EUROPEAN STUDIES

Teachers' series

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SPECIAL ENLARGEMENT ISSUE

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The Community's Institutional Framework

The institutional framework of the European Communities is a hybrid, the product of both functional and political considerations. Since it was first initiated in 1950, it has also developed, and the concepts underlying it have grown more sophisticated. Central to the system is the continual dialogue between the independent Commission and the intergovernmental Council of Ministers. As things stand at present, the Commission plays a number of roles, not all easy to define; and the Council is probably over-burdened. While facile comparisons between the Community institutions and those of a federation are clearly premature, some further strengthening and democratization of the present institutional framework are evidently necessary, and with the Community's enlargement may be more necessary still.

Origins

The existing Community institutions stem from two converging lines of development, one functional, the other federal.

First of all, the functional aspects. In the Schuman Declaration leading up to the Coal and Steel Community, it was originally proposed that there should only be a High Authority and a Court of Justice. There was no proposal for a Council of Ministers nor for a Parliament. The reasons were partly historical: that is, the Council of Ministers, in the eyes of some people, had not worked very well in the Council of Europe. But much more important was the fact that in people's minds at that time was a "military" model of administration. They thought of power as something that was exercised over an emergency situation from above; and it therefore seemed necessary to have a "High Authority", so called, for the administration of the coal and steel industries of the member states. Similarly it seemed necessary to have a Court of Appeal; but the idea of a constitution with executive, legislative and judicial branches had little force when the original proposals were made.

Fairly soon, however, two additional institutions were introduced into the negotiations; a Council of Ministers and a Parliament. For purely functional reasons there was the Authority which had to make decisions; but it could not take all the decisions by itself and it had to be in accord with the wishes of the member states, hence the Council of Ministers. The Court, again, existed again for functional reasons; and for democratic reasons there had to be some sort of Parliament.

The second line of development was the idea that if in Europe the institutions that were created theoretically approximated to those of the federation that Europeans knew best—the United States—then there was an embryonic United States of Europe. In one of the publications of the High Authority of the Coal and Steel Community, one of the aims of the Community (it was stated) was "to set up the institutions which would one day form the basis of a United States of Europe". So there was already a rather large shadow or sun in the sky, whichever way one looked at it, which contributed to the constitution or the four institutions which made the Coal and Steel Community, and which later adapted to the European Economic Community; that is the so-called executive—the High Authority, the Council of Ministers representing the member states, the Common Assembly, and the Court of Justice. In the Common Market, these become the Commission, which has the same sort of role as the High Authority and has now subsumed the High Authority since the merger of the Executives; this had nine members originally and is now to have thirteen members, all independent of the member states, and the appointed Council of Ministers, European Parliament and Court.

Political policies

This is one of the essentially political elements in the constitution of Europe. "Political", of course, is a word that has very different overtones in different languages: in the original four Community languages, French, German, Italian and Dutch, the same word is used for politics and policy in each case, whereas in English "politics" is not necessarily the same thing as "policy". The aims of the Community are political in that it seeks to strengthen Western Europe by uniting it. It is not and never has been a purely economic arrangement; and if the Coal and Steel Community was really concerned with rather down-to-earth matters, nevertheless coal and steel were very important in the economies as they were seen at that time. It was always regarded as the first effort in what was going to be a combined operation including defence and a European Economic Community. Building an Economic Community involved removing the economic frontiers between the member states. The subject matter is economic—because economic and social policy is being dealt with; but the task is political because it concerns the activities of governments, not directly those of businessmen and trade unionists. The Common Market is not essentially concerned with production or consumption, but with the achievement of common economic policies. The first part of that achievement is the surrender of certain economic policy instruments, such as tariffs; but this will only achieve the desired results if it is accompanied by positive integration. In that sense the Common Market is clearly political.

False analogies

At the same time, however, it would be a great mistake to believe that the institutions of the Community could be likened to those of a federation like the United States, partly because the terminology is very misleading. Looking at the way the Community institutions operate, it might be thought that the Commission and the Council of Ministers were the executives. But is this really the case? The Council of Ministers is much more like a legislative body, since it is the body that produces the regulations, directives, decisions and recommendations which are the four main instruments of Community legislation: in this sense, the Council of Ministers behaves rather like a Senate. Similarly, the Commission is not really an executive in the sense that a government is an executive. It has a number of roles but they are not really governmental roles. The Parliament is not a Parliament in the usual sense, but an organism of what the French call "contrôle", which is not the same as "control". It is really an organism for supervising the so-called executive Commission. The Court of Justice is the only one of the four main Community institutions that really bears any genuine resemblance to its counter part in a proper federation.

The Commission is not an executive: it is not a government. Is it then, as some people have suggested, merely a secretariat, a Civil Service body? It is a mistake to regard the Commissioners (the members of the Commission) as Ministers; nor is it right to regard them merely as very senior civil servants. In fact, they perform functions which in some degree combine these two roles; but they also perform other functions as well. True, some of them have been Civil Servants, and quite a number of them have been Ministers; but once they are in the Commission they are in a peculiar half-world, which is not strictly comparable with the familiar categories that they may have been in before. This is partly because of the way they are appointed.

Theoretically, it might be said that if there is to be a supra-national executive, it ought to emanate from the people, and perhaps be directly or indirectly elected by a Parliament. But in fact the members of the Commission are appointed by the governments acting in concert, and to this extent they may be felt to be dependent on the governments. Theoretically, the members of the Commission, and its President, are appointed jointly by all the member governments; but it is very difficult for a member government to object to the candidate that one particular government wishes to put up. At the same time, once appointed they are not any longer nominees or representatives: they are not there to represent France or Britain or any other country: each one is supposed to have a Community responsibility and operate collectively. They even take an oath before the Court of Justice to this effect. Most Commissioners, with very few exceptions, have exercised their role in this supra-national fashion. However, if any of them want to be reappointed, their constituency is not the Community as a whole, but the national government concerned. For that reason they may tend to look over their shoulders at the end of their term of office, towards the national governments that are likely or not to reappoint them. This is true of the nine or fourteen members of the Commission; it does not of course apply to the Civil Servants, or "Eurocrats", who have a permanent status.

