

# EUROPEAN INTEGRATION

The origins and growth of the European Union

by Dr Klaus-Dieter Borchardt



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The origins and growth of the European Union  
(Fourth edition)

by Dr Klaus-Dieter Borchardt  
Manuscript completed on 15 January 1995  
Cover illustration: Paolo Guidotti  
Illustrations: Fynn Nygaard, Anne Howeson

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Cataloguing data can be found at the end of this publication

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Luxembourg: Office for Official Publications of the European Communities, 1995

ISBN 92-826-9744-4

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*Printed in Italy*

Printed on white chlorine-free paper

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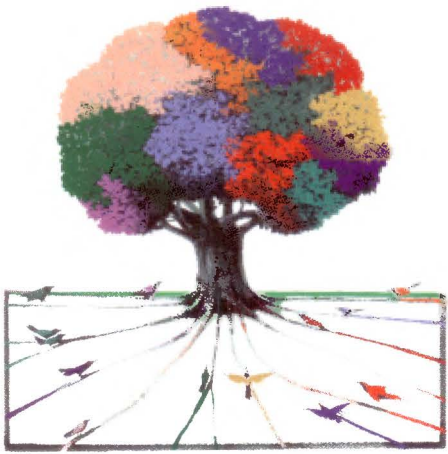
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## INTRODUCTION

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Even before the founding of the European Community and its development into the European Union, 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 through hegemony or by force. On the other hand, there had also been schemes for a peaceful, voluntary association of States on terms of equality, especially after the harrowing experience of the First World War. In 1923, for instance, the Austrian founder-leader of the Pan-European Movement, Count Coudenhove Kalergi, had called for the creation of a United States of Europe, citing such examples as the successful assertion of Swiss unity in 1848, the forging of the German Empire in 1871 and, before all else, the independence of the United States of America in 1776. And on 5 September 1929, in a now famous speech to 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. In that case, though, the immediate aim went no further than securing closer cooperation between the States of Europe, leaving their national sovereignty intact.

All these efforts for peaceful unification, however, failed to make any real headway against the still dominant tides 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 total collapse and the political and economic disintegration of 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 considerations.

- First was Europe's realization of its own weakness. Through conflict and war its age-old place at the centre of the world stage was lost. That place was taken instead by the two new superpowers, the United States of America and the Soviet Union, each now wielding far greater military, political and economic might than Europe's divided patchwork of States could muster.

- Second was the conviction, summed up in the motto 'Never again!', that the possibility of renewed military conflict must be banished forever. After 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 became the mainspring of all political action.

- Lastly there was the earnest desire to create a better, freer and more just world in which international relations would be conducted in a more orderly way.

Viewed as a whole, the postwar steps towards European unification offer a confusing picture that is calculated to baffle anyone but the expert. A host of different organizations, largely unconnected, 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 Union, which is itself built on the foundations of the European Coal and Steel Community, the European Atomic Energy Community and European (Economic) Community. Their membership ranges from 10 in the WEU to 25 in the Council of Europe.

Looking at their underlying aims, however, a clear pattern begins to emerge, revealing three major groups:

- The first group consists of the transatlantic organizations that grew out of the close links forged between Western Europe and the United States of America after the war. Indeed it was an American initiative that led to the founding of the first postwar European organization in 1948. The US Secretary of State, George Marshall, called on the countries of Europe to pool their efforts for economic reconstruction and promised American aid in return (which eventually took shape as the Marshall Plan). The European response was to set up the Organization for European Economic Cooperation (OEEC). This was later renamed the Organization for Economic Cooperation and Development when, in 1960, the United States and Canada also joined after agreeing with its members to extend its activities to include development aid for the Third World. The founding of the OEEC was followed in 1949 by NATO, a military pact between the USA, Canada and most of the free States of Europe. The next organization to be founded was the WEU in 1954, which was intended to strengthen security cooperation between the countries of Europe. This widened the existing Brussels Treaty between the United Kingdom, France, Belgium, Luxembourg and the Netherlands to include the Federal Republic of Germany and Italy, and has subsequently also taken in Portugal, Spain and Greece. 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 organizations is that they are designed to enable as many countries as possible to become members. This meant conceding the limitation that their activities would not extend beyond the scope of normal international cooperation. One such organization is the Council of Europe, founded



on 5 May 1949 to foster political cooperation. Its statute contains no reference to any such goals as federation or union, nor does it foresee any transfer or pooling of portions of national sovereignty. Decision-making rests entirely with a Committee of Ministers and unanimity is required for all decisions on matters of substance, which means that any country can veto a decision as in the United Nations Security Council. In addition there is a Parliamentary Assembly, but its role is purely consultative and it has no legislative powers. All it can do is to put recommendations to the Committee of Ministers. However, any recommendation can be turned down by a single vote, as the Committee is not answerable to the Assembly. And even after a proposal has been adopted by the Committee of Ministers, it still has to be ratified by the national parliaments before it can have the force of law. The Council of Europe, then, serves merely as an instrument of intergovernmental cooperation. Nevertheless its contribution to the cause of European unity and solidarity cannot be rated highly enough. In pursuing its aims of forging closer links between the countries of Europe and promoting their economic and social progress it has been highly successful. Its membership has grown from the 10 original founders to 25 (the United Kingdom, France, Belgium, the Netherlands, Luxembourg, Italy, Ireland, Denmark, Norway and Sweden, plus Greece, Turkey, the Federal Republic of Germany, Austria, Cyprus, Switzerland, Malta, Iceland, Portugal, Spain, Liechtenstein, Finland, San Marino, Hungary and Poland). Under its auspices a wide range of economic, cultural, social and legal conventions have been concluded, the most significant and best known of them being 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 set up a system for legal remedy, empowering the institutions established 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 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 continue to exist separately side by side. In terms of political reality, however, they can be treated as a single unit. Their creation can be regarded as marking the birth of the 'European Community'. The major innovation of the EC compared with other international bodies is that its members have given up part of their national sovereignty with the goal



of forming a cohesive, indissoluble organizational and political unit. They have conferred on it sovereign powers of its own, independent of the Member States, which it can exercise to adopt acts that have the force of national law. The EC also forms the core of the 'European Union' established on 1 November 1993 with the entry into force of the Maastricht Treaty.

The European Communities, then, offer the most advanced example of European

integration, and this booklet will look in some detail at their origins and how they developed into the European Union.



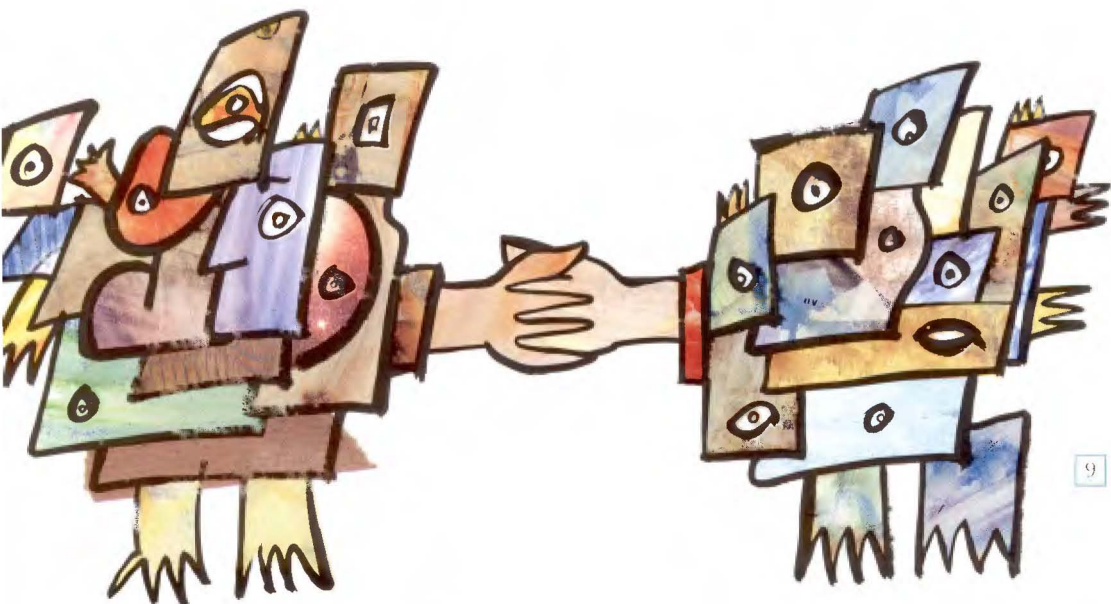
## THE ORIGINS OF THE EUROPEAN UNION

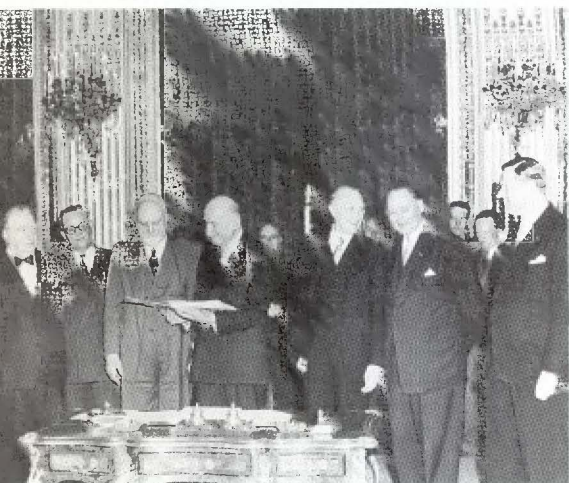
### ■ FROM EUROPEAN COMMUNITY TO EUROPEAN UNION

The first 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. 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, Schuman realized, was to bind Germany politically and economically into a firmly based grouping of European States. His plan thus took up the idea put forward by Winston Churchill in his famous speech in Zurich on 19 September 1946, when he had called for the creation of a United States of Europe, singling out the

essential need for Franco-German cooperation. Churchill, however, had envisaged the United Kingdom's role as a promoter rather than as an active participant. Thus on 18 April 1951 Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands signed the Treaty establishing the European Coal and Steel Community (ECSC) and on 23 July 1952, when it came into force, the Schuman Plan became a reality. The new Community's founding fathers hoped that it would be the seed from which further European political integration would grow, culminating in the emergence of a European Constitution.

Meanwhile in October 1950, with the ECSC Treaty not yet even signed, the French launched the idea of a European Defence Community (EDC) in what became known as the Pléven Plan. The outbreak of the Korean War and mounting East-West tension highlighted the need for a greater defence effort by Western Europe, including West Germany. But the wounds of the Second World War had hardly begun to heal and in French eyes,





*The 'founding fathers' of Europe at the signing of the first Treaty, setting up the European Coal and Steel Community, on 18 April 1951 in Paris. Six countries laid the foundation for a completely new form of international cooperation, unique in the world to this day, aimed at securing peace and prosperity. Around the table from 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 and Johannes van den Brink (both Netherlands).*

of the six founder members of the ECSC launched a new initiative for 'the creation of a united Europe'.

At the Messina Conference they decided to return to the goal of greater European unity, but this time reverting to the approach begun with the ECSC by focusing on the less emotionally charged issue of economic integration. The EDC plan had obviously been over-ambitious. Now the aim was more modest, but more realistic. A committee chaired by the Belgian Foreign Minister, Paul-Henri Spaak, was asked to consider possible moves for further integration. In 1956 the committee concluded its work and its report served as a basis for negotiations leading eventually to the Treaties establishing the European Atomic Energy 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.

especially, the idea of a German national army was unacceptable. Once again the answer was to bind it into a supranational Community – this time militarily – and so ensure adequate control of a re-armed Germany. In August 1954, however, the plan was dashed when the French National Assembly refused to ratify the Treaty, unable to countenance the far-reaching curbs on French sovereignty which abandoning the right to a national army would entail.

The failure of the European Defence Community dealt a severe blow to efforts for political integration in Europe and for a while optimism gave way to resignation. But then in June 1955 the foreign ministers

Encouraged by their initial success, especially in the economic field, the Six returned in the early 1960s to the goal they had never completely abandoned: closer political integration.

At a summit in Bonn in 1961 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 first and second Fouchet Plans). But the differences between the member countries over the nature of the union and the form it should take proved so intractable that eventually the foreign ministers, meeting on 17 April 1962 in Paris, decided to suspend the negotiations.

For some years afterwards very little real progress was made towards the political goal of 'laying the foundations for an ever closer union among the peoples of Europe' and it was not until the early 1970s that new moves began to gather pace. 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 their goal of achieving European union by the end of the decade. The Belgian Prime Minister, Leo Tindemans, was asked by his fellow leaders to work out a comprehensive plan for European union on the basis of ideas put forward by the Commission, the European Parliament, the Court of Justice and the Economic and Social Committee in earlier reports. His plan (the Tindemans Report) envisaged completion of the union by 1980 through the establishment of economic and monetary union, reform of the Community institutions, the implementation of a common foreign policy and the implementation of common regional and social policies. Once again, however, this proved too ambitious a goal within 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 some measure of tangible progress and a number of new Community policy instruments were introduced, widening the scope for the coordination of national policies. The first of these was European political cooperation (EPC), which was set up in 1970 as an instrument for voluntary foreign policy coordination and has since been steadily extended and improved. The second major step was the setting-up of the European Monetary System (EMS) in March 1979, which gave a new dimension to European monetary cooperation. Its purpose was (and until monetary union is achieved, remains) to create a zone of monetary stability in Europe as free as possible from wild currency fluctuations. The EMS now forms one of the cornerstones of the EU's goal of economic and monetary union.





The beginning of the 1980s saw the start of a very intense reform debate under headlines such as 'second-generation Europe', 'relance européenne', or 'European union'. The most notable of the many initiatives and reform proposals put forward was the 'draft Treaty establishing the European Union' adopted by the European Parliament on 14 February 1984. The brainchild of Altiero Spinelli, it marked a qualitative leap forward by Parliament on the road towards the European Union. The Treaty proposed transferring new powers to the Union in areas such as economic and monetary policy, social policy (including welfare and health) and in the foreign policy sphere (security, peace and disarmament), so reaching right to the heart of national politics. Union legislation was to be enacted under a two-chamber arrangement very similar to a federal system, the aim being to achieve a balance between the democratically elected European Parliament and the Council of the Union where representatives of the member governments sat. Although the draft Treaty had no chance of being ratified by the national Parliaments and so becoming law, it did present a major challenge to the Member States and a test of the seriousness of their commitment to real progress towards European integration, forcing them to show their true colours.

It was a challenge which the governments took up. At the Stuttgart European Council in June 1983 they had been unable to agree on anything more than 'broad action to ensure the relaunch of the Community'. But at the Fontainebleau and Milan Summits in June 1984 and 1985 they responded to Parliament's initiative, giving substance to earlier declarations of intent by adopting decisions for practical action on two parallel fronts to add a new dimension to European integration. The first area of action was institutional reform. An *ad hoc* committee on institutional affairs was set up under the chairmanship of the Irish Senator, James Dooge. Like the Spaak Committee which had prepared the report that had served as the basis for negotiations on the establishment of the EEC and Euratom, the Dooge Committee was composed of personal representatives of the Heads of State or Government. Its task 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' that would pay greater heed to the concerns and interests of the ordinary citizen. Again the job 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 task was to consider the scope for joint action in areas such as education, health, law, and the fight against drugs and terrorism and to identify areas for progress towards a European Union.

The two committees' findings served as a basis for discussions by the Community leaders at their meeting in Milan in June 1985 pointing the way towards a European Union through the creation of an economic area without internal frontiers, the strengthening of European political cooperation through the inclusion of security and defence, and the improvement of decision-making by extending the rights of the European Parliament.

A very important milestone along the road was the Single European Act, which entered into force on 1 July 1987. Its preamble reiterated the broad objective — the creation of a European Union — which the Community and European political cooperation are meant to help achieve. It then laid down the detailed legal framework for establishing a single market by 1992 and closer policy cooperation on the environment, research and technology. Formally, this involved a series of amendments and additions to the Treaties establishing the Communities. Finally the third part of the Single Act dealt with foreign policy cooperation under EPC, setting out a formal legal framework for what had until then been only an informal arrangement.

