action, as for research and technology policy, was Article 235 of the EEC Treaty; but under the Single European Act environment policy has now been given its own place in the Treaty.

The main areas of progress in environment policy have been the prevention and monitoring of air and water pollution, the disposal of used oil and other wastes, the control of chemical pollution, and the preservation of wild birds.

In 1986 the Council of Ministers adopted three new environmental programmes proposed by the Commission focusing on:

- (i) the causes of acid rain and the effects of small quantities of heavy metals on health;
- (ii) climatic research into the effects of deforestation and the improvement of fossil fuels;
- (iii) limiting the technological hazards in the chemical and petrochemical industries.

In the field of consumer protection, a whole series of Directives on health and safety have been issued, notably on preservatives and additives in foodstuffs, industrial goods, textiles, motor vehicles, pharmaceuticals, and cosmetics. There have also been important Directives on product liability and misleading advertising. Further Commission proposals on door-to-door sales and consumer credit are pending before the Council.

But with the rise in pollution levels and the growing risks to the consumer, all these measures are no more than a step in the right direction. Many more comprehensive and, above all, preventive measures must follow. However, promising initiatives often come up against major obstacles because of their implications for other policies (especially competition and social policy). A striking example was the recent controversy surrounding the fitting of cars with catalyst converters. This merely serves to highlight the need for unrelenting determination to keep sight of the medium-term and long-term objectives.

The creation of the single market, however, promises to ease matters considerably and make for appreciable progress in all these fields. The economic growth it is expected to generate presents not only a challenge but also an opportunity to attain a high level of protection. Protection of the environment and consumers, then, is yet another key aspect of the 1992 venture.

V. The Community in the world

The Community is the largest single trading block in the world and as such plays a leading role alongside the USA on the world stage, with interests in practically every corner of the globe. More than 100 countries have diplomatic missions to the Community in Brussels, while the Community itself has representative offices throughout the world and at all the major international organizations. This is partly a reflection of Europe's responsibilities for peace, freedom and prosperity in the world; but it also serves to fulfil a very basic need, given Europe's economic dependence on a wide variety of imports (e.g. energy supplies, raw materials, finished industrial goods).

The Community has been given wide powers for shaping its economic relations with the outside world. The position is, however, delicate since these powers are in potential conflict with the general foreign policy powers which the Member States have, by tradition, always retained. The instruments available to the Community under the Treaty for shaping and asserting its position in the world range from a common commercial policy, to association agreements with individual countries or groups of countries and a Community development policy.

1. Common commercial policy

Presenting a common front to the world at large, in other words to non-member countries, is the reverse side of the creation of a unified internal market. It was therefore logical that foreign trade should be an area of common policy. Responsibility for the precise formulation of this policy lies with the Community, whose main tasks are to fix and adjust common customs tariffs, to conclude customs and trade agreements, to harmonize measures liberalizing trade with non-member countries, to plan export policy and to decide on action to protect trade, particularly against unfair trading practices (e.g. dumping or subsidies). It would be impossible to give a comprehensive review here of all the Community's activities in the field of commercial policy. Two aspects, however, deserve special mention.

The Community plays an active part in international negotiations for the development of world trade which are held under the auspices of GATT or Unctad (United Nations

Conference on Trade and Development). It has concluded numerous agreements to promote trade and wider economic cooperation. Recently it has also increasingly been involved in efforts to resolve trade conflicts, negotiating with Japan, for example, in order to open up the Japanese market to European goods and products. In order to protect crisis-hit industries in the Community, particularly steel, it has concluded a number of 'self-restraint' agreements with non-member countries to prevent the European market from being flooded with imports. Conversely, it has itself agreed to self-restraint as regards European exports of steel to the US market.

The second notable aspect is the Community's relations with the State-trading nations of the Council for Mutual Economic Assistance (commonly known as Comecon). Until the mid-1970s, these countries refused to recognize the Community as a negotiating partner, with the result that a Community approach in relations with them was impossible. But since then their attitude has shifted. A joint declaration on the opening of official relations between the Community and Comecon was signed in Luxembourg on 25 June 1988, providing a framework for future cooperation, and talks on the form and substance of trade links are now under way between the Commission and the Comecon Secretariat.