Once a Comissioner is in office, he not only has for personal and perhaps rather ignoble reasons to see what is going on in his national capital if he wants to be reappointed, but it is also his duty to know what is acceptable in the national capital. It would be a mistake for him to spend all his time in Brussels and never go back to Paris, London or Bonn. Clearly, he must to some extent be a liaison man with the Government of his own country.

During his term of office he can only be dismissed on two grounds. One is if he goes mad or berserk, or commits a crime or some grave professional fault—in which case he can be removed from office by the Court of Justice. The other way in which Commissioners can be removed collectively (not individually) is by a vote of the European Parliament: but although the Parliament has the power to throw out the Commission it has never yet done so. Why? Partly because it has the negative power to chop off the head but not the positive power to graft a new one on.

The commission's roles

The real functions of the Commission were defined by Walter Hallstein, its first President, as three-fold: first of all a motor; secondly an honest broker; and thirdly a watch-dog of the treaty. In the first sense, it is the promoter of Community legislation; in that sense it behaves rather like a Civil Service, which prepares bills for the Ministers. Secondly, it sits in the Council of Ministers, and helps bring about agreement. Here there are two safeguards for any government within the Community system. One is its practical right of veto on major issues. But the Commission itself is a further safeguard, because it would not be doing its job properly if it were to produce a proposal which in some way overrode what was seen as a vital national interest. The Commission therefore has to produce proposals which are (*a*) sensible (*b*) moderate (*c*) acceptable to the member states. Having produced a proposal it has still in its role as honest broker to get the proposal accepted.

Thirdly, the role of the Commissioners as a watch-dog is fairly simple. As watch-dog of the treaty the Commission has the right and the duty to take to Court anyone who disobeys the treaty or disobeys the regulations that follow from it. It has had cases against nearly all member states, if not all; some it has won, some it has lost. But it does have the duty to see that the treaty is not ignored: and if somebody flagrantly breaks the rules then the Commission has the duty to take them to Court.

A fourth role of the Commission is as an executant. As the Community has developed the legislative role of the Community Institutions has not diminished, but it has been seconded by a kind of executant regulatory role. In the early days, much of the Commission's work was to prepare "new Rome Treaties"—in effect the continuation of the negotiations which led to the Rome Treaty. This involved new legislation, sometimes in very important fields; new policies; new institutional systems as in the case of the Agricultural Policy. This in turn makes it possible for certain executant functions to be handed over to one body or another, and in some cases they have accrued to the Commission. An example of this (which is relevant to the watch-dog function of the Commission) is the recent action taken against Continental Can, where the Commission cited Article 86 of the Treaty—the anti-monopoly article; the case went to the Court of Justice. The Commission brought the case as a "watch-dog" because it considered that the Continental Can combine was getting too big for the Common Market, controlling as it did an estimated 70 % of the Benelux Canning Market.

If the Commission wins this case, one interesting consequence will be that it will have acquired some powers similar to the anti-trust legislation of the United States. This is not a case that depends on actual provable distortion of competition, actual provable dividing of the market or price fixing: it depends solely on the size of the enterprise concerned. In that sense, even in a fairly recent instance, the Commission may well be extending its powers as an executant.

Changes and difficulties

The development of the Community institutions is not entirely a one-way street: it has not been entirely a story of growth; but perhaps the most important development so far has been the development of the concepts involved.

The first such development took place in Luxembourg, where the High Authority of the Coal and Steel Community did not in fact use the powers that it theoretically possessed: it always behaved very much more like the Commission of the EEC and engaged in "dialogue" with the Council of Ministers. It did not act as a Government; instead, before it did many of the things that it was empowered to do alone, it usually consulted the Governments. This was not at all a derogation from its duties. It was a simple improvement on what the treaty had made possible.

The second development is the use of Committees in the Common Market. Some were set up by the treaty, for example the Economic and Social Committee, which represents workers, producers, consumers, etc., and the Transport Committee. Since they began work, the Communities have greatly extended this practice of using committees. At their Brussels headquarters, there is in the entrance hall a list of all the Committees that are meeting on any given day: there are nearly 2,000 every year. Large numbers of national experts are therefore travelling to and fro; and this is important because in that way the Communities' work feeds back—and bites back—into the work of the national administrations.

One committee which deserves special mention is that of the Permanent Representatives of the member states. They prepare the meetings of the Council and can deal with some of the minor questions that the Ministers might otherwise be wasting their time on. Even so, one of the facts of life in Brussels is that Ministers, very often Ministers of Foreign Affairs, spend much time on very down-to-earth details of which they are not necessarily expected to have complete understanding.

A third important kind of committee is the Management Committees set up under the Common Agricultural system ("Common Agricultural Policy" is a misnomer for what should be called a "common agricultural system".) The Management Committees represent a new institutional development that the agricultural system has introduced into the whole Common Market Institutional framework. The members of the management committees are national representatives who sit with the Commission and can vet Commission proposals. There is one for each main agricultural market. If the Commission puts forward a proposal and the

Management Committee agrees, it goes into force; if the Management Committee does not agree, it still goes into force, but there is an appeal to the Council of Ministers. The committees thus reduce the delay in taking decisions; this is very important in the day-to-day management of the agricultural market.

The Council of Ministers and to some degree the Permanent Representatives, are the true bottleneck in the Community system; they tend to get bogged down in ridiculously small detail and there is a strong case fore handing over more of the detail to some other body. It may be that in some cases the Commission should deal with it; in some cases the Permanent Representatives should be compelled to cut the Gordian knot; or it may be that some combination like the Management Committee system is better; but whatever the solution it is clear that the Council needs to be relieved of some of its tasks, or at best to have them made easier. With nine Governments represented in the Council, as there will be from January 1st 1973, this problem will become graver still.

The overburdening of the Council, the equivocal role of the Commission, and the relative weakness of the European Parliament, are all matters of concern. Recently the Commission commissioned an expert committee (the "Vedel Committee") to report on ways in which these defects might be remedied; and it submitted a modified version of this committee's Report to the Paris "Summit" meeting of the Community's Heads of State or Government in October 1972. The Summit communique declared that the Heads of State or Government "recognized that the structures of the Community had proved themselves, though they felt that the decision-making procedures and the functioning of the Institutions should be improved, in order to make them more effective". The Commission is to submit a report on the institutional aspects of economic and monetary union by May 1st 1973; and, finally, the Council and the Commission are "to put into effect without delay the practical measures" designed to strengthen the powers of control of the European Parliament to improve its relations with both the Commission and the Council.