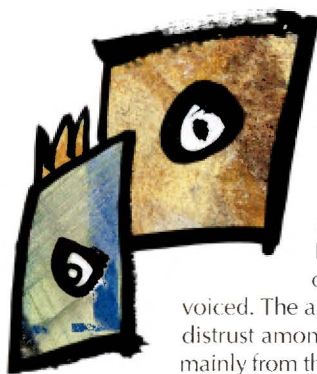
Work on the single market project pressed ahead vigorously and by the beginning of the 1990s there was a new sense of direction and purpose, with the prospect of European Union clearly in view. In December 1990 the Community's leaders formally convened two intergovernmental conferences, the first to map out the steps needed to establish economic and monetary union and the second to deal with the obstacles standing in the way of a political union. The outcome of the two conferences was the Treaty on European Union signed by the Member States in Maastricht on 7 February 1992. But before its final ratification and entry into force on 1 November 1993 the Treaty had to clear several hurdles. In a referendum on 2 June 1992 the Danish people voted narrowly against ratification and it was only after a second referendum in May 1993, following concessions in the form of special arrangements for Denmark, that approval was secured. In France, too, public opinion was divided over the Treaty and a referendum held there in September 1992 produced only a slim majority in favour. In the United Kingdom ratification was held up until 2 August 1993 by opponents in the governing Conservative Party. And in Germany a legal challenge to ratification was mounted in the Constitutional Court, claiming that the Treaty would alter the country's constitutional structure. Although the Court rejected that argument on 12 October 1993, it also ruled on several

significant points, considerably restricting the politicians' room for manoeuvre on the question of integration. Even in the other Member States which did duly ratify the Treaty by 31 December 1992, a good deal of criticism was

voiced. The apprehension and open distrust among the public stemmed mainly from the fact that the decision

to move forward to European Union was taken behind closed doors. Unlike the single

market, the intergovernmental conferences were not widely publicized, so that people in the Community were not aware of the underlying aims behind the launching of the EU, nor of the need for it or the implications. The shock of rejection by the Danes in the first referendum brought home this information gap, and only then did intensive and fruitful discussion about the future of European integration begin. Although it was not possible to convince all the critics of European integration of the merits of a united Europe, the debate did make one thing abundantly clear: European integration cannot be imposed from above but must grow organically — borne by the will and conviction of the peoples brought together in the Union. This means, among other things, that the processes unfolding at EU level must be made more comprehensible and thereby ultimately controllable.



## ■ THE HISTORY OF ACCESSION: THE MEMBERS OF THE EUROPEAN UNION

Although the first European Community — the Coal and Steel Community of 1952 — sought primarily to bind together the French and German coal and steel industries, it was never meant to be a specifically Franco-German scheme but was, from the very outset, open to every democracy in Europe. Belgium, Italy, Luxembourg and the Netherlands took advantage of the opportunity offered and later went on to become founder members of the EEC and Euratom together with France and Germany in 1957.

For Germany involvement in the integration process signified its political rehabilitation within the community of nations. As a major exporter, it 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 on German trade with the other Member States are eloquent testimony to the economic benefits which membership brought, with the proportion of German exports going to other Community countries rising 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 French agriculture. 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. Its interest in the establishment of close economic ties with other countries in Europe was reinforced by the fact that in

1952 EUR 6



the 1950s Belgian industry was still centred almost exclusively on coal and steel. A single European 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 as a unique opportunity for growth. It also counted on financial assistance from Community regional aid schemes to develop the more backward parts of the country and



so reduce the high levels of unemployment in those areas. The Netherlands went into the Community with similar high 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 — held out bright new prospects. 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 support, not so much because of the economic advantages that beckoned as because of the prospect of security and peace in Europe and free, unrestricted travel to neighbouring countries. Throughout history Luxembourg had always been at the mercy of the rivalries between the great nations, owing to its geographical situation. European integration appeared to offer a way to protect its political, economic and social interests.

But before the Treaties had even come into force the UK Government provoked fierce argument within Europe over the best approach to European economic integration. The UK idea was to set up a European free trade area which would involve no sacrifice of national sovereignty. Tariffs between the member countries would be dismantled, but they would retain their freedom of action in respect of trade with non-members. However, the initiative failed to win over the six founder members of the ECSC, who remained determined to press ahead with their scheme for the European Economic Community. Further UK efforts to create an all-embracing European free trade area spanning the EEC and the other OEEC countries finally broke down in late 1958. The upshot was the founding in 1959 of the (smaller) European Free Trade Area (EFTA), comprising the United Kingdom, Norway, Sweden, Denmark, Austria, Portugal, Iceland and Switzerland, with Finland as an associate member.

the process of European integration. It realized that the United Kingdom could not be sure of making its political influence felt simply by virtue of its position at the head of the Commonwealth. And EFTA, too, was an unsuitable medium through which to work, since its objectives were purely economic — unlike the Community, whose goals were also partly political. It was rightly thought that the United Kingdom risked political isolation by remaining outside the Community. In

1973 EUR 9



Impressed by the initial successes of the EEC, the UK Government very soon began to reconsider its refusal to play an active part in

addition, the changing pattern of world trade meant that, like all the major trading nations, it faced considerable pressure to protect its existing export markets and to open up new ones. The rapidly growing Community market offered an ideal opportunity to help revitalize the economy as a whole by giving UK firms a chance to mobilize their reserves of strength in the fiercely competitive European arena. So in August 1961 the United Kingdom made its first application for membership of the Community. Three other countries — Denmark and Norway from EFTA, plus 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. Thus the strongest factor in 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 its substantial surplus freely to that common market at guaranteed prices. The argument for membership was reinforced by the United Kingdom's application, since the UK was Denmark's biggest export market. Another major factor was the longer-term prospect of new openings for Danish industrial goods. One year in EFTA had shown Danish industry's ability to exploit the opportunities. All these factors outweighed any doubts and fears about the implications of integration and the loosening of national control over major aspects of economic policy. Ireland had a tradition of close and wide-ranging cultural, religious and military ties with the Continent and the country's attitude was therefore very open to participation in the process of European integration. The Irish, too, saw this as a chance to boost their vital farm exports. Ever since independence in 1922 agricultural trade had remained largely geared to the UK market. But by itself that market was not big enough to allow Irish agriculture to exploit its full productive potential. How important farming is for the Irish economy is clearly shown 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 brought 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 prosperity 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, accession was blocked in 1963, when General de Gaulle abruptly broke off the negotiations because of his deep mistrust of UK intentions. The United Kingdom's second application for membership in 1967 — again with Ireland,

Denmark and Norway — also failed to make any headway in the face of French reservations. Only after de Gaulle stepped down in 1969 did a breakthrough come at the Hague Summit later that year. At the end of prolonged negotiations, the accession Treaties were eventually signed on 22 January 1972. And on 1 January 1973, following successful referendums in Ireland and Denmark and ratification by the national parliaments, the United Kingdom, Ireland and Denmark joined the Communities. Norway, however, ended up staying outside after 53.49% of the voters in its referendum rejected membership.

During the accession negotiations the question had, of course, arisen as to what should happen with the remaining EFTA countries (Sweden, Switzerland, Austria, Portugal, Finland and Iceland). Some could not join the Community because of their neutral status or could not be accepted because of their undemocratic regime. The solution finally adopted was for them to conclude free trade agreements with the Community and these were signed in July 1972. Norway was also included in the new free trade area following the vote against accession.

On its return to democracy Greece applied for membership of the Community in 1975, followed by Portugal and Spain in 1977. Greece saw this as a way of stabilizing its newly restored democracy and enhancing its standing and influence on the international stage. In economic terms the hope was that membership would help to modernize agriculture and industry and so put the economy back on its feet. Widespread reservations about the restrictions which this would place on 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.

1981 EUR 10



The accession of Spain and Portugal also raised many difficulties, but they were eventually settled in the negotiations and after the signing of the accession Treaties in June 1985 and their ratification by all 12 parliaments, the two countries duly became the 11th and 12th Member States. For Spain, this was the fulfilment of a long-standing ambition, although its isolation from Europe had already largely come to an end following Franco's death. From the economic point of view the main hope was that the funds

available from the EC following accession would give an appreciable boost to an already highly competitive agricultural industry with considerable reserves of productive capacity. Spain's share from Community regional programmes was also expected to help bridge the differences in living standards between the various regions. In the industrial sector it would be in a better position to embark on the painful but necessary process of structural adjustment with the assistance of its new partners. For Portugal, membership of the Community, after the loss of its colonies and domestic political upheaval, meant a return to its original European roots. The Community offered both an opportunity to escape from political isolation and the best prospect for economic recovery. The confidence inspired by membership revived investment activity by large firms, which had been very hesitant since the revolution and was vital for the country's industrial development in particular. Equally the Portuguese looked to the Community for stimulus and support (not least financial) for economic restructuring, particularly in agriculture.

1986 EUR 12



The unification of Germany meant that from 3 October 1990 the former German Democratic Republic became an integral part of the EC, the Heads of State or Government having decided on 28 April 1990 in Dublin that its incorporation required only adjustments rather than a full-scale accession procedure.

With the attraction of the Community boosted by the single market and the impetus towards political union gathering pace with the EU Treaty, other European countries came to feel that integration was moving up a gear and that it would be better to play an active part in shaping the new order as an equal partner rather than having to adapt to firmly cemented structures at a later stage. After the entry into force of the Maastricht Treaty new members would, in any case, have to join the European Union rather than just the EC.

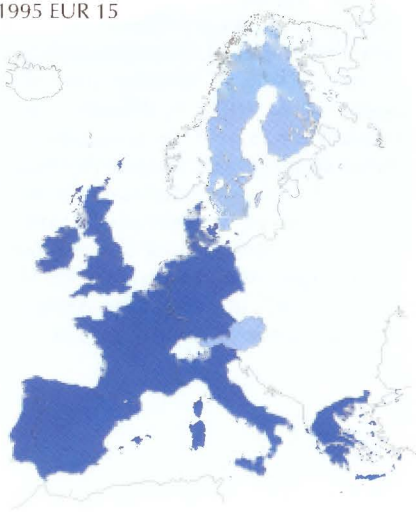
These were the kind of considerations that prompted Austria, Finland, Sweden and Norway to open accession negotiations, which were successfully concluded in 1994. In the summer and autumn of that year referendums were held in all four countries, with Austria, Finland and Sweden coming out in favour of accession, while Norway again voted against membership as in 1972 — by a majority of 52.4%. The entry of Austria, Finland and Sweden into the EU has thus brought the number of Member States to 15. Norway, on the other hand, will continue to pursue its interests within the European Economic Area (EEA).

Austria's decision to seek membership was primarily dictated by economic and trading interests, relying as it does on secure access to its traditional markets. The single market and the prospect of political union were seen as posing an entirely new challenge and in 1987 its policy towards the EC underwent a major shift. To begin with, it sought a broad closer relationship that would involve full integration into the single market but not formal accession. When this request was turned down Austria applied for full membership, provided that it could maintain its neutrality. Relations between Sweden and the EC had always been restricted in scope by Sweden's traditional neutrality and for many years any suggestion of Community membership was out of the question. But the upheavals in Eastern Europe in the early 1990s gradually led to the conclusion that membership of the EU was no longer

1990 EUR 12



1995 EUR 15



incompatible with its neutral stance. People came to realize that Sweden had already taken over a large part of the Community rules and began to weigh up the pros and cons of membership along the lines sought by Austria. The deciding factor was Sweden's determination to play a major part in establishing a new order in Europe and to use its weight as a member of the Union to influence future political, economic and social cooperation. Because of its geographical situation and historical experience, Finland reacted very cautiously to West European integration for

many years after the Second World War to avoid getting drawn into any conflict between the superpowers. It took great care to cultivate balanced relations with both East and West. In particular it sought to maintain friendly relations with the Soviet Union under the 1948 Treaty of friendship with the USSR, which was not formally repealed until January 1992 as part of the Treaty arrangements settling relations between Finland and Russia. As in Sweden, the changes to the geopolitical landscape in Europe prompted the Finns to rethink their attitude and on 18 March 1992 Finland formally applied for membership of the EC. In its statement to Parliament on 27 February 1992 the Government very clearly spelled out the grounds for its application. These were not solely economic. The Government considered it essential for Finnish businesses to be able to operate on their main markets on the same terms as their competitors. It also recognized that EC membership would allow Finns to participate in cooperation as equal partners — be it in research, education, the arts or any other field. Finland wanted to share in making the decisions in every field of Community activity. Finally, it had come to the conclusion that following the changes that marked the end of the continent's division under the cold war, the European Community held the key to the future political and economic development of Europe as a whole.

Applications for membership have also been received from Turkey (1987), Cyprus and Malta (1990) and Switzerland (1992). Moreover the collapse of the Soviet bloc has also opened up the prospect of further links and enlargement. Poland, the Slovak Republic, the Czech Republic, Hungary, Bulgaria and Romania are all seeking closer ties and eventual membership. But it will be some time before any of them will be able to join, as their level of economic development must first gradually be brought into line with the EU. To help them towards this goal, the Union concluded a series of association agreements with them between 1991 and 1993.

Given the successful history of enlargement, it may come as a surprise that the EC has also seen one withdrawal. Greenland belongs to Denmark and had become part of the Community in 1973. In February 1982 a referendum was held there, resulting in a narrow majority against continued membership. Although the Treaties contain no arrangements for withdrawal, in February 1984 the Community agreed with the Danish Government to allow Greenland to leave the EC on 1 January 1985, granting it the status of an associated overseas territory instead.

# AIMS, METHODS AND ACTORS

## ■ AIMS

The intensification of efforts towards European unification after the Second World War sprang from the realization that there was no other way to put an end to Europe's woeful history of conflict, bloodshed, suffering and destruction.

This underlying concern left its mark on the Treaties establishing the Community and the Union in the principal aims which they set out, namely to preserve and strengthen peace, to achieve economic integration for the benefit of all citizens of the Union through the creation of a single internal market, to work towards political union and, last but not least, to strengthen and promote social cohesion within the Union.

### Safeguarding peace

The Schuman Plan for the creation of the ECSC saw Franco-German reconciliation as the keystone of a new European order and explicitly sought to create conditions that would make any future war not only improbable, but impossible. The Community and the Union have succeeded in making that ideal a reality. Military conflict between the Member States is quite unthinkable today.

But events in the former Yugoslavia have shown that peace in Europe cannot be taken for granted. The Union must also work to promote peace beyond its own zone of stability. Cooperation between the Member States in foreign and security policy should help to boost the prospects of success here too. For it is precisely in securing peace that integration has stood the test and it is there that its credibility is at stake. As the major force for continued peace in Western Europe, we all owe the Union ongoing





support and encouragement. Its achievements should be seen as an incentive to preserve those aspects of integration that have proved their worth and to improve those where shortcomings are uncovered.

Regrettably this basic aim of European integration has tended to be forgotten both in the media coverage of the Union and in the public mind. People's general attitudes to the European Union, if they think about it at all, are largely coloured by the negative aspects. They simply cannot understand why there should be wine lakes and butter mountains, for instance, and grumble at being asked to pay prices that are seen as too high when there are such huge surpluses. Media headlines about alleged or genuine crises in the Community, squabbling between the Member States over issues such as the future course of integration, inconclusive summits — all these tend to undermine public confidence in the Union's ability to tackle the pressing economic and social problems of our time. For most people, what goes on in Brussels, the home of the Council of Ministers and the Commission, is quite impenetrable. For them it is a place where a huge and powerful bureaucracy regulates countless aspects of their daily lives, usually making things more difficult and complicated rather than simpler.

This booklet will show many of these attitudes to be mistaken. The European Union is much more than just bureaucracy, butter mountains and enormous costs. First and foremost it is a tried and tested guarantee of peace. And for this reason alone — if for no other — its value for the people of Europe is incalculable.

## Economic integration

Economic integration has always been the driving force behind the movement towards European unity. The basic aims of economic integration spelled out in the Treaties are:

the harmonious development of economic activities,  
steady and balanced economic expansion,  
raising the standard of living,  
a high level of employment,  
economic and monetary stability.

These general economic objectives apply to all three Communities within the Union.

The European Coal and Steel Community is responsible for the broad regulation of these two key sectors of the Member States' economies. Among other things, this involves guaranteeing market supplies of coal and

steel, regulating prices, improving workers' living and working conditions, promoting trade and investment and helping the industries to make vital structural adjustments to meet changing world economic conditions.

The European Atomic Energy Community, like the ECSC, only deals with a limited sector of the economy. It is responsible for joint research and action on the use of nuclear energy. In particular, its task is to promote the emergence and development of nuclear industries in the Member States and to secure their supplies of fissile material.

The European Economic Community — renamed the 'European Community' under the Treaty of Maastricht — takes a broader approach than the other two Communities. Its task is to mould the Member States into a single Community embracing every sector of the economy. It covers such key areas as the free movement of goods and workers, freedom of establishment and freedom to provide services, the free movement of capital and payments, competition policy, economic and monetary policy, agricultural policy, transport policy, environmental policy, research and technology and industrial policy.

The Treaty on European Union reinforces economic and monetary policy by mapping

out the route to economic and monetary union leading eventually to a single European currency.

A detailed account of progress in the field of economic integration is given in Chapter III — Economic integration.