Nevertheless the fact remains that, for the moment, formal agreements exist only between the Community and some individual State-trading countries (such as Romania, Czechoslovakia and Hungary) or between individual Member States and Comecon countries. By a special arrangement, the Member States are allowed to maintain and renew these agreements, even after the transfer to the Community of all responsibility for foreign trade policy. They may not, however, conclude new agreements. In order to preserve good neighbourly relations and to promote the continued flow of trade with Comecon, the Council of Ministers adopts unilateral import arrangements pending the conclusion of new trade agreements with the State-trading countries.

2. Special trading arrangements

(a) Association agreements

Association agreements establish special links with non-member countries extending beyond the purely trade aspect to include close economic cooperation and financial assistance. They can be divided into two categories.

Agreements to maintain the special relationships that exist between some Member States and certain non-member countries

The main reason for introducing arrangements for association was to accommodate the special economic links which some overseas countries and territories maintained as a

result of their former colonial ties with Belgium, France, Italy and the Netherlands. Because of the considerable disruption of trade with these countries caused by the introduction of a common external Community tariff, special arrangements were necessary in order to extend to them the Community system of unrestricted trade. At the same time customs duties on goods from these countries were lifted. Financial and technical assistance is dispensed by the European Development Fund.

Agreements to prepare the way for possible accession or with a view to the creation of a customs union

Association arrangements are also important in preparing for the accession of new members. They form a kind of preliminary stage to accession, designed to help a country that has applied for membership to bring its economy into line with the rest of the Community. This approach proved its value in the case of Greece, which obtained associated status in 1962. Another example is the association agreement signed with Turkey in 1964; this, too, holds out the ultimate prospect of accession.

(b) Cooperation agreements

Cooperation agreements are less comprehensive than association agreements, their aim being merely to promote intensive economic cooperation. The Community has concluded agreements of this kind with such countries as the Maghreb (Morocco, Algeria and Tunisia) and Mashreq (Egypt, Jordan, Lebanon and Syria) groups and with Israel.

3. Development policy

For the Community, promoting relations with the developing countries is not merely a question of economic necessity in order to secure its supplies of raw materials and to expand the markets for its goods; it is also a token of solidarity with the less prosperous and poorest countries on earth.

The most significant expression of this concern is to be found in the Lomé Conventions of 1975, 1979 and 1984, which have formed the basis for cooperation between the Community and many African, Caribbean and Pacific (ACP) countries. Between 1975 and the end of 1985 their number had grown from the original 46 to 66, reflecting the need to allow the 'overseas territories' which gained their independence over that time to maintain and develop their economic links with the Community within a framework of partnership.

Under the Lomé Convention exports from the ACP countries enjoy duty-free access to the Community market and quantitative restrictions are prohibited; only in the case of



The people of Lomé learn about the signing of the first Lomé Convention inaugurating close cooperation and aid between the European Community and 46 countries in Africa, in the Caribbean and in the Pacific, in Lomé, Togo, on 27 February 1979. By 1985, the number of ACP signatories to the Convention's successor, the third Lomé Convention, had grown to 66.

a few agricultural products are there special arrangements. Discrimination is prohibited as regards the right of establishment and freedom to provide services.

Another notable aspect is the system set up to stabilize export earnings (known as Stabex). This is designed to offset the negative effects of major fluctuations in world prices for certain raw materials on which the ACP countries' export earnings largely depend (e.g. tea, coffee, cotton, groundnuts, bananas, timber and leather). To finance the scheme the Community has set aside ECU 925 million under the third Lomé Convention (Lomé III). If an ACP country's export earnings for a given product in any year fall 6% or more below the average level over the previous four years (1.5% in the case of the poorest countries), it can request a transfer from this fund. Since Lomé II there has also been a system to support mining products — known as Sysmin — for which the Community has earmarked ECU 415 million under Lomé III. The scheme allows ACP countries to claim (repayable) assistance in the event of reductions in production capacity owing to falling world prices or some other factor. The Community has also agreed under Lomé III to

make ECU 7 160 million available in the form of subsidies, special loans, risk capital and low-interest loans for development projects, particularly in agriculture, infrastructures, energy, industry and fisheries.

Lastly there is the Community food aid programme, which amounts to some ECU 500 million a year. This form of development aid is steadily gaining in importance, especially as an element of food/nutritional strategies and 'food-for-work' schemes.