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The enlarged community

January 1st 1973, the date when the United Kingdom, Ireland and Denmark join the European Community is likely to be remembered as a historic date. The size of the Community and it's influence in the world will be considerably increased by the change from six to nine members. An assessment of the consequences resulting from this enlargement of the Community can be facilitated by using statistics. This approach, although imperfect and selective, gives an indication of the economic importance of the enlarged Community in relation to the United States of America, the Soviet Union, and Japan.

Production and standard of living

In 1970 the population of the "Six" was 189.9 millions and the population of the enlarged Community 253.4 millions, which is about 80 % of the total population of western Europe. This is greater than the USSR (244 million), the USA (205 million), and Japan (104 million). This population is concentrated within an area of 1.52 million square kilometres; a population density of 166 persons per square kilometre. That of the United States of America is less than one fifth of this, and the USSR one twelth. However, Japan has a population density about five times that of the enlarged Community.

Gross national product (at both current prices and rate of exchange) of the "Six" was in 1970 $485 billion and that of the enlarged Community exceeded $626 billion. This compares with the United States of America $993 billion, and Japan $196 billion. In 1958, the relevant GNP's were the USA $455 billion, Japan $32 billion, and the enlarged Community $235 billion. During the period 1958 to 1970 GNP grew 218 % in the United States, 267 % in the enlarged Community, and a remarkable 654 % in Japan. Between 1960 and 1970 the mean annual rate of growth of GNP was 4.6 % in the "Nine" (for the Six who had integrated their economies in 1958 it was 5.3 %), 45 % in the United States and a phenomenal 11.1 % in Japan.

Average income per head in the enlarged Community was (in 1970) $2,118 compared with $2,556 in the "Six"; Denmark had the largest GNP per head, $3,170 followed by the Federal German Republic ($3,030), Luxembourg ($2,940), France ($2,907), Belgium ($2,651), the Netherlands ($2,404), the United Kingdom ($2,179), Italy ($1,711) and the Republic of Ireland ($1,324). Comparable figures for the USA and Japan were $4,836 and $1,895 respectively.

TABLE 1

Mean annual rates of growth at constant prices 1960-1970

	GNP	GNP per head
Germany	4.8	3.7
France	5.8	4.7
Italy	5.7	4.8
Netherlands	5.1	3.8
Belgium	4.9	4.3
Luxembourg	3.4	2.6
The Six	5.3	4.3
United Kingdom	2.8	2.2
Ireland	3.9	3.5
Denmark	4.8	4.1
The Nine	4.6	3.7
United States	4.0	2.7
Japan	11.1	9.9

Countries such as the United Kingdom and the Republic of Ireland hope that membership of the Community will enable them to attain economic growth at something approaching higher levels of the present

"Six". The new Members will be joining a Community where it is argued that economic integration has stimulated more rapid economic growth. For example, the economic progress of Italy—which appears to be correlated with its being an original member of the Community—the greater homogeneity of the social and economic structures of Member countries and increasing prosperity for all members of the Community. The results of membership will make themselves progressively felt; gradually freeing trade and carefully evolving common policies is unlikely to lead to lower rates of growth for the enlarged Community—rather it will be better able to deal with both internal and external crises.

Economic development has to be seen not simply as changes in broad aggregate figures but also changes in and relative importance of each sector of an economy. It will therefore be interesting to observe the structure of the enlarged Community sector by sector.

Agriculture and fisheries

The new Members will constitute a market for cereals rather than be additional producers; the "Six" produced a total of 69 million tons of cereal per year between 1968 and 1970 and the "Nine" 90 million tons. However with the accession of the United Kingdom and Denmark, barley production will be nearly doubled to about 29 million tons, only slightly less than that of the USSR.

Total production of meat in the "Six" (1969) was 11.7 million tons and that of the "Nine" 16 million; this compares with 23.2 million in the USA and 9.5 million in the USSR. The "Nine" are major producers of pork, 6.2 million tons compared to 5.9 million in the United States of America. Enlargement also means that Community production of mutton and lamb will increase from 163,000 tons to 426,000 tons; the United Kingdom alone producing 215,000 tons.

Milk production in the enlarged Community will be greater than even the USA or the USSR 97.2 million tons (in 1969) as against 81.5 million and 52.7 million respectively; the "Six" produced 75.8 million tons.

Finally fish; the total catch in 1970 was for the "Nine" 4.55 million tons; of this the "Six" caught 2.15 million, Denmark and the United Kingdom being the biggest producers among the "Nine".

Energy

Production of coal in the "Nine" exceeded 306 million tons (in 1970), compared to 161 million in the "Six", 40 million in Japan, 474 million in the USSR, and 542 million in the USA. Primary electricity production in the "Nine" was nearly 55 million tons (coal equivalent) compared to 43 million in the "Six", 28 million in Japan, 46 million in the USSR, and 98 million in the USA. The increase in production of coal in the enlarged Community is above all due to the United Kingdom which in 1970, produced 144 million tons, which was nearly equivalent to the total for the "Six". Total production of primary energy in the Community (1970 figures) increased from 331 million tons (coal equivalent) to 500 million tons and gross production of electrical energy from 580 Gigawatt hours to 851 Gigawatt hours. This compares with Japan 350 Gwh, USSR 742 Gwh and the USA 1,738 Gwh. In order to supply future energy needs, the enlarged Community will have to be a net importer of petrol; in 1970 the "Six" imported 404 million tons and the "Nine" 519 million, during this year the USA and Japan imported 71 and 170 million tons respectively. In spite of this, the "Nine" are approaching the USA in their production of petroleum derivatives (petrol, fuel, oil, liquified gases etc.) with production of 499 million tons in 1970, the "Six" produced 392 million, compared to 565 million in the USA and 160 million in Japan.