## Political union

The Community's founding fathers believed that economic integration would inevitably



*Since 1979 the people of the Union have been able to determine the make-up of the European Parliament through the European elections. Parliament is coming to play an increasingly important role in the Union's decision-making. Under new procedures introduced by the Single European Act in 1987 and later extended by the Treaty of Maastricht when it came into force in November 1993, the European Parliament shares decision-making power with the Council of Ministers in a wide range of areas. This has helped to make decision-making more democratic so that the interests of ordinary citizens are better represented. The process is still continuing and further progress is in prospect, not least with MEPs striving to extend their say in how the EU is run. The Maastricht Treaty also introduced an Ombudsman to receive and investigate complaints brought by people against the EU administration.*

lead to the political unification of Europe. While economic integration was the first practical step, it was never seen as an end in itself but merely as a stage on the road to political union. However, by the early 1960s it was already clear from the failure of the Fouchet plans that a successful economic community would not automatically generate a close-knit political community. Rather than tackle the ideological issues of European unification, the Community leaders confined themselves to confirming their 'belief in the political objectives which give the Community its full meaning and purport' and proclaiming a still undefined 'European Union' as the ultimate goal by the 1980s. The idea was taken up again in 1987 in the Single European Act, the preamble spelling out the will of the Heads of State (now numbering 12) 'to transform relations as a whole among their States into a European Union'.

With the signing of the Treaty on European Union in Maastricht on 7 February 1992 and its entry into force on 1 November 1993 after ratification by the Member States, that European Union became a reality. The EU Treaty marks 'a new stage in the process of creating an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen' (Article A, second paragraph). The Union's task is 'to organize, in a manner demonstrating consistency and solidarity, relations between the Member States and between their peoples' (Article A, third paragraph, second sentence).

A fuller picture of the current state of progress towards the goal of political union is given in Chapter IV — Political union.

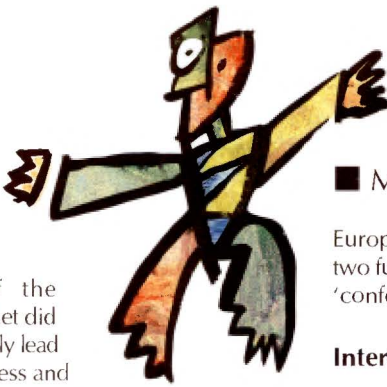
### **The social dimension**

European integration also includes a social component. One of the objectives assigned to the Communities is to improve living and working conditions and to strengthen social cohesion. However, the Treaties did not map out any coherent scheme for a future common social policy. This was because there were major differences within the Community from the outset over whether the establishment of the common market required the broad alignment of social security costs or whether in practice it would inevitably bring the Member States' social security arrangements into line with one another, eventually creating a Community social identity.

Experience soon showed that the economic mechanisms of the common market did not automatically lead to social progress and full employment. So eventually this policy approach had to be overhauled, and on 21 January 1974 the Council adopted a new social action programme.

The most important step towards cementing the social dimension, however, came with the Single European Act, which not only gave the Community wider powers in the field of social policy but also placed it in the context of the project to complete the single market by the end of 1992. Indeed, the social dimension became a vital part of the overall scheme, for it was not enough simply to boost growth and make European firms more competitive. The resulting benefits also had to be more fairly distributed.

With the steadily growing importance of action in this area, this booklet devotes a separate chapter (Chapter V — A Union for the people) to the Community's social policy.



## ■ METHODS

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

### **Inter-State cooperation**

Essentially the confederalist approach means that countries agree to cooperate with each other without ceding any of their national sovereignty. The aim 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. That is the principle underlying the Council of Europe and the OECD.

The same principle also still underlies what are known as the second and third pillars of the European Union — the common foreign and security policy and cooperation in the fields of justice and home affairs. The tasks assigned to the Union in these areas are a matter of intergovernmental cooperation, although that does not, of course, rule out the possibility of progress towards closer integration in these areas at some stage in the future.

### **Integration**

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 coexistence, the specific shortcomings of the nation-State system, and the dangers of dominance by one State over others (all too familiar 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 — while still retaining their individual identities — is guided and their future assured by common (federal) authorities.

The European Union is essentially a product of this federalist approach, though in a

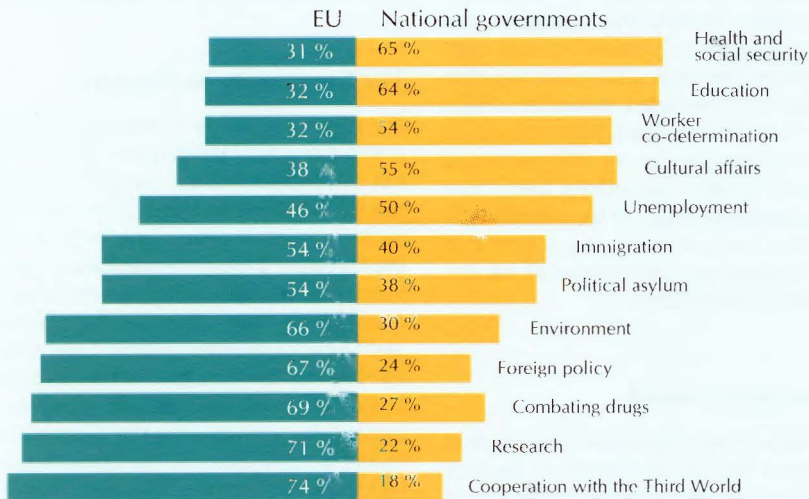
somewhat modified form. The Member States were reluctant to abandon outright the nation-Statehood which they had only just regained and consolidated after the Second World War and yield it up to a European federation. Once again a compromise had to be found which, without necessarily establishing a federal structure, would allow more than just 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 to decide in what areas they were prepared to yield some sovereignty to a supranational community. The answer is reflected in the Treaties establishing the three communities. They and the subsequent Treaties amending or supplementing them spell out the specific areas where the Community can exercise sovereign powers. The Community and its institutions are not given general authority to adopt the measures necessary to achieve the Treaties' objectives. Instead, the nature and extent of its powers are derived from the relevant Treaty provisions (the principle of limited empowerment). In this way the Member States can keep sight and control of the powers they have handed over. And it is the Member States alone that decide on the further course and development of integration: the Member States are the 'masters' of the Treaties.

The transfer to the Community of the power to legislate in a wide range of policy areas is not, however, intended to cement in place a central State with rigid structures. A united Europe can only be strong and vital if the inherent diversity of its individual countries, regions and cultures is preserved. This is the intention behind the subsidiarity principle, which is explicitly incorporated in the EU Treaty and has been elevated to the rank of a constitutional principle. Drawn from catholic social teaching, it states that the Community and the Union may only take action outside

the areas assigned to them exclusively if a problem that needs to be dealt with can actually be tackled better by the Union as a whole rather than individually by the Member States and their regional authorities.

## A matter for national governments or the EU?



Source: Eurobarometer 40, 1994 (extract).

*'Should decisions be taken by the European Union or by national governments?' the Commission wanted to know in a Eurobarometer poll conducted at the end of 1993 across the then 12 Member States (these polls have been keeping a finger on the pulse of European opinion since 1973). The survey covered a representative sample of 1 000 people in each of nine countries, plus 500 in Luxembourg, 1 000 each in the west and east of Germany, and 1 000 from Britain plus 300 from Northern Ireland in the United Kingdom.*

*The findings showed that people preferred joint European decision-making in all areas where the problems transcend national borders (notably cooperation with developing countries, research, the fight against drugs, etc. — see chart). On the other hand, most people wanted decisions that concern them much more directly (especially on matters such as health, social security, education, culture, etc.) to rest with their national governments. This picture broadly tallies with the approach followed by the Community through subsidiarity: problems that can be tackled better through joint rather than individual action are dealt with in the EU institutions, while decisions that can be taken close to the citizen at national or regional level do not need to make any detour via the EU. This was set out in black and white in the Maastricht Treaty.*

## ■ ACTORS

### The Member States

The Member States still retain the power to make and unmake the EU's constitutional rules and until that power is transferred to the Union, it is they who decide on the fundamentals and nature of European integration, on progress and change. This is

done through international treaties. The founding Treaties, the Single European Act and the Treaty on European Union are all instances of this constitution-making power.

Moreover, the powers transferred to the EC are rarely exclusive, so that often the Community institutions only have the power to intervene in the domestic arena in particular instances. Usually that intervention takes the form of legislation. The enforcement of such

legislation, however, rests primarily with the administrative authorities and courts in the Member States. To offset this dependency the Member States have imposed certain legal constraints on themselves. The most important is the duty of Community solidarity, which means that the Member States must do everything they can to comply with their obligations under Community law. They must facilitate the tasks of the Community institutions and avoid taking action that could jeopardize achievement of the Community's objectives.

### **The European Council**

The European Council grew out of the summit conferences held by the Heads of State or Government of the Member States in the Community's early years. It was given the name 'European Council' at the Paris Summit in 1974, although it was not formally incorporated into the institutional structure of the EC until the Single European Act in 1987. The EU Treaty confirmed its role, which is to provide the Union with the necessary impetus for its development and to define general political guidelines. It does this by adopting decisions of principle or issuing guidelines and directives for work by the Council of the European Union or by the representatives of the governments of the Member States meeting in the Council. Thus it was the European Council that set in motion the moves towards economic and monetary union, direct elections to the European Parliament, a common social policy and enlargement. Under the arrangements laid down in the EU Treaty for a common foreign and security policy, the European Council also has the task of coordinating the Member States' foreign policies and adopting positions on world political issues.

Now comprising the Heads of State or Government of the Member States and the President of the Commission, the European Council must meet at least twice a year and in practice regularly meets three times every

year. It is assisted by the foreign ministers and a further Member of the Commission.

### **The Community institutions**

The primary role of the Community institutions is to put practical legislation in place to flesh out the framework for integration marked out by the Member States. The main actors in the legislative process are the Council of the European Union, the European Commission, the European Parliament and two consultative committees — the Economic and Social Committee and the Committee of the Regions. Only in a few specific areas, such as competition and coal and steel, do the institutions (principally the Commission) have executive powers. The task of ensuring that these institutions observe the law in their work rests with the Court of Justice of the European Communities. The European Court of Auditors keeps watch to ensure the legality and regularity of Community revenue and expenditure and to monitor sound budget management.

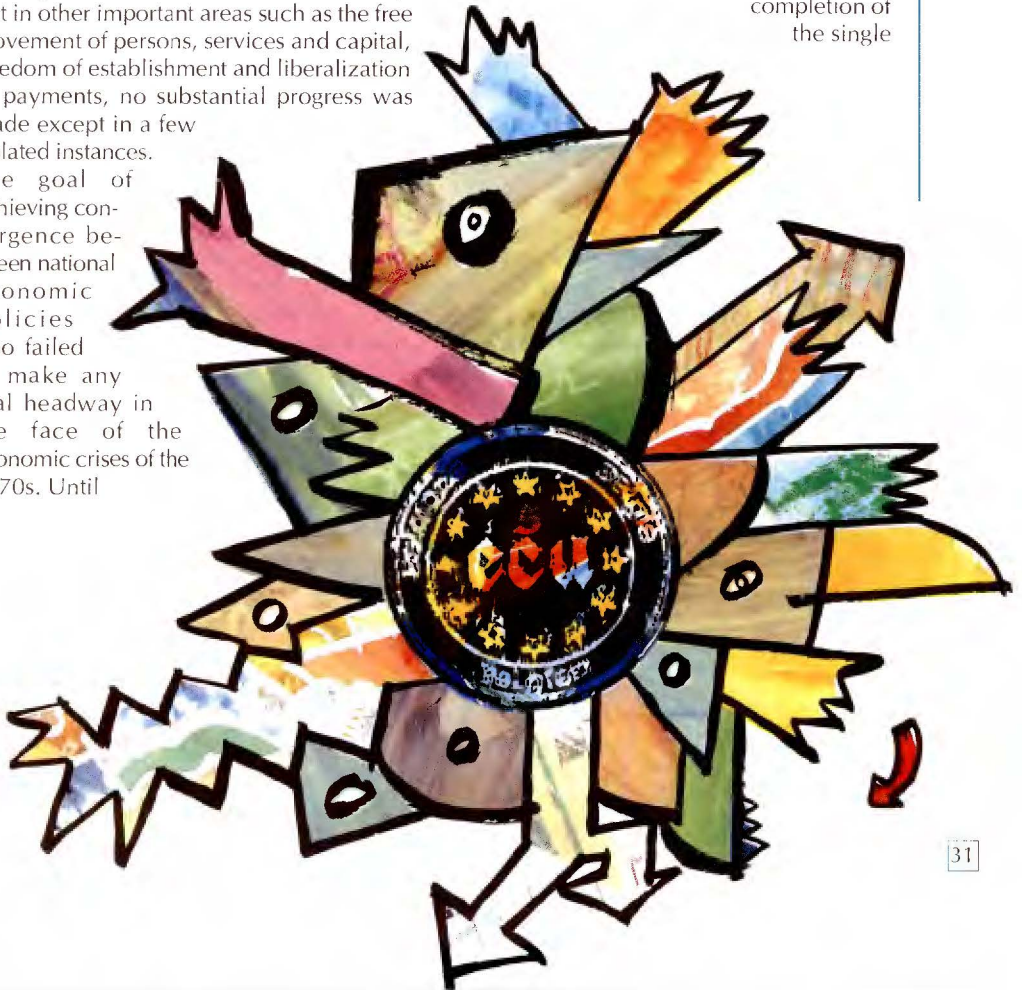
# ECONOMIC INTEGRATION

## ■ FROM COMMON MARKET TO SINGLE MARKET AND ECONOMIC AND MONETARY UNION

Although the EEC Treaty mapped out a detailed 12-year timetable for the gradual introduction of the common market by the end of 1969, that target was not met. The only real success was in securing the free movement of goods through the establishment (well ahead of schedule) of a customs union paving the way for free trade inside the Community. But in other important areas such as the free movement of persons, services and capital, freedom of establishment and liberalization of payments, no substantial progress was made except in a few isolated instances. The goal of achieving convergence between national economic policies also failed to make any real headway in the face of the economic crises of the 1970s. Until

well into the 1980s a true common market in which national borders no longer interfered with economic activity between the Member States remained an unfulfilled promise.

A new political stimulus was needed to get the economic integration process out of the cul-de-sac into which it appeared to have strayed. The initiative came in the mid-1980s from the Commission in the shape of the 1992 single market programme outlined to the European Parliament by Commission President Jacques Delors on 12 March 1985, which aimed to secure completion of the single



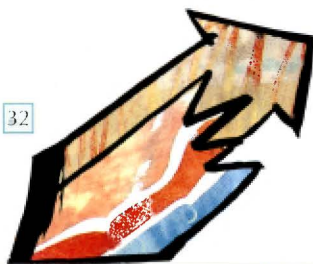


European market by the end of 1992. Later that year the Commission published a White Paper setting out a catalogue of specific measures with a detailed timetable for completing the internal market by the end of 1992, and at the end of June in Milan the European Council gave the programme its political endorsement. But to have any realistic prospect of succeeding in only seven years where a much smaller Community had failed over almost 30 years, it needed more than just a declaration of political intent and the adoption of a programme. The single market programme had to be incorporated in the Treaty. This was accomplished with the entry into force on 1 July 1987 of the Single European Act, which added a new Article 8a to the EEC Treaty (now Article 7a of the EC Treaty) reading as follows:

'the Community shall adopt measures with the aim of progressively establishing the internal market over a period expiring on 31 December 1992 ... [comprising] an area without frontiers in which the free movement of goods, persons, services and capital is ensured'.

That ambitious target was largely met and the 282 measures listed in the White Paper were successfully passed into law to establish the framework for the smooth functioning of the single market. It was a success all the more remarkable for the fact that these were by no means only minimal solutions which the Member States in the Council would have passed in any case. On the contrary, many of them are comprehensive schemes to remove all remaining practical, technical and fiscal barriers that were to blame for the continued existence of border controls between the Member States hampering the free movement of goods, persons, services and capital in the Community.

For the single market fully to become reality, however, this legal framework has to be observed and imbued with life by the Member States, their administrations, businesses, industry, and ultimately the people themselves. Many of the 282 measures for the single market are in the form of directives, which have to be put into effect by the Member States through national legislation before a given deadline. Some Member States have made faster progress than others. Where problems have arisen, they have mainly been due to the enormous strain imposed on national authorities, faced for the first time with a task of this magnitude and deadlines that are relatively short. On the other hand, where Member States have shown a lack of political will to implement measures agreed, the Commission has not hesitated to bring proceedings in the Court of Justice against them for infringing Community law. But even once all the single market decisions are implemented, it will still take some time before national economies and the public at large have fully adjusted to the new situation and begin to feel the economic benefits. Nevertheless, the mood in business and industry is very encouraging. Seldom has so much support and approval of the Community been voiced by business and the public alike as in the case of the single market. A contributory factor was the extensive effort made to inform firms, consultants and





ordinary citizens about what rights they now enjoy under the single market and how to ensure that they are respected. Here an especially valuable part has been played by the Euro-Info Centres that were set up throughout the Union and the CELEX and INFO 92 databases opened up to the public, which offer quick access to details of Community law and the rules governing the single market.