VI. The Community and progress towards political union

Following the premature demise in the early 1950s of the scheme to establish a European Political Community and the failure in 1954 of the proposed European Defence Community, no further initiative on political union was launched until 1961. At the Bonn Summit that year the leaders of the Six instructed a Committee chaired by Christian Fouchet, the French Ambassador to Denmark, to submit proposals for a political charter for 'the union of their peoples'. In an effort to find a formula that would be acceptable to all, the Committee presented two successive drafts — known as the Fouchet Plans. But in the course of negotiations a stream of amendments and alternatives were put forward, reflecting the divergent views of the Member States on the nature of such a union and the form it should take. The differences between them proved quite intractable and eventually on 17 April 1962, at a meeting of the Foreign Ministers in Paris, it was decided to suspend the negotiations. This meant that for some years afterwards hardly any genuine progress was made towards the political goal of 'laying the foundations for an ever closer union among the peoples of Europe'.

Not until the early 1970s was the impetus renewed. Taking up the call for progress on economic and political union made at the Hague Summit in December 1969, the political leaders of the Community at the Paris Summits of 1972 and 1974 proclaimed as their goal the attainment of European union by the end of the decade. Leo Tindemans, the Belgian Prime Minister, was invited by his fellow Heads of Government to submit a comprehensive plan for European union on the basis of reports presented by the Commission, the European Parliament, the Court of Justice and the Economic and Social Committee. The Tindemans Report envisaged completion of the union by 1980 by means of:

- (i) the establishment of economic and monetary union;
- (ii) reform of the Community institutions;
- (iii) the implementation of a common policy;
- (iv) the implementation of common regional and social policies.

This proved too ambitious a goal to be achieved by the proposed deadline. In the last analysis failure was due to the irreconcilable fundamental differences between the Member States on the constitutional structure and institutional reforms that were needed.

Nevertheless, the 1970s brought tangible progress on integration and a number of new Community policy instruments were introduced, widening the scope for the coordination of national policies.

In 1970 European political cooperation (EPC) was set up as an instrument for voluntary foreign policy coordination and has since been steadily extended and improved. Cooperation between the Foreign Ministers and their departments under EPC takes the form of regular, fairly frequent meetings and consultations, with additional contacts as and when the need arises. The aim is to improve mutual understanding between the Member States on all major foreign policy issues and to align and coordinate their positions with a view to common action wherever possible, so strengthening solidarity among them. Originally European political cooperation operated largely outside the Community institutional framework, since the Community's powers are limited under the Treaties to economic matters and foreign trade policy. Like the Community, however, EPC is ultimately intended to foster European unity; indeed, EPC and the Community are the pillars on which that unity must rest. The links have now been strengthened under the Single European Act and placed on a formal legal footing, although EPC is still not incorporated in the EEC Treaty. The most notable successes achieved to date are the coordinated approach adopted by the Member States at the Helsinki Conference on Security and Cooperation in Europe and its follow-up in Madrid, and their common stand on issues raised in the United Nations.

The early 1980s saw the start of a continuing reform debate under mottoes such as 'second-generation Europe', 'relance européenne', or 'European union'. The most notable of the many initiatives and reform proposals put forward is the draft Treaty establishing the European union. The brainchild of Altiero Spinelli, it was adopted by a large majority



The European Parliament meets in Strasbourg, France, 17-20 July 1979, after being directly elected for the first time by the people of the European Community on 14-17 June 1979.

in the European Parliament on 14 February 1984. It is an initiative which marks a qualitative leap by Parliament on the road towards European union.

The proposed Treaty provides for the transfer to the union of new powers which reach right to the heart of the national domain, covering such areas as economic and monetary policy, social policy including welfare and health, and — in foreign policy — security, peace and disarmament. Union legislation would be enacted under a bicameral arrangement very similar to a federal system, the aim being to achieve a balance between the European Parliament and the Council of the Union (comprising representatives of the member governments). This would give the European Parliament joint legislative and decision-making powers commensurate with its position as the legitimate democratic representative of the people.

The draft Treaty marks the high point so far in the reform discussion surrounding the future course of European integration. Although the draft Treaty has no chance of being ratified by the national parliaments and thus becoming law, it presents a major challenge to the Member States, a public test of the seriousness of their commitment to real progress towards integration, forcing them to show their true colours.

It is a challenge which they have taken up. At the Stuttgart European Council of June 1983, the Heads of State or Government were able to agree only on 'broad action to ensure the relaunch of the Community'. At the Fontainebleau and Milan Summits in June 1984 and 1985 they took up Parliament's initiative and, following their previous declarations of intent, decided on concrete action on two parallel fronts in order to lend a new dimension to European integration.