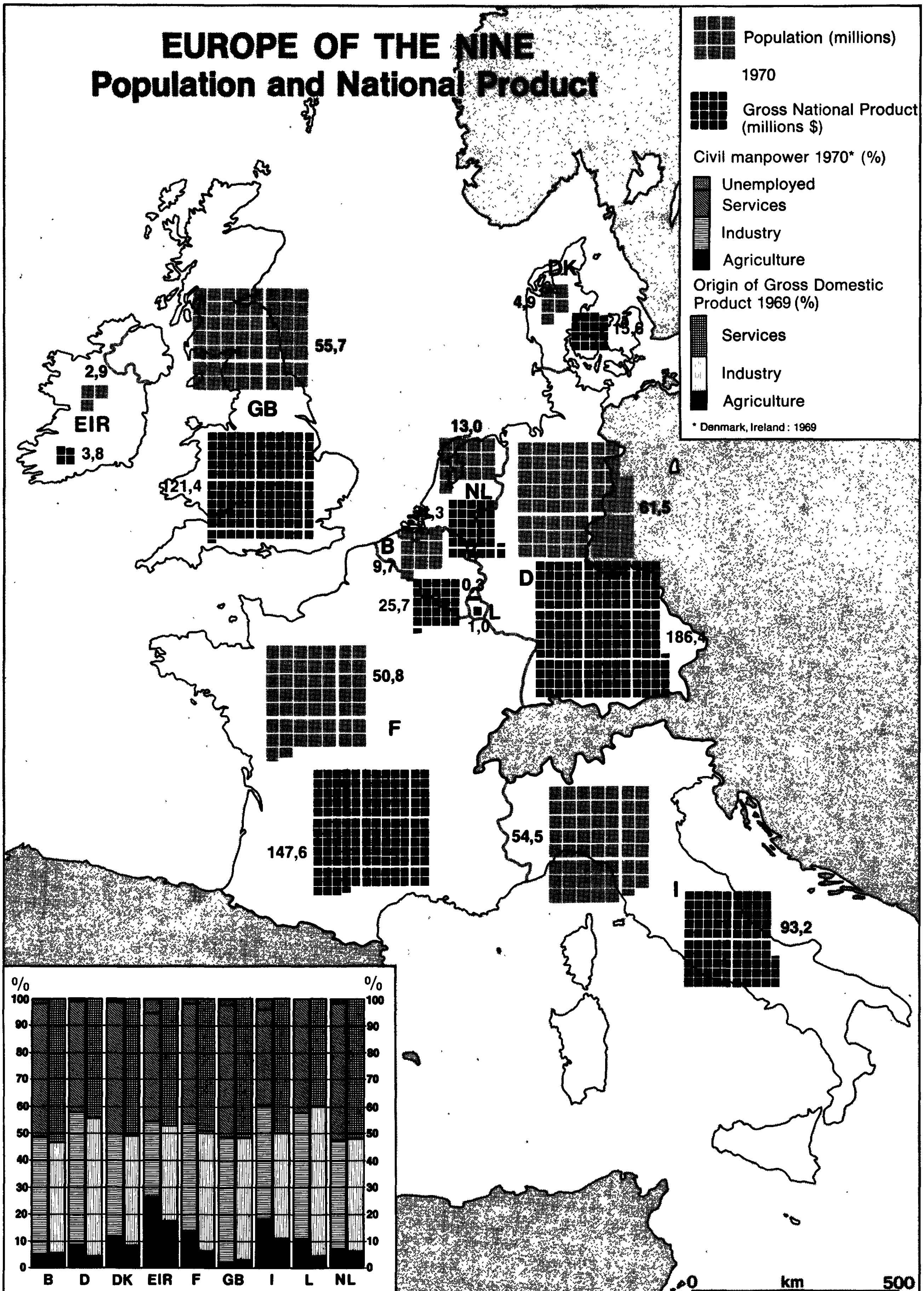
Iron, steel and aluminium

Production of iron in the Community will increase from 21.6 to 25 million tons (1970 figures), this compares with 105.6 million in the USA, 53.8 million in the USSR and 0.9 million in Japan. The United Kingdom, 3.8 million tons, comes a long way behind France, 17.9 million tons. The proportion of iron in the crude ore is on average just under 30 % in the enlarged Community which compares with 59 % in the USSR, 57 % in Japan, and 54 % in the USA.

The enlarged Community will be the largest producer of crude pig iron, crude steel and finished rolled products in the world. In 1970 the United Kingdom produced some 28 million tons of crude steel, which makes it the second largest steel producer in the Community after Germany, 45 million tons, but before France, 24 million tons. Had Norway joined the Community, the production of aluminium would have increased from 912,000 tons to 1,478,000 tons; Norway's contribution to the increase would have been 527,000 tons out of a total increase of 566,000 tons. The "Nine" produce 951,000 which compares with 3,607,000 tons in the USA, 1,750,000 tons in the USSR and 733,000 tons in Japan.

Paper, chemicals and construction

As with aluminium, Norway would have been the foremost producer of wood pulp in the Community of ten, 2.2 million tons out of a total of 7.8 million in 1970. The enlarged Community will now produce a total of 5.6 million tons compared to USSR 5.8 million, Japan 8.8 million, and the USA 36.5 million. Total production of paper, card and board in the enlarged Community, 20.5 million tons compared 15 million tons in the "Six". (The United Kingdom produced just under 5 million tons which is only exceeded by Germany, 5.5 million tons.) This compares with the USSR 6 million tons, Japan 13 million tons, and the USA 45 million tons.


EUROPE OF THE NINE
Population and National Product
Population (millions)
1970
Gross National Product (millions $)
Civil manpower 1970* (%)
Unemployed
Services
Industry
Agriculture
Origin of Gross Domestic Product 1969 (%)
Services
Industry
Agriculture
* Denmark, Ireland: 1969
DK
4,9
15,6
2,9
EIR
3,8
55,7
GB
121,4
13,0
NL
B
9,7
25,7
0,3
L
1,0
D
61,5
186,4
50,8
F
147,6
54,5
I
93,2
%
100
90
80
70
60
50
40
30
20
10
0
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DK
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500

Sulphuric acid production, an important basic material in the chemical industry was (in 1970) 4.4 million tons in Germany, 3.4 million in the United Kingdom and between 3.3 million and 3.7 million in France, Italy and the Benelux countries combined. Total production in the enlarged Community increased from 14.8 million to 18.7 million against 7 million in Japan, 12 million in the USSR and 26.4 million in the USA.