Encouraged by the positive reaction to the single market programme, in 1988 the Heads of State or Government set the Community on course for economic and monetary union (EMU). The thinking behind this initiative was that business and the ordinary citizen would not feel the full benefits of the emerging single market until they could also rely on fixed exchange rates or even a common European currency. Most of the barriers to the free movement of money and capital were due to disappear under the single market and, as banks and insurance companies began to operate increasingly across national frontiers, capital flows were steadily growing. This greatly reduced the Member States' scope for independent national monetary policies. As the single market neared completion, the pressure for closer monetary cooperation and for a faster pace on the road to economic and monetary union was steadily increasing.

Accordingly the EU Treaty added a new section on economic and monetary policy (Title VI) to the EC Treaty, including the ground plan for establishing economic and monetary union. With its entry into force, economic integration now faces two major challenges.

The first challenge is to make the single market a living reality and in particular to fill the remaining gaps in the regulatory framework in some Member States. Here the prospects look promising, considering how much has already been achieved and the fact that the single market continues to enjoy broad support among politicians, businessmen and the public at large.

The second challenge, having passed the first stage on the road to economic and monetary union, is to complete the second and third stages. This promises to be much more difficult, not only because very strict conditions have been set before each new stage can begin but above all because the Community's leaders and institutions have failed to generate the same sense of dynamism or widespread enthusiasm for economic and monetary union as for the single market. Principally this has been a failure to inform public opinion about the proposed changes and explain the reasons behind them, prompting widespread popular suspicion and rejection. People cannot see either the need for closer economic integration between the Member States or what advantages it might bring. Instead they tend to feel that it threatens to rob them of much that is trusted and familiar, such as their national currency. The challenge, then, is not just to try and ensure that the criteria for economic and monetary union are attained but more especially to try and listen to the people and their concerns.

## ■ THE BASIC FREEDOMS OF THE SINGLE MARKET

The focal point of economic integration is the single internal market set up by the Member States to create a unified economic territory undivided by either customs or trade barriers. This single market rests on the pillars of four fundamental freedoms — the free movement of goods, persons, services and capital. First and foremost it allows capital and labour, two of the basic factors of production, to develop their potential untrammelled and unhindered. Workers can move freely to seek jobs where demand is higher and where wages and working conditions are therefore better. They can settle with their families and work anywhere in the Community. Firms can produce, sell and compete freely wherever it suits them best. No Member State may treat its own nationals more favourably than nationals from its Community partners.

## Free movement of goods (Articles 9 to 37 of the EC Treaty)

### The Customs Union

The first step in the creation of the internal market was to eliminate all the customs duties levied on imports and exports between the Member States before the EEC existed, and the 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 EC market surprisingly quickly.

The elimination of duties within the EEC was accompanied by the establishment on 1 July 1968 of a Common Customs Tariff (CCT), setting up a single customs barrier around the entire Community for all imports from countries outside, with duty normally being levied wherever goods enter its economic territory. The CCT was essential to prevent trade flows from being diverted, because there were wide disparities between the Member States' rates of external duty when the Community was founded (very high in France and Italy, for instance, but low in the Benelux countries and Germany). Without a common customs tariff, French or Italian importers could have taken unfair advantage of the removal of internal duties to evade their high domestic rates by importing through

agents in low-duty countries and then shipping the goods to France or Italy. This could eventually have led to the ridiculous situation of a Bordeaux wine merchant obtaining cheap Spanish corks via Hamburg.

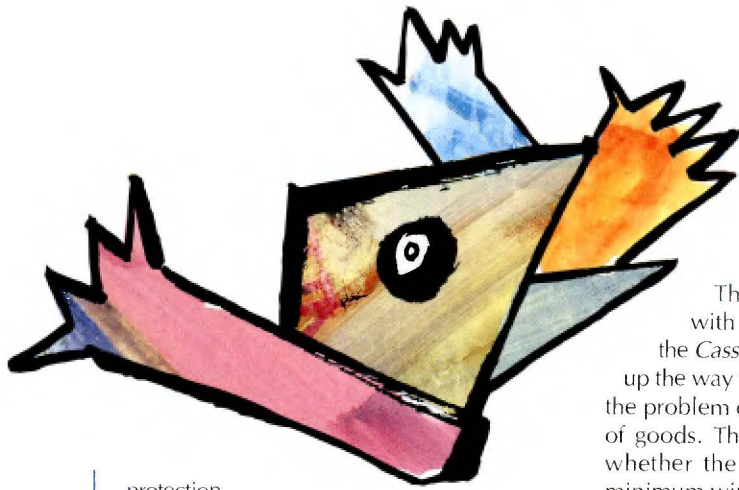
Since 1968 the CCT rates have undergone frequent adjustments, either by unilateral decision of the Council of Ministers or through negotiations between the EU and individual non-member countries or other international organizations, notably the World Trade Organization (formerly GATT — General Agreement on Tariffs and Trade). In 1975 the proceeds from customs duties became part of the Community's own resources and are now paid over to it by the Member States. The introduction of a common external tariff, then, signalled the establishment of a full customs union and completion of the first stage of economic integration.

### **Removal of quantitative restrictions**

Creating a single market where all goods can be freely traded requires not only the removal of customs barriers but also the lifting of quantitative restrictions. 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 in terms of value or volume (quotas). Measures of this kind are forbidden by the Treaties and this prohibition has, in the main, been respected by the Member States since the expiry of the prescribed transitional periods. Thus intra-Community trade is now free of all quota restrictions.

### **Removal of measures equivalent to quantitative restrictions**

One obstacle to the free movement of goods within the Union which still persists is what are known as 'measures having an effect equivalent to quantitative restrictions'. These are measures which, although not actual import bans or quotas, have an indirect impact on intra-Community trade by making it expensive, difficult or practically impossible to import or export certain goods. Faced with structural problems in major industries such as steel, shipbuilding or textiles and under pressure from growing unemployment and rising imports from low-cost countries, the Member States have in recent years been increasingly tempted to erect protectionist barriers, so closing off their domestic markets to goods from other Member States and obstructing intra-Community trade. This is a game at which they have shown a considerable degree of imagination and ingenuity, introducing an immense array of restrictions in the form of rules and regulations prescribing — in the interests of health, safety, consumer



the Community. That, however, was never the true picture.

The turning-point came in 1979 with the Court of Justice's ruling in the *Cassis de Dijon* case, which opened up the way for a very pragmatic solution to the problem of securing the free movement of goods. The Court was asked to decide whether the German regulations on the minimum wine-spirit content of liqueurs — whether domestic or imported — were compatible with the rules laid down in Article 30 of the EEC Treaty (which deals with the free movement of goods). The German rules meant that traditional products from other Member States with a lower alcohol content, including French 'cassis de Dijon', could not be sold in Germany as liqueurs. In its judgment the Court held that any product lawfully produced and marketed in one Member State may also be marketed in any other Member State. Prohibiting imports is justified only if it is essential in order to protect overriding public interests and where no other, less stringent measures are available to secure that protection. The EC Treaty (Article 36) defines such overriding interests as public morality, order and security, the protection of health and life of humans,

protection  
or fair competition

— the exact make-up and labelling of goods before they can be marketed in the country. These range from rules on product ingredients and packaging to technical safety and industrial standards. Paradoxically they do actually 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. The fact that around 250 complaints arrive on the Commission's desk each year gives a clear indication of how widespread such measures are.

For many years the Community sought to eliminate these trade barriers through harmonization, that is aligning national rules on an agreed standard. Often, however, the Commission's proposals were too ambitious, with the result that drafting and adopting the necessary harmonization directives proved to be a very complex and time-consuming process. Sometimes it might take several years to reach agreement on the technical specifications for a single product in a particular category. In the mean time businesses suffered the uncertainty of not knowing what standards to follow — especially when it came to making investment decisions, where they would normally be looking several years ahead — and when agreement was eventually reached, either the product or the standard would be out of date. These problems were aggravated by the misconception that harmonization was simply bureaucratic meddling from Brussels designed to create identical 'Europroducts' throughout

animals or plants, the protection of national treasures possessing artistic, historical or archaeological value, and the protection of industrial and commercial property. The Court recognized several further 'mandatory requirements' such as effective fiscal supervision, consumer protection and the fairness of commercial transactions. The upshot is that Member States are forbidden to ban competing products from elsewhere in the Union simply because they differ slightly from national products.

The Court's ruling prompted the Commission to rethink its approach and introduce a new two-track system.

Firstly, national production and marketing rules covering essential requirements for the protection of human health and safety continue to be regulated by the Community. However, the Community only sets out the minimum standards required, leaving the practical details of implementation to the European standards institutes (such as CEN, the European Committee for Standardization, or Cenelec, the European Committee for Electrotechnical Standardization).

Secondly, all other national regulations have ceased to be subject to Community control. Instead the principle of mutual recognition automatically applies and can be enforced by the Court.

This solution avoids unnecessary harmonization and even manages to bridge apparently irreconcilable conflicts of interest. Consumers are given the widest possible choice of products from across the entire Community and those products are guaranteed to meet certain minimum health and safety standards, while on the other hand, manufacturers can market their products anywhere in the single European market. This generates cost savings, greater freedom of competition and lower production costs, leading in turn to lower prices, a wider range of products and greater innovation.

### **Removal of tax barriers**

A key factor in ensuring the free movement of goods is to reduce the tax differences affecting trade between Member States. There are two basic reasons for the continued existence of tax borders.

Firstly, they ensure that taxes on consumption (i.e. indirect taxes) levied on goods traded in the single market go to the right Member State, in other words to the country where the goods are actually consumed (this is known as the destination principle). This is done by granting tax refunds on exports. Thus when an item manufactured in Germany is exported to France and consumed there, the German exporter receives back the indirect tax paid in Germany, while the French importer pays the corresponding French tax. In this way the system ensures that competing domestic and imported products receive roughly equal tax treatment. Tax borders, then, are the price that has to be paid for fairness. This system will continue to apply for VAT at least until 1996.

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, leaving the way open for unscrupulous dealers to declare goods as exports (fictitiously) and claim a refund

of the indirect tax. They could then either pocket the money directly or use it to undercut their competitors by selling the goods on the home market at a greatly reduced price.

For the moment, then, tax borders are still a necessity. But this does not mean that a frontier-free system of taxation is impossible. In fact, since 1 January 1993 border controls have been replaced by a rather complicated system of declarations that has shifted tax controls away from the borders and into firms' own premises. After 1996 the aim is to bring in a different system based on what is known as the principle of origin. This will do away with the time-consuming and costly business of declarations, refunds to exporters, tax payments by importers and all the checks and controls that are involved. Instead VAT will simply be charged in the country where the goods originate. For it to work, however, the VAT rates in the Member States will have to be broadly the same.

The old system will continue to apply in the case of indirect taxes on alcohol, tobacco and mineral oil products. But under the single market, restrictions on goods carried by private individuals travelling between Member States have become a thing of the past.

### **Free movement of workers (Articles 48 to 51 of the EC Treaty)**

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

#### **Geographical mobility**

Geographical mobility is a person's right to go and stay in another Member State in order to seek employment or take up and pursue an occupation. Originally only workers and those seeking work enjoyed a guaranteed right of residence under Community law. But several directives were adopted in 1990 extending this right to students, pensioners and non-employed people provided that they had sufficient means to support themselves and adequate health insurance cover.

The right of residence for those taking up employment runs for five years, with a possible extension for a further five. In the case of job-seekers, the Court of Justice has held that they must be allowed sufficient time to acquaint themselves with the vacancies available and apply for them, and their right to remain is guaranteed so long as they can show that they are actively seeking work with some prospect of success. When people retire they may, in certain circumstances, be able to remain in the country where they were last employed.

National immigration authorities cannot refuse to grant someone the right of residence guaranteed under Community law (particularly on grounds of public policy, security or health) except in very serious cases, and any such refusal can be challenged before the Court of Justice.

### Occupational mobility

Occupational mobility covers people's right to pursue whatever occupation they wish 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 equal pay, occupational reintegration, access to training or retraining centres and re-employment in the event of redundancy.

### Social integration

Social integration refers to a worker's right to all the general welfare benefits available in the host country. In other words, workers from



*The Treaty on European Union introduced Union citizenship. This gives Union citizens the right to live, study or spend their retirement in any Member State. Originally the right to freedom of movement was restricted to workers only, but now everyone can benefit from it. Union citizenship is one of the innovations introduced by the Maastricht Treaty showing how the EU is gradually evolving from an economic community into a political union.*



other Member States are entitled to the same rights and privileges as local people in terms of accommodation (including council housing), trade union activities or social security, for example. They and their families are entitled to all the subsistence allowances, student grants, maternity benefits or reductions for public transport and other public amenities that are generally available. Immediate family members (i.e. spouses and children) are also free to find jobs or to work in a self-employed capacity, and their children are entitled to general schooling, apprenticeships and vocational training on the same terms as local children.

Lastly the Community rules on social security guarantee employees and the self-employed — as well as their families — not only family allowances but also adequate cover in the event of illness, disability, occupational accident or disease, unemployment, death of a close relative, and old age. The essential point is to ensure that no one loses social security entitlements or is penalized simply because they exercise their right to move freely within the Union.

### **Freedom of establishment (Articles 52 to 58 of the EC Treaty)**

Broadly speaking, freedom of establishment concerns people's right to take up and pursue independent occupations. It therefore covers doctors, lawyers, architects, estate agents, brokers, advertising agencies and the like, as well as technical, artistic and craft activities.

It also expressly covers the establishment and running of businesses, in particular companies and company agencies, branches or subsidiaries.

It does not, on the other hand, cover activities connected with the permanent or occasional exercise of public authority. The Member States are free to decide themselves which occupations are to be entrusted with such

authority. But to prevent them from evading liberalization simply by entrusting certain occupations with official authority, each individual case must be examined carefully to decide whether it involves, directly or indirectly, the exercise of public authority or a public office that is essential for the protection of the general interests of the State, in particular its internal or external security.

The right of establishment, then, is primarily intended to prevent any open or hidden discrimination against Community nationals who wish to take up and pursue an independent occupation in another Member State. As in the case of freedom of movement for workers, its basis is the principle of equal treatment for all citizens of the Union.

The Court of Justice has held that the scope of the freedom of establishment is not confined solely to the obligation on Member States to treat other EU citizens in the same way as its own nationals but also forbids them from imposing any requirements that are likely to prevent or hinder anyone wishing to establish themselves from pursuing an independent occupation. This general prohibition means that the host country may not automatically apply even non-discriminatory professional rules (i.e. rules covering both its own nationals and those from other Member States) to

citizens from other Member States. The freedom of establishment, as a fundamental principle enshrined in the EC Treaty, may be restricted only where the common interest so demands. Consequently any such rules imposing requirements as regards organization, qualifications, professional ethics, supervision and responsibility, for instance, must be examined case by case to determine whether they are essential to safeguard the general interest.

### **Freedom to provide services (Articles 59 to 66 of the EC Treaty)**

The freedom to provide services covers the same activities as the freedom of establishment, but in the case of services the activities are limited in time and must in some way involve crossing an internal Community frontier. As with the right of establishment, activities connected with the exercise of public authority are excluded.

There are three different cases where a cross-frontier element may be involved:

- The provider of a service may temporarily go to the recipient, crossing the border himself to perform the service in another Member State. This is the typical case which

the freedom to provide services is intended to cover. It represents a necessary corollary to the right of establishment, which is designed to help those wishing to establish themselves in another Member State to integrate into working life there permanently.

- But going beyond that, the Court of Justice has also recognized that the freedom extends to the case where the recipient goes to the country of the provider to obtain the service. Thus the Court has held in particular that tourists and people undergoing medical treatment must also be regarded as recipients of services, as must those travelling for the purposes of education or business.

- The rules on freedom to provide services also apply where the service provider and recipient remain in their own countries and only the service crosses the border. A typical case of this kind is radio and television broadcasting.

### **Mutual recognition of diplomas**

The principle of equal treatment means that EU citizens wishing to set up on their own account or provide a service in another Member State cannot be required to satisfy stricter conditions than local people in terms of knowledge, skills or qualifications. Conversely, they 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 this will not normally be the case, 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 being equivalent.