The first area of action was institutional reform. An *ad hoc* Committee on Institutional Affairs (the Dooge Committee) was set up under the chairmanship of the Irish Senator, James Dooge. Rather like the Spaak Committee, which had prepared the basic texts for the negotiations on the establishment of the EEC and Euratom, it was composed of personal representatives of the Heads of State or Government. The Committee's mandate was to make suggestions to improve European cooperation in both the Community field and European political cooperation and to consider possible areas for progress towards European union.

The second line of approach was to work towards a 'people's Europe' which will pay greater heed to the concerns and interests of the ordinary citizen. Again the task of drawing up concrete proposals was entrusted to an *ad hoc* committee, which started work on 7 November 1984 under the chairmanship of Pietro Adonnino. Its conclusions are dealt with in the final section of this booklet.

The Dooge Committee offered the most likely prospect of immediate progress on political integration. The Committee's final report, which served as a basis for discussion by the Heads of State or Government at their meeting in Milan in June 1985, pointed the way

towards European union through the creation of an economic area without internal frontiers, the strengthening of European political cooperation by including security and defence, and the improvement of decision-making by extending the rights of Parliament. After a rather strained discussion of these and a number of other proposals submitted by various Member States and the Commission, the Milan European Council decided to convene an Intergovernmental Conference to negotiate a treaty on foreign and security policy and to work out amendments to the EEC Treaty before the next European Council meeting in Luxembourg on 2 December 1985.

The Conference, conducted in an atmosphere of feverish activity and often rather heated discussion, focused principally on extending the common market, incorporating monetary cooperation into the EEC Treaty and strengthening the powers of Parliament. The negotiations demonstrate very clearly how difficult it still is to reconcile national interests with the demands of European integration.

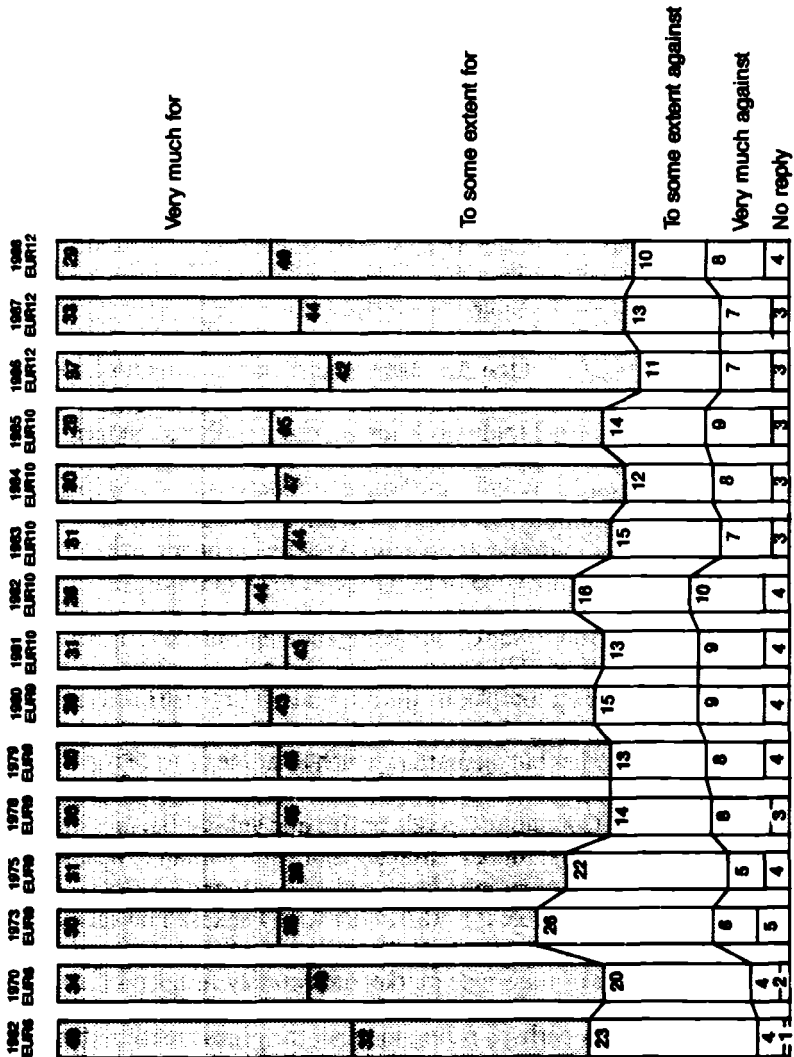
All the Member States agreed in principle on the Commission's proposal for completion of the European internal market by 1992 — but only if what they regarded as their essential interests were safeguarded. In concrete terms this meant that none of them was prepared to sacrifice sovereignty in the key area of taxation by agreeing to majority voting in the Council on measures to harmonize tax systems (measures which are vital for the establishment of the internal market); any changes to tax systems were to be decided, as in the past, by unanimous vote. On the question of approximating national legislation to liberalize trade, Britain and Ireland entered reservations about majority voting on the harmonization of animal and plant health regulations, claiming that their existing health controls were needed to keep infections such as rabies and foot-and-mouth disease out of the islands. Denmark and Germany saw harmonization by majority voting as a threat to their strict rules on environmental protection, safety at work and food hygiene and quality, since it would inevitably lead to a drop in standards.