Total figures for production of plastics are not available but (in 1970) the United Kingdom produced 1.49 million tons, this was a little less than the 1.55 million tons of France and the 1.69 million of Italy; Germany however produced 4.32 million. The enlarged Community produced more than 9.86 million tons (1970) which is more than the USA, 8.66 million in 1969, the USSR, 1.67 million and Japan 5.11 million.

The construction industry in the Community is not an industry as say are chemicals and cars; that is, it does not mass-produce, nor is its structure rationalised. However, France and Denmark are two of the major developers of "system" building techniques in the world. The number of houses and flats built in 1970 was 1.88 million in the "Nine" which is nearly as high as that of the USSR 2.20 million and exceeds that of the USA 1.44 million and Japan 1.48 million. However for each 1,000 inhabitants, Japan built 14.4 houses and flats compared to 9.4 in the USSR, and 7.49 in the USA. Denmark 10.28 a thousand leads in the enlarged Community, while the United Kingdom and the Republic of Ireland are below the average for the "Six", 7.7 a thousand.

Cars

On the 1st January 1971, there were 218 private vehicles per 1,000 inhabitants in the enlarged Community, compared to 220 in the "Six", 432 in the United States, 85 in Japan and 7 in the USSR. Among the "Nine" France leads with 245 cars per thousand and Ireland is a long way behind with 122 per thousand. The United Kingdom is just below the mean of the "Six" at 213 per thousand, however the United Kingdom is a major producer of cars and commercial vehicles, 1.6 million passenger cars (1970) compared to 3.5 million in the Federal German Republic, 2.5 million in France and 1.7 million in Italy. In addition the UK produced 458,000 commercial vehicles (1970) which is the largest output of any single member of the enlarged Community. Germany is next with 314,000. In 1970 the enlarged Community was the largest producer of cars in the world, 9.67 million vehicles against 6.55 million in the USA, 3.18 million in Japan and 0.35 million in the USSR. In addition they produced 1.24 million commercial vehicles compared with 2.11 million in Japan, 1.73 million in the USA and 0.82 million in the USSR.

Transport

On January 1st 1971 the enlarged Community had 112,000 kilometres of utilised railway track compared to 88,500 in the "Six" 136,000 in the USSR and 336,400 in the USA. However the geographical nature of the areas covered in each country varies widely. Commercial airlines in the "Nine" carried nearly 60,000 million passenger kilometres in 1970 compared to 36,000 in the "Six", 187,000 in the USA and (in 1966) 45,000 in the USSR. The United Kingdom leads in the enlarged Community with 16,000 passenger kilometres followed by France, 12,000 and Germany 8,000.

The United Kingdom has by far the largest Merchant Navy; in this field the enlarged Community is much bigger than the total for the other three major nations.

TABLE 2

Merchant Fleet on 1st July 1970
(1,000 tons)

	Total	Of which Tankers
Germany	7,881	1,642
France	6,458	3,477
Italy	7,448	2,781
Netherlands	5,807	1,985
Belgium/Luxembourg	1,062	305
The Six	28,656	10,190
United Kingdom	25,825	12,037
Ireland	175	3
Denmark	3,315	1,340
The Nine	57,970	25,470
United States	18,463	4,688
USSR	14,832	3,460
Japan	27,004	9,228

Foreign trade

In the enlarged Community imports and exports will represent about 18 % of GNP; the figures for the "Six" is 18.3 % of GNP. The USA imported and exported 4 % and 4.4 % respectively of GNP, and Japan 9.6 and 9.8 %. The United Kingdom is the second largest exporter in the enlarged Community, $19,351 million (1970) compared to Germany $34,189 million and France $17,739 million. In relative terms there are marked differences between the Nine states, Ireland is the most dependent upon imports, 40.9 % of GNP, although they do not export more than 27.6 % of GNP; France and the United Kingdom exports are 12 % and 16.2 % of their GNPs respectively, while Belgium/Luxembourg and the Netherlands exports are 43.8 % and 37. 7% of GNP. In 1970 the "Six" had a surplus on trading account of $77 million while the "Nine" had a deficit of $5,164 million. The United Kingdom deficit on trade was the largest $2,372 million. However, among the "Nine" only Germany and the Belgium/Luxembourg union were creditors throughout the decade. The "Nine" constitutes the largest single trading force in the world. In spite of their high level of internal trade, trade with other countries is very significant. In the world total of imports the countries of the enlarged Community imported just under 40 % and provided just over 40 % of the total exports. This compares with 30.3 % and

31.8 % in the "Six", 13.7 % and 15.5 % in the USA, 6.5 % and 6.9 % in Japan and 4 % and 4.6 % in the USSR.

In 1970, just over 10 % of total imports and 8 % of total exports of the "Nine" were with the USA and just over 32 % and 30 % respectively with the rest of the world (countries in the EFTA not included). For the "Six" the totals were 10,2 % and 29.3 % of imports and 7.5 % and 29.3 % of exports. The United Kingdom —but with the reservation of Irish exports to the USA —were the only country of the "Nine" whose level of trade with the rest of the world exceeded the mean for the "Six", 11.7 % and 50.7 % of the exports of the USA and the rest of the world respectively.

Standards of living in the enlarged Community

A *Reader's Digest* survey [1] in 1970 attempted a comparison of living standards between western European countries. This was based upon criteria such as possession of baths, washing machines, coloured televisions etc., but excluding food. Sweden and Switzerland lead the European standard of living table; the rating of members in the enlarged Community is as follows:

TABLE 3

Standard of living in Europe

Community Rating	Country	Index	Rating in Western Europe
1	The Netherlands	89.4	3
2	Denmark	88.0	5
3	Great Britain	84.9	6
4	Germany	78.9	7
5	France	76.7	8
6	Belgium	63.5	10
7	Italy	60.0	11
8	Ireland	50.9	14

France and Belgium are not among the leaders in this standard of living table because in the total consumption of domestic goods, food is a much more important item in their budgets and has been excluded from the survey. Comparison of standards of living in different countries are notoriously difficult to produce but there are certain indicators which offer at least a guideline. Gross National Product of the poorer countries such as Italy, has tended to increase more rapidly than in the more affluent Members of the Community, and through time it is hoped that there will be a convergence in both living standards and distributions of incomes within and between Member countries. The statistical analysis shows that differences in income and inequalities in its distribution have diminished, especially in the more developed countries. Less favoured groups still exist. In Italy and Ireland, where more than half the population still lives on the land, 16 % to 20 % of adults live in families who (in 1968) had incomes less tax and other deductions, of less than 12 dollars a week. Some 14 % of French adults, 16 % of Irish adults and 19 % of Italian adults live in homes in which the net income was between 12 dollars and 23 dollars per week. Most if not all consumer durables are too expensive for these people.