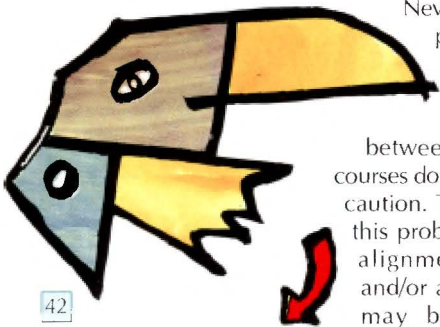
However, putting Community legislation for the mutual recognition of degrees, diplomas

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 lay down separate Community rules for each individual profession. The most substantial (indeed almost the only) headway made in this direction has been in the health professions. Under a series of Council Directives general practitioners, specialists, nurses, midwives and veterinary surgeons have long enjoyed the right to practise in any of the Member States. All that is required for mutual recognition of qualifications in these areas is that the people concerned should meet the minimum standards laid down regarding the length and nature of their training. The same arrangements now also apply to pharmacists and architects.

Once again it was the drive towards the single market that enabled the Community to bring in, at the end of 1988, a system to secure the recognition of all higher-education diplomas that qualify their holders for a recognized profession, provided they involve at least three years' study. The scheme deliberately avoids harmonizing educational requirements. With high educational standards in all the Member States, it relies instead on the principle that anyone who has completed a university-level course entitling them to admission to a profession in their home country can be deemed to be adequately qualified to practise in any EU country (it would, after all, be absurd to argue that they lose the skills they have acquired the moment they cross a border). At last, then, people can obtain qualifications anywhere in the Union.

Nevertheless, the particularities of national systems and differences between university courses do call for some caution. To cope with this problem, special alignment courses and/or aptitude tests may be held, or

certain requirements imposed as regards previous professional experience. A similar approach underlies the Directive introduced in 1992 for all non-academic qualifications (especially those for crafts and trades). The main sectors concerned here are the hotel and catering industry, automobile engineering, the building industry, electrical engineering, farming, horticulture, forestry, and the textile and clothing industries. A Community description of occupations and entry requirements will help workers in these fields to 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.



## **Free movement of capital and payments (Articles 67 to 73h of the EC Treaty)**

The free movement of capital and liberalization of payments are further crucial factors for the completion of the single market. In the long run, free trade in goods and services cannot be sustained unless capital is also free of restrictions and is allowed to go where the most efficient economic use can be made of it.

### **Free movement of capital**

The first directives on the free movement of capital adopted by the Council in 1960, 1962 and 1986 sought only to dismantle foreign-exchange restrictions. But they were too hedged about by constraints to succeed in integrating national capital markets to any significant extent. In the years that followed, further directives and recommendations were issued aligning the Member States' laws and administrative rules governing specific aspects of the capital markets (e.g. State supervision of banks, accounting law, security transactions, stock exchange certification requirements and tax law).

Not until 1986, however, was the first comprehensive plan to create a single financial area set out in a Commission programme for the liberalization of capital movements in the Community. The goal was to unify the financial markets and to free practically all financial and currency flows. This bore fruit only two years later, in 1988, with the adoption of a directive amounting to a charter for the free movement of capital. Following a step-by-step plan, by 1 January 1993 the Member States (except Greece) had succeeded in freeing all capital movements between them and can now only impose restrictions in clearly defined exceptional circumstances after special authorization by the Commission. This represents completion of the first stage of economic and monetary union.

The free movement of capital makes it possible for businesses and ordinary citizens to open bank accounts anywhere in the EU and to transfer unlimited funds from one Member State to another. They can also now avail themselves of all the investment and financing possibilities on offer throughout Europe. Thus the free movement of capital is leading to closer economic and financial integration.

### **Liberalization of payments**

The free movement of goods, persons, services and capital must be accompanied by measures to liberalize payments. Any obstacle that hinders payments for goods or services supplied abroad or makes it difficult to pay EU citizens working in other Member States also makes it difficult, if not impossible, to exercise those basic freedoms. The Member States must, therefore, allow such payments to be made in the currency of the Member State in which the payee resides.

## ■ COMPETITION POLICY

A single market for the goods produced by industry and agriculture cannot operate smoothly unless uniform conditions of competition apply. This is the only way to safeguard equal opportunities for everyone in the common market and to prevent competition from being distorted through action 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 single market, based on the rules laid down in the Treaties. Thus there is a general prohibition on agreements between undertakings to restrict competition and on all forms of abuse by enterprises that occupy a dominant position on the market (e.g. imposing unfair prices or limiting production, markets, or technical development). The rules also ban national subsidies (State aids) to individual firms or sectors of industry or make them subject to approval by the

Commission and place them under its supervision so that no unfair competitive advantage can be gained. Since 1991 the Commission's powers have been further extended to include control (i.e. vetting and approval) of large-scale mergers between major firms.

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



*The European Commission is not only the driving force behind the single market, it is also the referee. Under Community competition policy it keeps watch to ensure fair play in the European market-place. This includes a general ban on cartels and on abuses by firms that hold a dominant position on the market, equal treatment for public and private enterprises, merger control and monitoring of State subsidies. In this way the Commission seeks to underpin lively competition in the single market, not least for the benefit of consumers.*

## ■ ECONOMIC AND MONETARY UNION

### The early years

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, at the outset none of the Community's founders had sufficient courage to brave the leap to a common economic and monetary policy leading to economic and monetary union. The Member States were not prepared to cede 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, though, that actual progress in coordinating their policies fell far short of expectations. Despite the fact that it was generally held to be of vital importance for the consolidation of European integration, the great goal of economic and monetary union remained out of reach.

### A first new initiative

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 it presented its final report. The Werner plan mapped out three stages on the road to economic and monetary union, with the final stage due to be reached by 1980, when national instruments for economic and monetary control would be fused to become Community instruments used for common ends. In 1971 the Council adopted a number of decisions with retroactive effect 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 sent the Council a sobering report 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 preferred to seek refuge in unilateral national action rather than to embark on a common course that offered the prospect of success in the medium term. 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. With the second stage due to begin in February 1974, the Community undertook a strenuous effort to keep to the timetable for economic and monetary union. But the attempt failed and the second stage never got off the ground. Instead the starting date merely saw the adoption of a number of one-off measures to improve and extend the range of instruments available to guide monetary policy and coordinate economic policies.

### **The European Monetary System**

The setting-up of the European Monetary System (EMS) in March 1979 brought a new dimension to European monetary cooperation. Its purpose was to create a zone of monetary stability in Europe as free as possible of violent currency fluctuations. The volatility of exchange rates had made European firms wary of undertaking major, long-term investment projects in other Community countries and prevented them from taking full advantage of the common market. Faced with such unpredictability, they found that broad economic calculations had become little more than a game of roulette, making the stakes 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, and it is generally held to have proved a success.

### **The ecu**

The ecu plays a central role in the system. (The name has dual roots, being an abbreviation of 'European currency unit' and also the name of a 13th-century French gold coin.) It comprises a basket of the currencies of the Member States, each currency accounting for a proportion fixed according to the economic strength of the country in question. Its exact value in each currency is calculated every day by the Commission and the rates are published in the *Official Journal of the European Communities* (C series).

The ecu fulfils four main 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 ultimately people will 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. Nevertheless, by the year 2000 it is widely hoped that progress towards economic and monetary union will make it possible for Union citizens to use ecu notes and coins as a European currency to pay for their purchases.

### **The road to economic and monetary union**

In June 1988 the Heads of State or Government launched a renewed initiative for economic and monetary union as part of the programme for completion of the single market. At their request a high-level committee of experts chaired by Commission President Jacques Delors met to consider ways and means of achieving this objective. In April 1989 the committee completed its work and published the Delors Report, setting out in detail the conditions that had to be met in order to establish economic and monetary union and proposing a three-stage plan for its achievement. This report was approved by the Community's leaders in June 1989 and served as a basis for subsequent action.

### **The successful move to the first stage**

The first stage was set to begin on 1 July 1990 and the deadline was successfully met. From that date all restrictions on currency and capital movements between the Member States (with only a very few exceptions) were done away with. Closer coordination and common supervision of the Member States' economic policies was introduced and cooperation between the central banks was strengthened in the Committee of Governors of the Central Banks.

### **The start of the second stage**

Under the Treaty on European Union, 1 January 1994 was set as the date for the start of the second stage. At the same time the Treaty laid the legal foundations for the final stage of economic and monetary union.

The principal goal in the second stage is to secure broad convergence between the economic policies of the Member States. To this end the European Council formulated economic policy guidelines and the Member States were required to submit 'medium-term convergence programmes' setting out all the economic policy measures planned to ensure their full participation in the final stage of economic and monetary union, with



the main focus being price stability and sound public finances. Member States whose economic policies jeopardize the prospects of achieving economic and monetary union can be placed under pressure to fall back into line through recommendations issued by the Council of Ministers.

Since the final stage involves the establishment of an independent European Central Bank, Member States whose central banks still have to follow government instructions were required to start preparing the way for legislation to guarantee the independence of their monetary authorities during the second stage. In addition, at the start of the second stage the European Monetary Institute (EMI) was established as a forerunner of the European Central Bank, with its seat in Frankfurt-on-Main.

### **The third stage**

Before embarking on the third stage, the Member States face a tough test at the end of 1996 to determine which of them fulfil the very strict convergence criteria laid down for participation in a single currency.

Only if a majority meets those criteria may the European Council decide that economic and monetary union should start. If the majority does not fulfil the conditions, then the start of economic and monetary union is automatically put back to 1 January 1999, on which date those Member States that do satisfy the criteria are due to adopt a single currency come what may. However, special arrangements apply for the United Kingdom and Denmark: the United Kingdom has reserved the right to opt out, while Denmark has clearly ruled out its participation in a single currency.

### **Achievement of economic and monetary union**

At the heart of the economic and monetary union will be an independent European Central Bank (ECB), which will manage the money supply of the European currency (the ecu) and, like the national central banks

today, will be responsible for currency stability. It alone will have the right to authorize the issue of notes and coins in the Community.

At the same time the ECB forms the cornerstone of a European System of Central Banks (ESCB) comprising the ECB itself and the central banks of the Member States. The ESCB's tasks are to define and implement the monetary policy of the Community, to hold and manage the official foreign reserves of the Member States and to promote the smooth operation of payment systems in the Community.

## ■ THE COMMON POLICIES

### The common agricultural policy

Agriculture, as one of the 'foundations of the Community', plays a key role in EU policy. It accounts for by far the largest proportion of EU legislation and more than half of expenditure under the 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 results in 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 beyond man's control – such as climate, soil and disease. Major fluctuations in harvests due to these factors inevitably affect farm incomes. But incomes must be high enough to secure the survival of the family-run farms that guarantee self-sufficiency and to prevent the small farmers from leaving the land. In this respect agricultural policy also plays the parts of incomes policy, employment policy, structural policy, regional policy, and population policy.

In view of the fundamental importance of agriculture 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.

### Main lines of the CAP

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 (Italy) in July 1958. They are essentially based on three fundamental principles:

#### *Unity of the market*

Before the founding of the EEC nearly all the Member States had their own market arrangements to protect agriculture. In setting up a common market for agricultural products these national arrangements had to be replaced by common, uniform market systems. This was the only way to ensure a unified market and prevent competitive distortions to the disadvantage of farmers in certain countries or regions and those concentrating on specific products. Gradually, European market organizations were established covering almost 98% of all agricultural products.

#### *Community preference*

The principle of Community preference deliberately seeks to promote Community farm products over imports and plays a crucial role in guaranteeing European farmers a livelihood. Without this protection many farmers would have given up farming long ago, abandoning the countryside for better paid and easier work

in industry. The main threat is posed by imports from countries where production is cheaper or where farming receives large-scale State support. To ensure that agricultural products from outside the Community cannot be sold at below the prices fixed for Community products a special 'levy' is charged when they are imported, raising their price to the level of the Community price.

### *Financial solidarity*

Under the principle of financial solidarity the costs which the market organizations necessarily entail are borne jointly by all Member States. To raise and distribute the necessary finance a European Agricultural Guidance and Guarantee Fund (EAGGF) was created when the first market organizations were set up. The Fund is divided into two sections: the Guidance Section finances structural measures, while the Guarantee Section (which accounts for the main bulk of spending) covers the costs of the common market organizations.

### **The common market organizations**

The market organizations are essential for the survival of agriculture, an industry that is especially vital in the industrialized countries. It cannot simply be left to the open market for prices to be determined purely by supply and demand without any form of State intervention, for if prices were dictated solely by the free play of market forces, they would very quickly prove insufficient to cover the high production costs involved. For this reason agriculture in all the industrialized countries of the world is supported and protected by the State. Under the market organizations, for example, the minimum prices for agricultural products are fixed so as to reduce the influence of supply and demand to negligible levels. This prevents price falls when harvests are plentiful and price increases when they are poor. Surpluses are bought up and stored by the State, to be sold later when market conditions improve.

The precise practical arrangements under the common market organizations vary from product to product, however, ranging from fully comprehensive price and intervention systems to import protection systems and even simply aid regulations and quality controls.

### **The problem of surpluses**

This, then, is the basic theory underlying the common agricultural policy. It forms a coherent whole designed to fulfil the aims just described. Putting the theory into practice, on the other hand, has posed a number of problems. Sometimes the prices set were out of line with market conditions. This led to surpluses and, because of the Community's open-ended commitment to buy up products, it was the Community (rather than farmers) that had to foot the bill. This in turn caused a build-up of large stocks — the much publicized beef, butter, fruit and vegetable mountains or the wine and milk lakes — involving massive storage costs. And ultimately these mountains and lakes could only be brought back down to manageable proportions by

subsidized sales (at best) or destruction (at worst). Because of such operations the common agricultural policy came in for growing public criticism. However, it would be overhasty 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 were due less to the system itself than to its implementation. Reform, then, had become essential.

### Reforms from 1984 to 1992

In May/June 1992 the Council undertook a complete overhaul of the common agricultural policy, putting an end to eight years of vacillation as politicians and officials constantly sought new ways of controlling agricultural production to reduce the surpluses and rein in the spiralling costs, while at the same time taking account of the need to preserve the environment, safeguard farmers' incomes and protect the economic interests of rural areas. Those early reforms had involved more and more new measures to regulate the markets, such as milk quotas or guaranteed quantities



*In 1962 the European Community set up a single market for agricultural products to secure Europe's food supplies. The common agricultural policy (CAP) has largely succeeded in its aim of providing consumers in the EC with food at reasonable prices while ensuring a decent living for farmers. But the down side to this achievement included growing surpluses and rising CAP costs, while farm incomes stagnated. For many years the CAP was the main focus of EC activity, swallowing up the lion's share of the budget. In 1992 the Community sought to extricate itself from the impasse by reforming the CAP. Without abandoning the basic underlying principles, the reforms are aimed at cutting back surpluses, lowering prices to the consumer and boosting the incomes of the poorest farmers. In future it will be quality rather than quantity that counts. Programmes are under way to replant woodland and tend land taken out of use, helping to protect the countryside. The CAP's share of the EU budget has now shrunk from 63.3% in 1988 to 49.3% today.*

and co-responsibility levies. In the structural sphere there had been action to promote reforestation, rules to help protect certain environmentally threatened areas and incentives to encourage farmers to take land out of production (set-aside). All those measures,

however, had failed to produce the results hoped for. Consequently in a comprehensive discussion paper on 1 February 1991 the Commission advocated an even more far-reaching reworking of the market mechanisms and later that year put detailed proposals before the Council, leading eventually to the major reforms of 1992.

Those reforms, however, still rested on the key principles of market unity, Community preference and financial solidarity. And since the principles did not change, neither did the main mechanisms (prices fixed by the Council, protection against imports from outside the Community through variable levies and public intervention on the markets). But although the mechanisms remain, their emphasis has shifted towards ensuring that measures are more consistently geared to the market situation under clear guidelines.

- Operating a market-oriented price strategy. The resulting drop in agricultural incomes is 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.
- Adjusting the intervention mechanism and making it more flexible, for instance through the temporary suspension of price and buying-in guarantees or the introduction of quotas.
- Taking agricultural land out of production in return for a set-aside premium and putting it to long-term non-agricultural uses such as creating ecological niches or extending woodland areas.
- Introducing early retirement schemes to encourage older farmers to give up farming.

- Developing and promoting alternative crops, such as timber or fruit that is in short supply in the Community, and opening up new outlets for agricultural produce, especially in the industrial sector.

This is encouraging, but only a start in a long-term process to make European agriculture more efficient and market-oriented.

### **Transport policy and trans-European networks**

Transport is of importance to the Community in two respects. Firstly it is essential for the single market, being the means by which the basic freedoms are exercised and a sector that is inextricably intertwined with the Community's agricultural, industrial, environmental and commercial policies. Secondly it has developed into an industry of major economic importance in the modern industrial nations. In the Community as a whole it employs some 7 million people and accounts for 6.5% of gross national product.

It was therefore only logical that transport policy should be conceived from the very outset as a matter for the Community.