The incorporation of the EMS into the EEC Treaty — vigorously advocated by Jacques Delors, the current President of the Commission — was supported only by the French, Belgian and Italian delegations. The Federal Republic of Germany, the United Kingdom and the Netherlands were unhappy about the idea of allowing the Community institutions any say in the further development of economic and monetary cooperation. The German Government in particular was concerned that such a move might affect the stability of the mark and restrict the independence of the Bundesbank.

Nearly all the governments agreed that Parliament's role in the Community should be enhanced. But again none of them — except Italy — ever envisaged granting it real decision-making powers. The Danish Parliament, the Folketing, had even forbidden the Government to agree to any such amendments to the Treaties. The UK Government intimated that it could not agree to anything that would grant the European Parliament powers which the national parliament did not enjoy.

Uniting western Europe

In general, are you for or against efforts being made to unify western Europe? Are you very much for, to some extent for, to some extent against or very much against?



This brief look behind the scenes clearly shows that none of the Member States is yet willing or able to take the bold step of sacrificing a substantial portion of its national sovereignty and setting out on the road to European union so clearly marked out in Parliament's draft Treaty. It was hardly to be expected, then, that the Luxembourg European Council of 2 December 1985 would mark the birth of the European union.

Nevertheless, the decisions taken at Luxembourg provide a sound platform for closer cooperation in the important areas of the internal market, the environment, research and technology and foreign policy. The most significant feature is that the concrete steps envisaged were not set out in a final communiqué, as is normally the case after a summit, but were incorporated in the legal framework of a 'Single European Act'.

The Preamble to the Single Act reiterates the broad objective — creation of a European union — which the Community and European political cooperation are meant to help achieve. The Act then lays down the detailed legal framework needed for practical progress in the areas agreed, with provisions covering the Community institutions, the internal market, economic and monetary cooperation, social policy, research and technological development, and the environment (these have been dealt with in the relevant chapters). The provisions of the Act take the form of amendments and additions to the existing Treaties. The third part of the Act deals with European foreign policy cooperation, setting out a legal framework for European political cooperation.

With its entry into force on 1 July 1987, the Single European Act became part of the legal bedrock on which the Community rests and on which European union is to be built. The task now is to make full use of the new opportunities which it opens up in order to further the cause of integration for the good of everyone in the Community.

Taking stock of progress so far towards completing the single market, the results are quite impressive. By the end of 1988, 228 proposals (out of the 279 measures envisaged in the Commission's White Paper on completing the internal market) had been presented to the Council for a decision, of which 128 had already been adopted. Moreover these are not merely decisions on side issues but on matters which lie at the heart of the whole venture — notably the mutual recognition of degrees and diplomas and the liberalization of capital movements, intra-Community goods traffic, and substantial areas of public procurement. Even though several fundamental decisions still remain to be taken — for example on the harmonization of indirect taxes and on economic and social matters — it is none the less clear that the process is well under way. The task now facing the Twelve is to channel this energy into steady, continued progress so that the great expectations awakened by the prospect of the single market are actually fulfilled in practice.

At this point, however, it is perhaps fitting to recall the phrase used by Jacques Delors to describe the Single European Act: he called it a 'compromise for progress', giving us a sober reminder that Rome was not built in a day. It will take patience and the personal commitment of every individual to overcome the centuries of national divergence and bring about ever closer union among the countries and peoples of Europe.