[1] *Reader's Digest:* Survey of Europe.

In the greater part of the Community family incomes are between 24 dollars and 71 dollars per week. This is the most important single group in most countries. 67 % of the Dutch, 66 % of the British, 57 % of the German, 56 % of the Belgians, 55 % of the Irish, 54 % of the French, and 52 % of the Italians. However in Denmark this group is no larger than 27 % of the families, an estimated 59 % of Danish families have incomes greater than 72 dollars as do 32 % of the Dutch, 25 % of the French, 22 % of the Belgians, 18 % of the British, 13 % of the Italians and only 10 % of the Irish. On average the Danish are the richest members of the enlarged Community while of the new Members, Ireland with 33 % of their families receiving an income of less than 23 dollars are the least affluent.

There are big differences in wages between countries. Gross wages are highest in Denmark, Germany and Britain, however, when additional payments such as Family Allowances are taken into account, the real incomes of the Italian, Belgian and French workers are increased and are among the highest in the Community. Comparisons of this type must of course be related to the type of goods which constitute the weekly expenditure of families in the different countries.

Indirect taxes are the largest proportion of total taxation in the Republic of Ireland, 72.5 %, and in France 69.8 %. In general direct taxation is higher in the new member countries, 36.7 % in the United Kingdom and 45.5 % in Denmark. This is comparable with the 44.4 % in the Netherlands but is much higher than the 21.6 % in France, 26.9 % in Italy, 33 % in Germany, 34.8 % in Luxembourg and 35 % in Belgium.

The differences in the structure and standard of living among the Member countries, as can be seen, are important, but it is hoped that within the enlarged Community there will be, through time, diminishing variations in living standards. This will be attained not by countries converging as a "community mean" but rather equalisation will be part of a process where all living standards within the Community rise to new levels.

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Monetary and Economic Union

The drafters of the Rome Treaty, which founded the European Economic Community in 1958, believed that free trade between the six member states would lead progressively to an ever closer union, at first in terms of economics, and later in terms of politics. But they did not attempt to lay down how they believed this would or should happen, nor even when; these were decisions which could only be taken when the time as ripe. It was not until 1970 that the Six embarked on their first deliberate attempt to turn their free trade area into an economic and monetary union.

In its most extreme form, monetary and economic union means a single economy and a single currency, with centralised economic decision-making. The centralised economic policy-making does not need to be absolute and all-encompassing, but it does need to be dominant: the states in America, the provinces in Canada, and even to a lesser extent the local authorities in Britain, all have local decision-making powers which have an economic impact, but in all three countries the central government's powers of guiding the economy are pre-eminent. The political difficulty about creating such an economic and monetary union, is that the component territories must agree to give up their sovereign rights to manage their own economies; in the US, the states long conducted a running battle to prevent the encroachment of the federal authorities in Washington on their "states' rights", and even today the controversy is not entirely dead. A similar battle between federalists and nationalists is bound to attend any attempt to create an economic and monetary union in Europe. The economic difficulty about creating such a union is that the component territories may have very different economies—large and small, rich and poor, agricultural and industrialised, hot and cold, advanced and backward—which may require, or seem to require, distinct economic policies and separate currencies.

In the face of these difficulties, it may legitimately be asked why the European countries should want to move towards monetary and economic union; why not simply permit free trade and leave it at that? The economic argument would be that free trade leads sooner or later to a situation where the "separate" economies become so dependent on each other that none of the governments can really operate an independent economic policy. This interdependence has already become fairly pronounced, especially in the case of the smaller countries: just under half of the national output of Holland and Belgium goes in exports, and approximately half of these exports are sent to other members of the European Community; a comparable share of the consumption of these countries comes in imports from Community neighbours. Their economies are therefore heavily influenced by those of France, Germany and Italy: if German prices go up, Dutch import (and therefore manufacturing) costs go up, leading to an increase in Dutch prices; if German consumption goes up, Dutch exports (and therefore Dutch incomes) also tend to go up. Even the big countries are affected: if the Italian economy goes into a recession, Italian manufacturers try to maintain their income by stepping up exports to the most accessible market, which happens to be the rest of the Community; if the German economy is already going flat out, with a big consumer spending spree, this is likely to mean that the German trade balance will go into deficit.

These general economic arguments are particularly pronounced in the case of the European Community because the Six are committed not merely to freedom of trade, but also to freedom of movement of workers, freedom of movement of companies, and freedom of movement of capital. Not nearly so much progress has been made with these other freedoms as with freedom of trade; further liberalisation will intensify the economic interdependence of the member states. Over a period of time, this could lead to a situation in which the members would constitute what was, for most practical purposes, a single economic area and in which they would be obliged to coordinate, and perhaps centralise, all their major economic policy decisions.

If it is assumed that the Community will carry out its full programme of freedom of trade and payments, then, the only politico-economic question is whether the member states should attempt to accelerate the process, by setting up centralised economic and monetary policies before they have become absolutely indispensable and before the Community has evoled into a single, homogenous economic area. Germany has historically had a lower rate of inflation than France; as a result, France has tended to devalue its currency, in order to compensate for its rising prices, whereas Germany has tended to revalue its currency for the opposite reason. If the two countries shared a common currency, neither of them could devalue or revalue against the other, and France would cease to be able to compete against Germany.

This then is the dilemma at the heart of the controversy which has surrounded the question of monetary and economic union. The federalists would like to press ahead with all speed, because it would accelerate the process of political union; the separatists would like to move as slowly as possible, on economic and political grounds. In between there are those who believe that the Community has already reached a position where some explicit coordination of monetary and economic policies is necessary that more coordination and centralisation will become necessary in future, and that plans must be made to ensure, at the very least, that the member states can cope with the consequences of their increasing economic interdependence.

The logic of this moderate position was recognised in the Rome Treaty itself, which set up a Monetary Committee to "review the monetary and financial situation of member states", and which said that the governments should consult each other and the Commission on their economic policies (article 103). But during the early years of the Common Market, the states did little to give effect to these obligations.