But although transport was intended to be a common policy area under the Treaty, Community action initially showed no coherent overall approach and never progressed beyond piecemeal measures. The various modes of transport, in particular road haulage, the railways and inland waterways, remained (and still largely remain) firmly rooted in the old national structures. In this they had the backing of the Member States, which for a variety of reasons (economic, geographical, political and historical) still wanted to pursue their own individual transport strategies.

If results were meagre, it was not for want of initiatives, especially on the part of the Commission.

In a memorandum on the broad lines of the common transport policy, published in 1961, the Commission set out the goal of an open transport market centred on free and fair competition. The Council, however, ignored the Commission's suggested broad approach and merely adopted a number of individual measures contained in the programme.

In 1973 the Commission took stock of the situation in a paper presented to the Council on the development of the common transport policy. The central element here was a call

to establish a system designed above all to improve transport infrastructures. This was to be accompanied by measures to improve structures, promote social progress, increase safety and reduce costs. Again the Council made no formal response and simply continued its piecemeal approach.

Despite these setbacks, at the beginning of 1983 the Commission published yet another paper on progress towards a common transport policy, setting out a series of guiding principles for the creation of a comprehensive internal market in the transport sector.

At about the same time the European Parliament, supported by the Commission, started proceedings against the Council in the Court of Justice because of the large gap between the progress actually made and the Treaty requirement for a common transport policy.

In 1985 the Court delivered its ruling, deciding that firms anywhere in the Community should be free to operate goods and passenger services in the Member States without discrimination on the grounds of nationality or place of establishment.

This proved to be a key development, giving the common transport policy a decisive boost. In the same year the Council announced that by the end of 1992 road haulage would be liberalized and accompanying harmonization measures adopted. This declaration of intent was followed by the adoption in 1988 and in 1990 of basic regulations governing the intra-Community goods transport markets.

A further sign of the growing momentum came with the Single European Act, which expressly referred to transport as a key element of the single market and spelled out the measures to be taken by the Community institutions to establish a common transport market. Since then the common transport policy has moved forward rapidly and now covers a broad spectrum of measures and initiatives to underpin a single market for transport

services. The net result of this process has been the emergence of a more open market free of unnecessary bureaucracy and restrictions, stimulating free competition and helping transport undertakings boost their competitiveness, financial strength and efficiency while improving the operation and quality of transport systems and increasing safety, reliability and passenger comfort. Measures to protect the environment have also been introduced and initiatives launched in the areas of transport research and development as well as infrastructures. In addition the Union has begun to take an interest in transport links with countries beyond its borders.

Thus 1992 marked a turning-point in the history of the common transport policy as its main emphasis shifted away from seeking solely to eliminate artificial barriers to the provision of services towards the broader aim of ensuring the smooth operation of Community transport systems within the single market.

### **Trans-European networks**

The Treaty on European Union underpinned these developments and lent a new impetus by introducing a policy for trans-European networks, which include such things as motorways, railway lines, telephone networks, power lines and oil and gas pipelines. To exploit the advantages of a single market fully, cross-frontier links in these areas need to be extended. Some projects are already under way (the Channel Tunnel and the high-speed train network) and others will follow. The Community can help by carrying out feasibility studies and providing loan guarantees and interest subsidies.

### **Research and technology policy**

Research and technology pose one of the greatest challenges facing the Union 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 40 years and more.

### **The growth of R&TD policy and its legal basis**

The seeds of a European research policy were first planted in 1951, when the ECSC Treaty gave the High Authority (now the Commission) the task of making funding available to promote research on coal and steel.

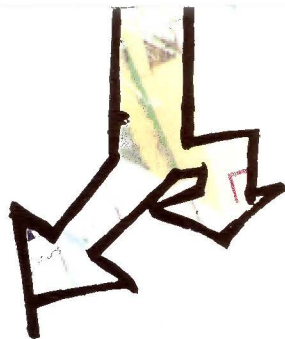
Starting in the 1960s a number of Community-financed programmes were launched in these sectors.

With the establishment of the European Atomic Energy Community, joint European research was placed on a broader basis. Under the Euratom Treaty one of the Community's prime tasks was to develop research and safeguard technical knowledge in the nuclear field. It therefore drew up regular Community-financed research and training programmes running over several years. In addition a nuclear research establishment was set up 1957. Its responsibilities were subsequently broadened to include other areas besides nuclear research and it became what is now the Joint Research Centre.

Initially research under the EEC followed a different pattern, since the only provision made in the EEC Treaty was for

the coordination of agricultural research and the dissemination of agricultural knowledge with the possibility of joint financing. It was only in 1974 that a completely new approach was adopted after the Community's leaders had agreed in principle on a general European research and technology policy at their summit conferences in The Hague (1969) and Paris (1972). In a resolution on 14 January 1974 the Council, acting on the basis of this agreement, set out general aims for a common policy in the field of research and technology and laid down the principles for its implementation. Measures to coordinate national policies were planned as well as joint activities that were to be based on the general objectives of the Community, and eventually almost 40 Community-financed programmes of varying size and importance were approved.

In 1983 the individual programmes were brought together under a first Community







*Much research is under way in Europe to improve the quality of life. The photo shows solar cells being manufactured for sunlight collectors to produce clean energy. The European Union backs public and private research in a wide range of fields such as information technology, telecommunications, new materials, the environment, biotechnology, energy and transport. The EU's budget helps to fund basic research involving collaboration between researchers, institutes or firms in different EU member countries. The Council of the EU and the European Parliament have adopted a fourth framework research programme drawn up by the Commission for 1994-98, putting up a total of ECU 12.3 billion to help boost economic growth and employment and to strengthen the competitiveness of European industry.*

framework programme for research, technology and demonstration covering the five-year period 1983-87. This reflected the Community's striving for a self-contained Community research and technology policy. At the same time clear boundaries were drawn by expressly subordinating the policy to the subsidiarity principle, which rules out Community action except where the nature of a problem means that the Member States individually cannot tackle it effectively enough.

By the mid-1980s research and technology policy already occupied a firm place in the Community's activities and the logical next step was to give research and technology policy its own place in the EEC Treaty, which was done as one of the changes brought in by the Single European Act in 1987. The existing research policy structures, however, remained largely unaltered. The stated objective is to strengthen the scientific and technical bases of Community industry and promote its

international competitiveness, with the underlying aim of enabling European firms to exploit the full possibilities of the single market in 1992. To attain those goals the Community is required to adopt programmes, cooperate with third countries, disseminate and evaluate results, and promote training and mobility for research workers. Ultimately, though, the main weight of its effort still goes into producing the Community research programmes. Through them it supplements and concentrates national research with its own extensive scientific and technical research. This avoids unnecessary duplication of effort and ensures the rational and effective use of funds.

### **The forms of joint action**

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.

### **Promoting research outside the EU**

Promoting research is not confined to the Community alone, but is also seen increasingly in a pan-European context.

As early as 1954 the European Centre for Nuclear Research (CERN) was set up in Geneva to carry out fundamental scientific research, particularly in the area of particle physics. This was followed in 1975 by the European Space Agency (ESA), with its headquarters in Paris, which coordinates the European space programme (Ariane rockets, Columbus spacelab, Hermes space shuttle, satellites). Finally in 1985 the European Research Coordination Agency (Eureka) was created to promote cross-frontier technological research. This stems from a French initiative and was intended as a civilian answer to the American SDI (Strategic Defence Initiative) programme, which was mainly geared to military purposes. Within the framework of Eureka, projects are promoted through joint financial support aimed at the development of high-technology products, systems and services with a worldwide market potential. There are now 19 European States taking part in Eureka (the 15 Member States of the EU plus Norway, Switzerland, Turkey and Iceland).



## **Industrial policy**

The single market plays a vital role in encouraging firms to think and act strategically beyond national borders. But since the single market is also open to firms from outside the Union, it is vitally important that European companies should prepare for stiffer competition.

One of the urgent tasks facing the Community, therefore, is to preserve and promote the competitiveness of European industry at home and abroad. Against this background, then, the Treaty on European Union conferred responsibility for industrial policy on the Community.

The main thrust of industrial policy is to facilitate adjustment to structural change and to create a favourable environment for businesses' growth, in particular among small and medium-sized firms. A further priority is to promote innovation, research and technological development.

In its practical implementation the policy centres on the principles of the free market economy. This means that initiative and responsibility for structural adjustment, for instance, continue to rest mainly with business and industry themselves. Although the Community can intervene to support and accelerate the process, in particular by promoting the creation of the necessary infrastructures (education, energy, transport, telecommunications and research), it cannot replace business decisions. In each case the Community has to make certain that particular enterprises or groups do not receive preferential treatment which might lead to competitive distortions.

Lastly the creation of favourable basic conditions for enterprises also means the abolition of redundant and restrictive bureaucratic regulations.

## POLITICAL UNION: THE THREE PILLARS OF THE EUROPEAN UNION

### ■ THE FIRST PILLAR: THE THREE EUROPEAN COMMUNITIES (EC, EURATOM, ECSC)

The core of the European Union is still the European Economic Community, extended to include economic and monetary union. In Maastricht the Heads of State or Government deleted the word 'Economic' in the title of the Treaty. This minor change can be taken to symbolize the intention that the EC should gradually become transformed from an economic community into a political union. It does not, however, affect the separate existence of the three Communities (ECSC, Euratom and EC), since they were in no way formally merged. Similarly the renaming of some of the EC institutions following the creation of the European Union only served to cause confusion. On 8 November 1993 the Council of the European Communities adopted the title 'Council of the European Union'. The 'Commission of the European Communities' became the 'European Commission'. And the 'Court of Auditors' renamed

itself the 'European Court of Auditors' on 17 January 1994. Nevertheless, the legal instruments issued by the individual institutions remain legal instruments of the respective Community.



## ■ THE SECOND PILLAR: THE COMMON FOREIGN AND SECURITY POLICY

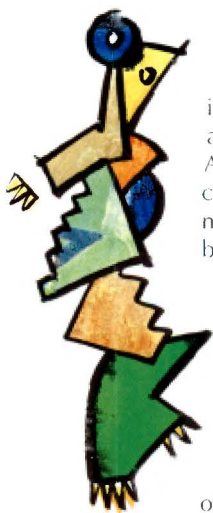
Until the Treaty on European Union political coordination between the Member States was carried out under European Political Cooperation (EPC), which was instituted in 1970 and improved and extended by the Single European Act in 1987. This involved regular consultations between the foreign ministers and constant contacts between their officials. The aim was to improve communication between the Member States on all major foreign policy issues, align their points of view and — as far as possible — arrive at a common approach. However, all decisions had to be taken unanimously and discussion of security questions was confined to

the political and economic aspects. The political crises of recent years (the Gulf War, civil war in Yugoslavia, collapse of the Soviet Union) showed very clearly that EPC was incapable of helping the EU to respond to key global issues in a manner commensurate with its weight as the largest trading bloc in the world. In the case of Yugoslavia the Member States were unable to do any more than send EU observers and convene a peace conference. After the collapse of the Soviet Union political coordination among the Member States went no further than agreeing common criteria for formal recognition of the newly emerging States. And in other fields Member States frequently resorted to unilateral moves, with the result that common European interests were not adequately represented.

In the Treaty on European Union the Heads of State or Government agreed to pursue the gradual development of a common foreign and security policy, centred on the following goals:

- safeguarding the common values, fundamental interests and independence of the European Union;
- strengthening the security of the Union and its Member States;
- preserving world peace and strengthening international security, in accordance with the principles of the United Nations Charter as well as the principles and aims of the Conference on Security and Cooperation in Europe (CSCE) as laid down in the Helsinki Final Act of 1975 and the Paris Charter of 1990;
- promoting international cooperation;
- developing and consolidating democracy and the rule of law and ensuring respect for human rights and fundamental freedoms.

Since the EU is not yet a fully-fledged State polity, these goals can only be realized gradually. Foreign and security policy in particular is traditionally an area where the Member States insist on retaining sovereignty. Common interests in this area are also fraught with difficulty because France and the United Kingdom are the only EU countries that possess nuclear weapons. A further problem is that not all the Member States belong to the defensive alliances of NATO (Ireland, Sweden, Austria, Finland) and the WEU (Denmark, Ireland, Greece).



Most decisions under the common foreign and security policy, therefore, still come under the heading of intergovernmental cooperation. But in many individual cases they are so closely interlinked with other Community instruments (such as economic cooperation, financial assistance or sanctions) that some overlapping with Community decision-making procedures can quite easily arise.

### **Common foreign policy**

The main lines of the common foreign policy are to be defined by unanimous decision of the European Council. On this basis a clearly defined area of foreign policy may then be declared a subject of joint action. This option is meant to be exercised principally where there is a particularly urgent or pressing need to safeguard certain common interests. The following prospective areas of joint action are already being considered:

the CSCE process;  
disarmament and arms control in Europe;  
non-proliferation of nuclear weapons;  
the economic aspects of security, above all control of the transfer of weapons technology to third countries and controls on arms exports.

Once a matter has been designated a subject of joint action, the Council may decide that specific questions should be decided by qualified majority rather than by unanimity. The position adopted by the Union in a matter of joint action is binding on the governments of the Member States in their conduct on the international stage.

Outside any areas of joint action, the Treaty imposes extensive obligations on the Member States to consult, inform and coordinate with each other, the forum for this being the Council.

### **Common security policy**

The common security policy relies on the structures of the Western European Union (WEU). The WEU is regarded as an integral part of the European Union's development. Its task is to elaborate and implement decisions and actions of the Union that have defence implications. In a special declaration on the role of the WEU and its relationship with the EU and NATO, the nine Member States of the EU that are also members of the WEU agreed a programme for future cooperation. The objective is to build up the WEU in stages as the defence component of the EU and to strengthen the European pillar of the Atlantic Alliance.

Since defence and security issues are still a very sensitive policy area for the Member States, these and all further measures and decisions always have to be taken unanimously. A common defence policy, however, does not yet form part of the common security policy; the aim of 'the eventual framing of a common defence policy, which might in time lead to a common defence' is at present still a matter for the future.

Further steps forward under the common foreign and security policy are to be considered at the Intergovernmental Conference of the Member States planned for 1996. A report will be presented assessing the progress made by then and the experience that has been gained.

### ■ THE THIRD PILLAR: COOPERATION IN THE FIELDS OF JUSTICE AND HOME AFFAIRS

The problems of immigration and asylum, drug trafficking and other aspects of international crime are matters of increasing concern to the citizens of Europe. To meet these concerns the Treaty on European Union provides for extensive cooperation in justice and home affairs and its gradual extension to form a Community policy. Here, as in foreign and security policy, all decisions are taken through intergovernmental cooperation, ruling out the use of Community decision-making procedures.

The main focus of cooperation in home affairs is policy towards non-member countries as regards immigration and asylum. Policy on visas already comes under the responsibility of the Community owing to the specific obligations stemming from the single market. Preparatory work on a common policy on asylum has been fully under way since the beginning of 1993. And a harmonized policy on the immigration of citizens of non-Union countries is in prospect. This would include setting the conditions under which non-Union nationals could enter and move around and stay in the territory of the Member States and rules as regards reuniting families and access to work. It would also cover the fight against illegal immigration, illegal residents and illegal workers. In these areas the Schengen and Dublin Agreements already constitute a first comprehensive approach. But unfortunately they do not involve all the Member States yet.

Cooperation in the field of justice mainly involves coordinated measures to combat drug trafficking, uncover large-scale international fraud, pursue other forms of international crime and deal with matters relating to civil disputes and customs offences. A first promising step in the fight against drug trafficking and international crime has already been taken with the entry into force of a directive to combat money laundering.

In addition, it is planned to set up a European police centre (Europol) to assist national criminal investigation and security authorities in coordinating investigations. Europol will set up information databases and carry out central assessment of investigative approaches. It will also help to draw up Europe-wide crime prevention strategies and schemes on training, research and forensic matters.



## A UNION FOR THE PEOPLE

Any political system must attend to the needs of the people living under it, and the European Union is no exception. It 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 instance, encompass not only the economic objective of a large single internal market but also the individual freedoms transcending national frontiers which guarantee Union citizens a minimum measure of personal self-realization. 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 Community's leaders 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.



## ■ UNION CITIZENSHIP

The introduction of Union citizenship created a direct link between European integration and the people it is meant to serve. Union citizenship confers concrete civil rights. As Union citizens, nationals of the Member States can move freely throughout the Union and settle wherever they wish. They have the right to vote and stand as candidates in municipal elections in the Member State where they reside. This has major implications. Indeed some Member States had to amend their constitutions to make it possible. Citizens also enjoy the same electoral rights when it comes to elections for the European Parliament. In addition every citizen has the right to petition the European Parliament on a matter directly affecting them or to take their problems to an Ombudsman. Lastly in the territory of non-member countries, Union citizens enjoy the diplomatic and consular protection of all the Member States represented there. Union citizenship stands alongside national citizenship so that people can still retain their national identity.