Epilogue: The Community and its citizens

Whether the process of European integration and the progress already achieved can be effectively continued to full fruition depends on their being accepted by the people of Europe and sustained by a sense of European identity. The sheer complexity of decisions at Community level and the intricacies of the Community's workings make it hard for people to grasp the full implications and tend to hamper the emergence of the necessary sense of solidarity and common interests. European integration must remain credible. That this is something to which people are very sensitive is clearly reflected in opinion poll findings and in the poor turnout for the June 1989 elections to the European Parliament. It showed that people are not prepared to accept the inconsistency between sweeping declarations and statements of intent and the failure to give substance to them in many areas of daily life. As noted earlier this is especially true as regards agricultural surpluses and frontier checks on persons, goods and currency.

To counteract this discontent a series of measures are to be taken that will have a tangible effect on people's daily lives. In 1985 the *ad hoc* Committee on a people's Europe presented two reports proposing a package of measures subsequently endorsed by the European Council, some of which the Commission has already submitted to the Council of Ministers for a decision. The proposals cover a broad spectrum including the abolition of systematic checks at internal Community frontiers, wider opportunities for Community citizens to work and live in other Member States, closer cooperation in the fields of culture, youth policy, education, sport and health, and the introduction of symbols to strengthen the Community's image and identity.

One of the most urgent tasks is to bring about genuine simplifications in the checks on Community citizens at internal borders, where the continued existence of physical barriers, 'customs' signs and often lengthy waiting times are both symbolic and very visible evidence of the practical shortcomings of European integration. A welcome first step in this direction is the Council's decision of November 1986 to abolish customs signs at internal frontiers between the Twelve from 1 January 1988. They will be replaced by signs showing the Community symbol (a circle of 12 yellow stars on a blue background) and the name of the Member State. A European passport has also been agreed by the Twelve and already introduced by most of them — except the United Kingdom, the Netherlands, Spain and Portugal. Besides these measures the main outstanding tasks are to raise the allowances for personal items (at present ECU 350 per person) and postal consignments, to prevent double taxation, to reduce the formalities for domestic removals and to simplify currency controls.

Providing wider employment opportunities requires, among other things, a decision on the long-standing unresolved issue of recognition of higher education diplomas. Training standards are high in all the Community countries so that it should be possible to obtain qualifications in any Member State — indeed, it would be absurd to argue that a person

loses his or her skills and knowledge when crossing a border. There should also be a decision of principle on a general right of residence in any Member State for all citizens of the Community. Beyond this the Commission has proposed giving Community nationals the right to vote in local elections wherever their main centre of interest lies. The opportunity which this offers for people to play an active part in the process of framing political objectives is a crucial factor for promoting integration and developing and strengthening a sense of common interests. The proposal has already been endorsed by the vast majority of MEPs and now needs only to be adopted by the Council.

In the field of cultural cooperation, consideration is being given to the establishment of a Community-wide 'audiovisual area'. Not only are Community citizens to have maximum access to other Member States' national broadcasts but they will also be able in the future to tune in to a truly European multilingual channel. Every year a European 'city of culture' is designated and 1988 was declared 'European cinema and television year'.

A crucial aspect is the strengthening of European youth work and education, with the major task of fostering understanding between the peoples of the Community. Besides improving language teaching, this involves giving attention to the European dimension in the classroom and promoting both general and vocational youth exchanges (YES programme), student mobility and cooperation between universities (Erasmus programme).

Progress on the health and social security front is to be secured by facilitating access to medical attention for travellers anywhere within the Community. Commission proposals in this area have already been put before the Council, including one for the issue of health cards and another aimed at ensuring continuity of treatment for dialysis patients. Living conditions for the handicapped and the socially deprived are to be substantially improved and medical research and technology, especially in the field of cancer, is to be intensified. Attention is also to be given to combating drug abuse, the aim being to cooperate with existing bodies on the prevention and treatment of addiction and the social reintegration of addicts.

Finally, symbolic action to strengthen the Community's image and identity includes the recent introduction of a Community flag, emblem and anthem. Let us hope that these measures will bring a people's Europe a good deal closer, transforming the European Community into a tangible reality in the daily lives of its citizens, and making people aware of the value of working for a united Europe.

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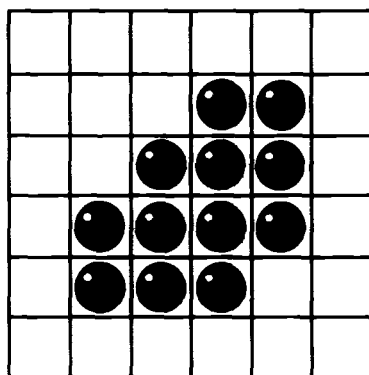
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