The first significant step towards monetary union was taken obliquely, at the end of 1964, when the Six agreed to adopt common prices for cereals as part of their Common Agricultural Policy. Since they did not at that time have a common currency, they had to fix these prices in terms of some impartial unit which could be expected to be reliable: so they fixed them in terms of gold. To be absolutely precise, they fixed them in terms of a newly-created "unit of account", which was equivalent at current prices to a US dollar's worth of gold; this was a convenient bookkeeping device, since it meant that the prices could be treated for practical day-to-day purposes as though they were in dollars.

It was widely believed at the time that the fixing of common farm prices would force the Six to move towards monetary union in other ways too, since it would henceforward be much more difficult for any of them to change the value of their currencies; some people even believed it would be impossible for them to do so. For while France could still devalue the franc, it could not devalue the gold-based unit of account; a devaluation of the franc would therefore mean an increase in the prices paid (in francs) to French farmers. Similarly, a revaluation of the German mark, would mean a reducation of the prices paid (in marks) to German farmers.

The first case would be unwelcome to any French government, since it would increase farm incomes and thus stimulate inflation; the second would be unwelcome to any German government, since the farm population would oppose any reduction in its income. It was therefore believed that the Six would be unable to change their exchange rates against each other, and that therefore they would have to take steps to ensure that they did not need to, by coordinating their policies to keep their costs and prices in line with one another.

The Six did indeed, take some complementary steps to coordinate their economic policies, at around this time. They harmonised their budgetary year on the calendar year, with the Italians being last to fall in line in 1965. And they set up a number of new committees to discuss budgetary policy, medium-term economic policy and central bank policy. But neither of these moves had any appreciable effect, since the governments were not yet willing to engage in any meaningful coordination.

Their failure to do so may account in part for the events of 1969, which demonstrated conclusively that the fixing of common prices in terms of gold could not, by itself, prevent the member states from changing their exchange rates in case of need. France ran into severe balance of payments difficulties after the May "Events" of 1968, and devalued the franc in the summer of 1969; and the Germans developed such a large balance of payments surplus in those two years, that they had to revalue the mark in the autumn of 1969. (They got round the consequences of having a gold-based unit of account, by phasing the increase in French farm prices over two years, and by subsidising German farmers for their loss of income.)

Somewhat uncharacteristically, the Six rapidly drew the lesson from the currency disturbances of 1969, and at the end of that year, at their summit meeting in The Hague, agreed that steps should be taken to move deliberately towards a closer monetary and economic union. Much of the following year (1970) was occupied with preparatory studies carried out by a committee headed by Pierre Werner, the Prime Minister of Luxembourg. The Werner Report concluded that complete economic and monetary union could be achieved by 1980, provided that the member states had the political will to do so; for it would mean that the authority over all major economic decisions would have to be transferred from the member states to the Community institutions.

The political debate that followed the publication of the Werner Report has sometimes been described as a battle between monetarists and economists, with the French government being the main protagonist of the monetarist approach. The monetarists wanted to press ahead with all speed towards monetary union—that is, towards the creation of what would amount almost to a common currency—and put much less emphasis on the need to coordinate or centralise economic policy-making; the economists argued that monetary union would not work unless it were buttressed from the start by the coordination of economic policy.

The argument was not entirely academic: the French were reluctant to surrender sovereignty over economic policy; the Germans, having the strongest currency in the Community, were afraid that they would be called upon to support the weak currencies, and in particular would have to use their balance of payments surpluses to prop up the franc. At first, therefore, the German government refused to contemplate any move towards monetary union unless there was a commitment to hand over all economic policy-making by the end of the decade.

By the early spring of 1971, however, the Six reached a compromise: they would attempt to reach monetary and economic union by 1980 in stages; after three years they would review progress, and perhaps take new decisions to transfer powers to the Community; if the member governments (that is, if Germany) were not satisfied with these new decisions, they could give two years' notice and drop out of the arrangements for monetary unification.

The most precise part of the February 1971 package was an agreement to narrow the margins of fluctuation between the member states' currencies. Under the rules of the International Monetary Fund, any currency can fluctuate against the dollar by as much as one per cent either way. In practice, most European countries tended to restrict this fluctuation in the foreign exchange markets to three quarters of one per cent above or below the central parity. But this still meant that the European currencies could fluctuate against each other by twice as much as they could against the dollar, at least in theory: the mark could move from plus 0.75 per cent to minus 0.75 per cent, and the franc could move from minus 0.75 per cent to plus 0.75 per cent—a total movement between the franc and the mark of 3 per cent. The Six therefore decided to reduce the total fluctuation of their currencies against each other from 1.5 per cent to 1.2 per cent. This was intended as a first step towards the day when there would be no fluctuation at all between the six currencies—by which time they would for most practical purposes amount to a single currency.

Restricting currency fluctuation in this way could well mean supporting the weak currencies. In 1970 the Six had already set up a $2,000 million credit system for short-term (i.e. three month) financial assistance; they now agreed to set up a second $2,000 million credit network, this time for medium-term mutual assistance.

Before the narrowing of the margins could come into effect, however—it was scheduled to start in the middle of June 1971—the international monetary disturbances caused by the US deficit broke out again. To keep out the surplus dollars, Germany decided in May to let the mark float unsupported in the foreign exchange market, and it was followed by Holland. (This was a further demonstration of the fact that the small countries in the Community were bound by force of circumstances to be heavily influenced by their bigger neighbours). Three months later, on August 15, President Nixon suspended the United States' obligation to sell gold for dollars, and from that moment on most of the major countries stopped supporting their exchange rates against the dollar, and allowed their currencies to float (more or less freely) upwards in the foreign exchange markets. For the time being, therefore, the plan for linking the Common Market currencies remained in cold storage.

Before the Germans floated the mark, in May, they had tried to persuade their partners to join them in a concerted Community float, in which all the Common Market currencies would be allowed to move upwards against the dollar *en bloc*. The suggestion was rejected by the French, who were reluctant to make it easier for the Americans to solve their balance of payments deficit by increasing the price of the French currency (and thus the exports price of French goods).