## ■ 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 a touchstone of European integration.

## Initial steps and the social dimension of the single market

The first outlines of a Community social policy can already be seen in the founding Treaties. 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 system. 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.

It later came to be realized that Community social policy needed to be expanded just as much as economic, monetary and industrial policy. But it was not until 1987, with the Single European Act, that the Community was given wider powers in the social field to enable it to press ahead with a coherent European social policy building on the work it had already begun. This social dimension has become a vital aspect of the single market, reflecting the view that it is not enough simply to boost economic growth and strengthen business competitiveness but that the benefits must also be fairly distributed. 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 single market takes shape. This means providing better opportunities for workers to exercise their right to move and settle freely in practice. An effort is also being made 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, the main emphasis here being 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. The creation of the single market marks the start of a process that will stimulate job creation throughout the Union. But even with the accompanying measures to reinforce social cohesion, it cannot reduce the jobless totals at a stroke. 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 to find work.

### **Community Charter of the Fundamental Social Rights of Workers**

A further key element of Community social policy is the Charter of the Fundamental Social Rights of Workers adopted in December 1989 by 11 Member States (the United Kingdom excepted), reflecting the European view of society, the role of labour and the rights of the citizen. The one weakness was that the Social Charter's targets and objectives had no binding force and first had to be translated into concrete proposals under an action plan drawn up by the Commission. But on the basis of these proposals the Council was



*The European Union is working hand in hand with the Member States, employers and trade unions to draw up rules on safety at work so that workers will enjoy the same high levels of protection throughout the Union. From the very outset the Treaties committed the Community to the objective of improving working and living conditions. Since the ECSC Treaty in 1951 the range of action in the social field has expanded to include funding for projects through the Social Fund (set up in 1960), the integration of young people and the handicapped into working life and coordinated social security provision for migrant workers. In 1989 the Charter of the Fundamental Rights of Workers was adopted and 14 of the Member States (all except the United Kingdom) have since concluded a binding agreement on social policy that is intended not to interfere with the rights of the Member States or employers and trade unions but to help them agree on any common arrangements that may be required by the single market. The Commission actively promotes what is known as 'social dialogue', meeting with employers' and trade union representatives to discuss issues of common interest that extend beyond national borders.*



eventually able to pass a number of important directives to improve health and safety at work, setting a minimum level of protection in all the Member States. Later

measures also dealt with improved social protection for migrant workers, the mutual recognition of qualifications and equal treatment for men and women at work.

Aware of the very important part played by trade unions and employers' associations in securing social progress, the Commission has been working to promote dialogue between them at Community level since 1985. Thus the European Trade Union Confederation (ETUC), the Union of Industrial and Employers' Confederations of Europe (UNICE) and the European Centre of Public Enterprises (CEEP), for instance, have all taken part in work on vocational training, new technologies, labour-market adjustment problems and European collective pay agreements.

Nevertheless the sum total of social policy measures fell far short of the ambitions set by the Community and the Member States when they called for action to give real substance to the social dimension of the single market.

## The social policy agreement

The need to deepen and broaden Community social policy was, therefore, once again one of the most burning points of discussion in the negotiations leading up to the Treaty on European Union. All attempts to incorporate a clear and comprehensive legal basis for a common social policy in the EC Treaty foundered against renewed opposition from the United Kingdom. As with the passing of the Social Charter, the 11 other Member States decided to press ahead alone with a separate agreement on social policy. The primary aims under the agreement are to promote employment, improve working and living conditions, ensure proper social protection and foster dialogue between management and labour.

The Council of the EU will support action by the Member States towards these ends and may, by a qualified majority, adopt directives setting minimum requirements covering improvements in the working environment to protect workers' health and safety, working conditions, workers' information and consultation, equal opportunities for men and women in the labour-market and equality of treatment at work, as well as integration into the labour-market. In other areas the Council (social security, protection on the termination of workers' contracts, representation and collective defence of workers' and employers' interests, including co-determination) can approve minimum requirements unanimously.

The involvement of the Community institutions was made possible after the United Kingdom gave its express agreement in a joint protocol to the EU Treaty allowing its 11 partners to pursue the common social policy further within the framework of Community institutions, procedures and mechanisms. The United Kingdom does not participate in voting on such matters, but neither does it have to implement or apply in the United Kingdom any measures which the Eleven may decide.

It remains to be seen whether this approach will prove to be sustainable and above all whether it can give the Community the necessary credibility in the area of European social policy.

## ■ ECONOMIC AND SOCIAL COHESION

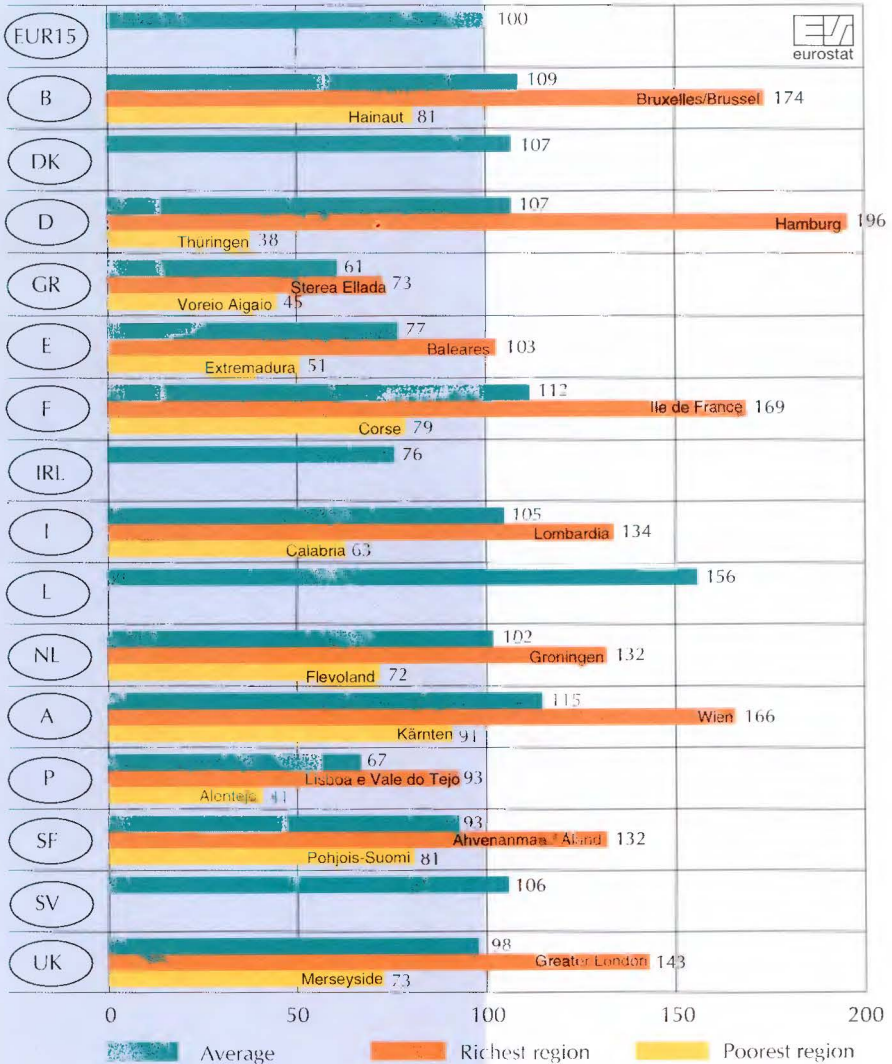
The policy of economic and social solidarity in the EC was already set out in the founding Treaties, though not under that name. The preamble of the EEC Treaty stated the objectives of ensuring economic and social progress, achieving a constant improvement of living and working conditions and reducing differences in prosperity. The Community was assigned the task of promoting the harmonious development of economic activities, continuous and balanced expansion and an accelerated raising of the standard of living. The only specific instruments originally provided to achieve these goals, however, were the European Social Fund and the European Investment Bank.

In the course of the 1970s structural problems at Community level intensified, notably in the shape of sharply rising unemployment and widening differences in living standards between the regions of the EC. The challenge was met, amongst other things, by the creation of the Regional Fund (1975), the introduction of more concentrated measures by the Social Fund and an increase in Community loans financed either through the European Investment Bank or directly from the EC budget. Thus by the early 1980s the EC possessed a highly complex and wide-ranging armoury of policy instruments:

- the three Structural Funds (Regional Fund, Social Fund and EAGGF Guidance Section);
- special budget funds to promote structures in particular policy areas (fisheries, transport, energy, environment, ECSC funds, Euratom funds);
- loans by the European Investment Bank, especially for infrastructure improvements;
- loans from the ECSC and the NCI (New Community Instrument) mainly for industries hit by structural crises, medium-sized firms and the promotion of restructuring generally.

While these instruments made it possible to deal with the most urgent needs, the complexity of the Community's structural policy had by this time become a serious handicap.

## Per capita gross domestic product (GDP) in the richest and poorest regions in the EU Member States



The chart shows per capita GDP expressed in purchasing power standards. The 1992 figures are measured against the EU average for the 15 Member States (= 100); thus values above 100 indicate that GDP per head is better than the average, while values below 100 mean that it is below average. The chart gives the overall national figure for each country and the figures for the richest and poorest regions in each (where details were supplied). The names of regions are shown in the national languages.

Source: Eurostat 1995.

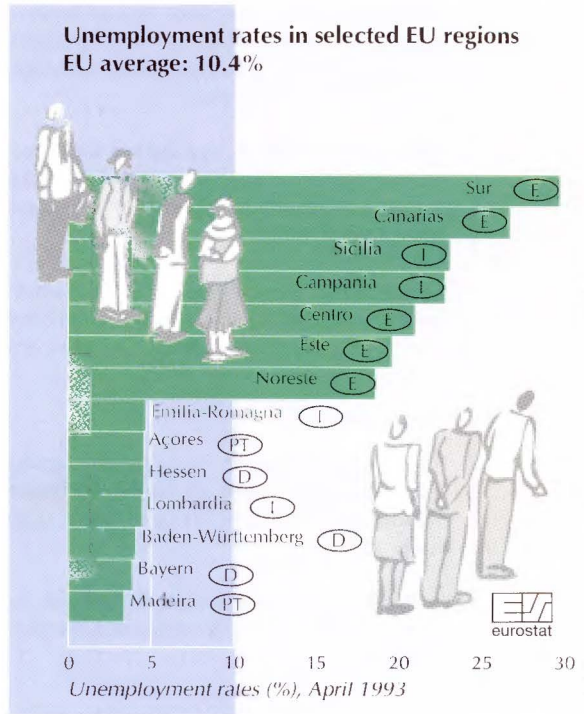
The charts show two examples of the enormous differences between the poorest and wealthiest regions of the Union. To reduce these disparities the Member States decided on a transfer of resources through the EU budget, setting up various Funds administered by the Commission. The most important of these are the Structural Funds and the Cohesion Fund. In 1994 just over 30% of the EU budget (roughly ECU 23 billion) was earmarked for assistance to poorer, backward regions and areas suffering from industrial decline. The EU's regional policy is geared towards five main objectives:

1. Promoting development in backward regions, i.e. those whose per capita GDP is below three quarters of the EU average.
2. Helping regions hard hit by industrial decline and long-term unemployment to adapt.
3. Combating long-term unemployment and helping young people to integrate into working life.
4. Supporting retraining and further training for workers to help them adapt to industrial and technological change.

5. Promoting development in rural areas and fisheries.

Action by the EU is governed by the subsidiarity principle, which means it is designed to complement local, regional and

national measures. No projects are funded solely by Brussels. Nor are they dreamt up in the Commission's offices there. In fact many bodies, groups and associations are involved in drawing up schemes.



Reflecting the impact of Spanish and Portuguese accession in 1986 and of the single market project, the Single European Act grouped together the different structural policy instruments of the EC under the single policy heading of 'economic and social cohesion'.

### Specific aims

The policy of economic and social cohesion is not defined in financial terms but in terms of objectives. This means a complete break with the earlier system, under which the available resources were shared out between countries in accordance with a fixed scale.

There are five priority objectives:

**Objective 1:** promoting the development and structural adjustment of regions whose development is lagging behind;

**Objective 2:** helping regions, border areas or subregions (including labour-market regions and urban areas) severely affected by industrial decline to redevelop;

**Objectives 3 and 4:** combating long-term unemployment (Objective 3) and facilitating the integration of young people into working life (Objective 4);

**Objective 5:** speeding up the adjustment of farm structures (Objective 5a) and promoting the development of rural areas (Objective 5b).

### Instruments

The main instruments for achieving economic and social cohesion are the three Structural Funds, plus the Cohesion Fund that was set up in 1994:

- the Regional Fund was established with the aim of helping to reduce regional differences in the EU;
- the Social Fund seeks to improve employment opportunities and promote the geographical and professional mobility of workers in the EU;
- the Guidance Section of the EAGGF has the task of improving production and sales conditions for agricultural products;
- the Cohesion Fund is intended to guarantee financing for projects of common interest in the areas of environmental protection and transport infrastructures (trans-European networks).

## ■ ENVIRONMENTAL PROTECTION

The founding Treaties made no explicit reference to environmental protection as one of the Community's tasks. The principal reason for this omission is that the threat to the environment was far less apparent in 1957, when the Rome Treaties were signed, than 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 EC leaders 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.

Eventually in 1987, under the Single European Act, environment policy was given its own place in the Treaty.

## Objectives

The goal of Community environmental policy is to preserve and protect the environment and improve its quality, to contribute to the protection of human health and to ensure the prudent and efficient use of natural resources.

## Principles

The general principles of Community environmental policy were already formulated before the Single European Act in four European action programmes for environmental protection adopted between 1973 and 1987. Four principles were incorporated in the EC Treaty as legally binding commitments. The activity of the Community is to be directed towards preventing environmental pollution (prevention principle), rectifying it at source wherever possible, making those who cause it liable to bear the cost (polluter-pays principle) and treating environmental protection as an integral part of the other Community policies.

The prevention principle entails the adoption of preventive measures. In the case of all planning and decision-making processes which affect the environment, potential pollution and environmental damage have to be taken into account so as to avoid the need for any corrective action at all. One means of applying the prevention principle is the environmental compatibility test (ECT), under which certain public and private projects with a major impact on the environment (e.g. motorways, thermal power stations, refuse disposal plants) have to be examined for their environmental friendliness.

The principle of rectifying pollution at source involves the obligation to combat environmental pollution as promptly as possible. Thus pollution that cannot be avoided completely has to be kept as low as possible and its spread prevented. A related approach is the introduction of low-pollution technologies and products to limit the potential for environmental pollution from the outset.

The polluter-pays principle means that the costs of prevention, cleaning up and compensation for pollution are in principle borne by those who cause it. By imposing the cost burden on potential polluters, the aim is to give them an incentive not to pollute at all and/or to reduce pollution or manufacture less harmful products and use cleaner technologies. The principle thus reflects the commonly observed phenomenon that creating financial incentives and cost penalties is more effective than imposing obligations or bans.

Environmental protection requirements are an integral part of the Community's other policies. Thus account has to be taken of the objectives of environmental policy when implementing other Community policies. The fact that environmental protection is the only policy under the Treaty that has to be reflected in all the other policies emphasizes its outstanding importance.





## ■ HEALTH AND CONSUMER PROTECTION

### Health

The Community already does much for the health care of its citizens. By the year 2000 the 'Europe against cancer' programme aims to reduce the number of cancer-related deaths by 15% through cooperation between researchers and through information campaigns and preventive measures.

The Treaty on European Union gives the Community the task of supporting cooperation between the Member States. The emphasis is on disease prevention, concentrating in particular on AIDS and drug addiction. Health information and education as well as research into the causes and transmission of disease are special priorities.

### Consumer protection

The single market opens up boundless opportunities for business, but at the same time increases the need for greater consumer protection.

As national frontiers disappear in the single market, consumers in France or Germany, for instance, who sign a contract with an English or Belgian insurance company must be able to expect the same protection they would enjoy under a contract signed in their own country.

The Community has long been active in this area through its general competition policy and with special consumer protection initiatives.

Consumer protection policy was introduced together with environmental policy at the 1972 Summit of Community leaders in Paris. Over the years many regulations have been brought in to help protect consumers, ranging from rules on the labelling of food and dangerous sub-

stances to regulations governing doorstep sales, consumer credit and the liability of manufacturers for product safety.

The scope for the Community to do still more for consumer protection was strengthened by the Treaty on European Union. Not only did it formally incorporate consumer protection policy in the EC Treaty (Article 129a), but it also imposed on the Community an explicit obligation to contribute to the attainment of a high level of protection.

## ■ EDUCATION AND CULTURAL POLICY

### Education and vocational training

In the early years of the Community, education and training were only of indirect importance in the framework of freedom of movement and social policy.

Only in the 1970s was closer educational cooperation between the Member States introduced. At the centre of this stood the 1976 action programme for cooperation in education which, besides introducing measures for the schooling of migrant workers' children and for more intensive exchanges of information, sought to improve foreign language teaching and bring about closer cooperation in university teaching.

Cooperation intensified in the mid-1980s following the call by the European Council in 1985 for a 'people's Europe' and was further boosted under the influence of the single market project. Large-scale cooperation programmes came into being, most notably in the universities and vocational training.

Under the Treaty on European Union both general education (Article 126) and vocational training (Article 127) were explicitly covered in the EC Treaty. The Treaty rules are based on the subsidiarity principle and give the Member States sole responsibility for curricula and the organization of general education and vocational training systems. The Community's task is confined to promoting cooperation between the Member States in education, supporting and supplementing national measures on education and vocational training and promoting cooperation with non-member countries and international organizations with responsibilities in the field of education and training (e.g. the Council of Europe).

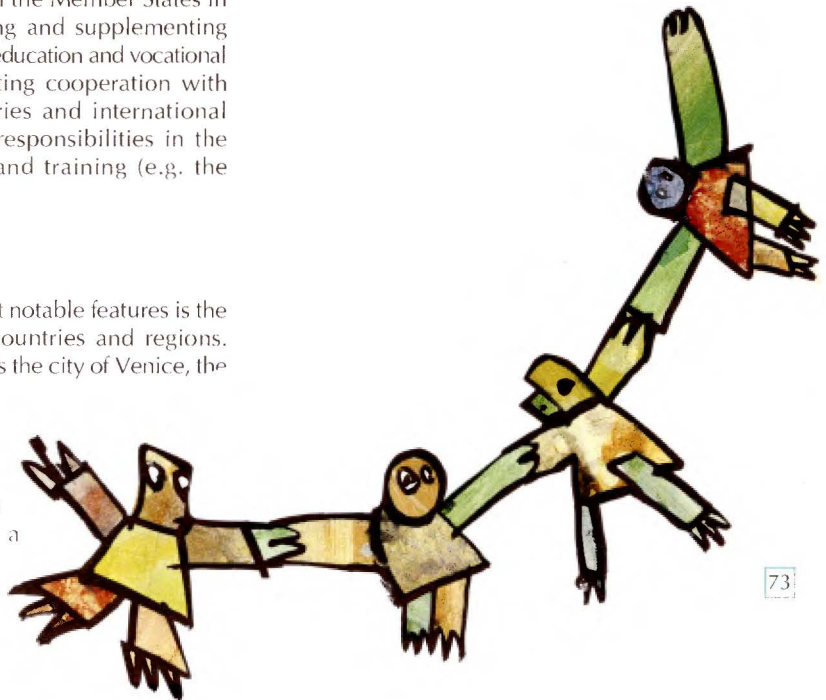
## Culture

One of Europe's most notable features is the cultural variety of countries and regions. Cultural assets such as the city of Venice, the paintings of Rembrandt, the music of Beethoven or the plays of Shakespeare are an integral part of a common cultural heritage and are

regarded as common property by the citizens of Europe.

Under the Treaty on European Union the Community was therefore also called upon to contribute to 'the flowering of the cultures of the Member States, while respecting their national and regional diversity and at the same time bringing the common cultural heritage to the fore' (Article 128 of the EC Treaty).

The disappearance of national frontiers under the single market means that there is a need for further measures in fields closely linked with creative endeavour. That includes, for example, rules on copyright, cross-frontier television and the free movement of cultural goods and services. The Community also has responsibility for efforts to improve knowledge of the culture and history of the European peoples. One of the focal areas of future action will be conserving and safeguarding items of major significance for Europe's cultural heritage.



## THE UNION IN THE WORLD

The European Union is the largest single trading bloc in the world and as such plays a leading role alongside the United States and Japan on the world stage, with interests in practically every corner of the globe. More than 100 countries have diplomatic missions to the EU 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 reflects a very basic need in view of Europe's economic depend-

ence on a wide variety of imports (such as energy supplies, raw materials and finished industrial goods).

The Community has been given wide powers for shaping its economic relations with the outside world. The instruments available to the Community under the Treaty for 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. These instruments were extended by the Treaty on European Union to include cooperation between the Member States in foreign and security policy.





Dimitris Karakostas

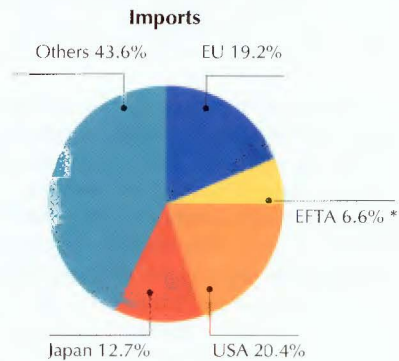
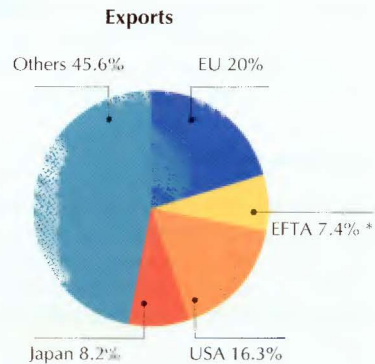
Trade has always played a major role in Europe's history and trade with the world is still the source of our wealth today. Even leaving trade between the member countries out of the equation, the European Union is the largest trading bloc in the world (see chart). Trade is what drives growth and creates jobs in manufacturing, research, banking, insurance and many other sectors. The

## ■ 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 the Common Customs Tariff, to conclude economic agreements, to guide export policy and to decide on trade protection measures where necessary (for instance against unfair trading practices such as dumping or subsidies). The Community plays an active part in international negotiations for the development of world trade held under the auspices of the World Trade Organization (formerly GATT) or Unctad (United Nations Conference on Trade and Development).

creation of the single market has freed internal trade of many obstacles. The EU plays a leading role in negotiations within GATT (General Agreement on Tariffs and Trade) and its new successor, the World Trade Organization.

### Share of world trade, 1993



\* In 1992 EFTA comprised Finland, Iceland, Liechtenstein, Austria, Norway, Sweden and Switzerland. At the beginning of 1995 Austria, Finland and Sweden became members of the EU.

Source: Eurostat, *External trade — Monthly statistics*.

One of the major features of the EU's trading relations with other countries is the many agreements it has concluded to promote trade and wider economic cooperation. More recently it has increasingly played a part in seeking to resolve trade conflicts, negotiating with Japan to open up the Japanese market to European goods and products, for example. In order to protect crisis-hit industries in the Community, notably 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 certain curbs on European exports to other countries, especially the USA, so as not to damage their markets.

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.

### **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 association agreements originally was to accommodate the special economic links that existed with some overseas countries and territories as a legacy of their former colonial ties with Belgium, France, Italy and the Netherlands. Because of the considerable disruption to trade with these countries caused by the introduction of a common external Community tariff, special arrangements were needed to extend to them the Community system of unrestricted trade. At the same time, customs duties on goods from them were lifted. Financial and technical assistance is dispensed by the European Development Fund.

- Agreements to prepare the way for possible accession

Association agreements 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 worth 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.

The Union has also followed the same line in relations with the countries of Central and Eastern Europe. In the 'Europe Agreements' concluded since 1989 with Poland, Hungary, the Czech Republic, the Slovak Republic, Bulgaria and Romania, the EU has in prin-

ple committed itself to the long-term goal of membership for them. Here, too, association is meant to help them fulfil the conditions for accession to the EU, which they are seeking for economic and foreign policy reasons.

### Agreement on the European Economic Area (EEA)

The idea of creating a single European economic area embracing both the EU Member States and the countries of the European Free Trade Area (at the time Switzerland, Liechtenstein, Iceland, Norway, Austria, Sweden and Finland), was first raised by Jacques Delors, the President of the European Commission. In a keynote speech to the European Parliament on 17 January 1989 he spoke in favour of an association between the EC and the EFTA based on joint decision-making. In the key passage he said:

‘There are two options: we can stick to our present relations, essentially bilateral, with the ultimate aim of creating a free trade area encompassing the Community and EFTA; or, alternatively, we can look for a new, more structured partnership with common decision-making and administrative institutions to make our activities more effective ...’.

This idea was taken up by the EFTA States and after lengthy negotiations an agreement on the European Economic Area was finalized on 2 May 1992. Starting from the basis of existing primary and secondary commu-

nity  
law  
(the *acquis  
commun-  
autaire*),

the EEA was intended to cover the free movement of goods, persons, services and capital, uniform rules on competition and State aids, and closer cooperation in areas such as environmental protection, research and development, and education (what are known as ‘horizontal’ and ‘flanking’ policies). The EEA Agreement would thus open up the Community single market to the EFTA countries and, with their taking over almost two thirds of Community law, would provide a sound basis for their later accession to the European Union.

However, the entry into force of the EEA Agreement was then delayed following its rejection in a referendum in Switzerland. The Swiss vote against the EEA meant that fresh negotiations had to be held to work out adjustments to reflect the new situation. Those negotiations were eventually concluded and the European Economic Area came into being on 1 January 1994.

The EEA Agreement originally linked Austria, Iceland, Norway, Sweden and Finland with the EU. Liechtenstein’s membership was suspended pending clarification of certain issues connected with its special relationship with Switzerland. Now that Austria, Finland and Sweden have become members of the Union, a new question mark hangs over the future of the EEA Agreement, which now covers only Norway, Iceland and (from 1 May 1995) Liechtenstein.

### 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.

## ■ DEVELOPMENT AID

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 Treaty on European Union gives the Community special responsibility for development cooperation. The principal aims of this policy remain unchanged, namely to promote the development of the poorest developing countries, to help integrate them into the world economy and to combat poverty.

### **The Lomé Conventions I-IV**

The most significant expression of this concern is to be found in the Lomé Conventions of 1975, 1979, 1984 and 1989, which have formed the basis for cooperation between the Community and many African, Caribbean and Pacific (ACP) countries. Since 1975 their number has grown from the original 46 to 69, reflecting the need to allow the overseas territories that have gained 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 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 (such as tea, coffee, cotton, groundnuts, bananas, timber and leather). Since Lomé II there has also been a system (known as Sysmin) to support mining products. 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 also provides subsidies, special loans, risk capital and low-interest loans for development projects, particularly in agriculture, infrastructures, energy, industry and fisheries.

### **Food aid**

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 in the context of food/nutritional strategies and 'food-for-work' schemes.

## EPILOGUE: THE FUTURE OF THE EUROPEAN UNION

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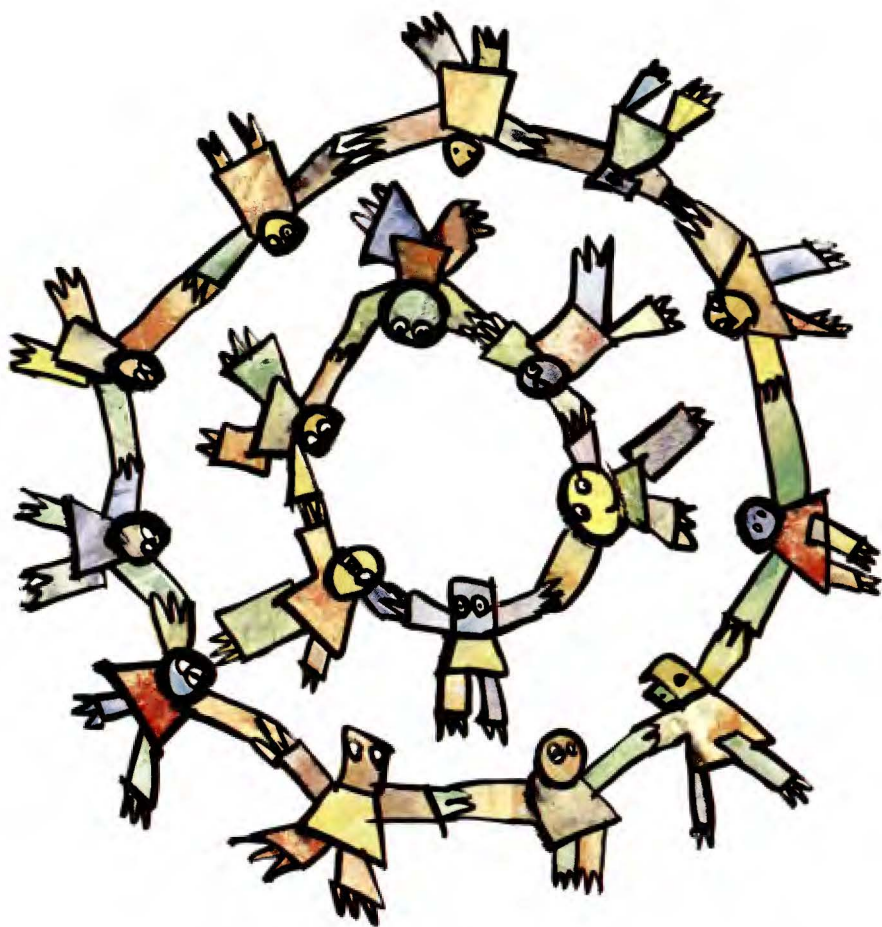
The Treaty on European Union is not the end of European integration but merely an intermediate stage along the road. So while the two key areas of economic and monetary policy are now bound together by the goal of economic and monetary union, and although common institutional structures have been established for cooperation in foreign and security policy and in justice and home affairs, the EU as it emerged from the Treaty of Maastricht is still far from being a true State or federation. That calls for much further-reaching steps along the integrationist road, and it is far from certain yet whether all those involved in the process want to go that far. Views still differ too widely as regards what a European Union should represent and do. But at least the Treaty of Maastricht contains a declaration of intent by the Member States to convene a further Intergovernmental Conference in 1996 to consider further steps towards integration in the light of the experience gained. Among the explicit aims of the conference are the intention to consider strengthening the role of the European Parliament by extending the scope of the co-decision process and to review the provisions on the common foreign and security policy, including the agreements on defence policy. The year 1996 is also the date for an initial assessment of whether the Community is ready to embark on the final stage of economic and monetary union and adopt a single European currency.

Despite the undoubted importance of these forthcoming decisions, one thing should not be forgotten. The process of European integration and the progress already achieved can only be brought to fruition if they enjoy the support of the people of Europe and are 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 elections to the European Parliament (last held in June 1994). It shows that people are not prepared to accept the inconsistency between grand declarations of intent and the failure to give substance to them in many areas of daily life.

The Union's citizens must be more closely involved in the development of the integration process. They must be informed and consulted, and those in positions of responsibility now realize how vital this need is. Openness and transparency are no longer mere slogans, but have become the basis for practical action. This includes above all the self-imposed obligation on the Community institutions to make their activities more open and in particular to present the matters



they deal with in an easily understandable form for the Union's citizens. Only if these and other steps to improve the EU's everyday administrative and legislative practices are properly observed, will it be possible make the European Union a tangible reality in the daily lives of its citizens and to make people aware of the value of working towards a united Europe. And that unity is the only sure way to create and preserve peace, freedom and prosperity in Europe.



European Commission

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EUROPEAN INTEGRATION

The origins and growth of the European Community  
(Fourth edition)

Luxembourg: Office for Official Publications of the European Communities

1995 — 80 pp. — 16.2 x 22.9 cm

European Documentation series — 1995

ISBN 92-826-9744-4

This booklet describes the successes and failures of the European Community as it has evolved over the years since the Second World War into the European Union of today.

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# 9 May

*Europe  
Day*



The European  
Union



The vision of a peaceful, united Europe has been the dream of many generations. After the Second World War a group of European statesmen pressed for the creation of a European Community, initially covering just coal and steel. It started with six member countries. Over the 40 years since then the Community has steadily grown and expanded. Since the beginning of 1995 it embraces 15 Member States, and others are waiting to join. The Community today is no longer confined to coal and steel, nor even just the single market, but has become a genuine people's Union.

Has the road to European Union been nothing but a success story? Or have the visions of yesterday been ground to dust in the wheels of bureaucracy? This booklet attempts to answer these and other basic questions about European integration. It traces the different stages in its development and points to the successes and failures. At the same time it attempts to show the reader that the vision of 1950 — of a peaceful, prosperous Community — is still relevant today. Although the road to the union of the peoples of Europe is still a long one, the next milestones are already coming into view in the shape of the review conference scheduled for 1996 and the prospect of enlargement to the East. Now is an appropriate time, then, to look back and reflect on the Community's past accomplishments and fundamental objectives. We have produced this booklet to do just that — not least for the benefit of our new fellow citizens in Austria, Finland and Sweden.



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ISBN 92-826-9744-4



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