So for the remainder of the year, instead of moving closer together, the Common Market currencies actually moved further apart. Logically, it should have been in Europe's interest to act as a group in what was, in essence, the start of a major monetary confrontation with the US; in practice, the French withheld any concession to the US for as long as possible, with the result that they appeared to be trying to maximise the gap between the franc and the mark, in order to maximise their competitive advantage against German industry. And they probably were, too.

By Christmas 1971, however, a new order had been restored, at least temporarily, to the international monetary system. The Americans agreed, at the so-called Smithsonian pact, to an increase in the official price of gold, and in return the rest of the world agreed on a new pattern of international exchange rates. Among the major countries, Germany, and especially Japan, revalued against the dollar by the largest amounts, while Italy, France and Britain revalued by the smallest amounts, with Holland and Belgium coming in between. But because of the uncertainty surrounding the new rate pattern—this was the first time that there had ever been a multilateral realignment of exchange rates on a world-wide scale—it was also decided that foreign currencies would be allowed to fluctuate against the dollar, not by plus or minus 1 per cent, but plus or minus 2.25 percent. In any case, the new arrangement was expected to be only a temporary stop-gap, pending a fundamental reform of the international monetary system, by which the dollar would cease to be the central pivot, standard of value and principal reserve asset.

In the meanwhile, however, the Common Market currencies found themselves not merely in a completely new relationship amongst themselves, with the German mark substantially higher in relation to the French franc than before the crisis, but also with a very much wider margin of fluctuation—9 per cent (4.5 + 4.5 per cent), instead of 3 per cent.

When they turned to the problem of reviving their plans for monetary union in the spring of 1972, therefore, their first task was to reduce this 9 per cent theoretical spread, which was so wide that it could well create serious disturbances in trade between the member states, especially for farm products. Because of the uncertainty surrounding the relationship between the new European parities, they did not immediately seek to narrow the margins of fluctuation as much as they had intended the previous year, but in percentage terms they went much further, and decided that the maximum gap between their currencies should not be allowed to exceed 2.25 per cent.

This became known as "the snake in the tunnel", with the tunnel representing the maximum fluctuation permitted for any Common Market currency against the dollar, and the snake representing the maximum fluctuation permitted between Common Market currencies. In fact, this new scheme was decided by the Six, but was also adopted by the four candidate countries—Britain [1], Ireland, Denmark and Norway—even though they would not become full members of the Community before 1973.

In some other respects the Community went further in buttressing their monetary plans than under the 1970 arrangements. The Six decided to set up a high-level steering group of civil servants to start the coordination of economic policies, and agreed in principle that Community funds should be used to finance regional development. They also asked the Commission to put forward proposals for achieving economic growth, price stability and full employment, as well as proposals for harmonising taxes and developing a capital market in the Community.

These agreements were little more than statements of good intention; what will count is the willingness of the member states to follow them up with constructive actions which will ensure that further progress can be made in future. The very first step—the narrowing of the margin of fluctuation between the ten currencies—proved surprisingly easy, because it started at a time when all European currencies were relatively strong against the dollar, and initially no action was required to keep them within 2.25 per cent of each other. The more sanguine European commentators took the view that the foreign exchange operators heard the news of the Community decision, and acted accordingly; but there is no guarantee that they will always wish to follow the pronouncements of the politicians, and then the new arrangements will start to be tested.

Even this will be easy, compared with the task of coordinating the economic policies of ten countries, and a great many comfortable (though not necessarily useful) habits will have to be changed before monetary and economic union can become a reality. The British, for example, will be obliged not merely to change their tax year from April-March to January-December, but also to abandon the ludicrous tradition of a jack-in-the-box budget which springs fully armed from the head of the Chancellor of the Exchequer. There is no reason to suppose that economic and monetary union, complete with joint Community decisions on all major issues, could not be achieved by 1980. But it will not be easy.

Further reading: see "European Studies" nos 14 and 16.

[1] Britain of course opted out of this agreement when the Government decided to "float" the pound.

The Paris Summit and Europe's future

Described as a Magna Carta for Europe in the euphoria that followed the Community's eve-of-enlargement summit in Paris in October, 1972, the final communiqué that emerged from the meeting is not quite that. But it is a key document for the Common Market of the 1970's. It contains few surprises, but sets out clearly the priorities for the nine-nation Common Market starting off with Economic and Monetary Union targetted for completion by the end of 1980.

If the 1960's saw the Community concentrate on an industrial Customs Union and the creation of a Common Farm Policy, then the motor of EEC development over the next eight years will be progressive integration in the economic and monetary sectors.

First mooted at the Hague Summit of the Six at the end of 1969, one of the principal results of the Heads of State and Government meeting in Paris was to confirm the commitment to this goal of the three new member states.

The one innovation of the Paris Summit was the idea of creating a European Union by 1980, coinciding with the completion of Economic and Monetary Union. The term was not defined at the summit, which decided to leave this task to a followup top level gathering of EEC leaders that will probably take place in 1976. Participants at the Paris session were each content to believe that the idea of a European Union corresponded to their own concept of what the Community should look like at the end of the decade. The final article of the Communiqué merely announces the intention of the heads of state and government to "transform, before the end of the present decade and with the fullest respect for the treaties already signed, the whole complex of the relations of member states into a European Union." The Summit called on the Community institutions to draw up a report on this subject before the end of 1975 to be submitted to another top level meeting of EEC leaders.

Much of the rest of the Paris Communiqué is consecrated to charting the necessary advancement in related fields so that the 1980 deadline for complete economic and monetary integration, with the possibility of a single currency can be attained. Sectors on which the Summit lays down specific guidelines include joint policies for regional development, social affairs, industrial and technological integration.

Economic and Monetary Union (EMU in Community jargon) and the associated sectors made up one of the three main themes of the Summit. The others were the Community's external relations and the strengthening of its institutions.

The progress made by the Community in these three major fields between now and the next summit will in fact have a major bearing on what 1980's European Union will look like.

The Common Market seems now to have accepted the idea of Summit meetings as a fact of life. It has succeeded in the past in advancing step by step towards its targets by setting itself a series of deadlines in many fields.

On close scrutiny, all that the Paris Summit communiqué does apart from setting the 1980 deadlines for EMU and the wider European Union is to list a detailed programme of what the Community institutions must achieve in 1973. From 1974 onwards, the Community will be moving towards the orbit of the next summit that will give the necessary impetus for the final run-up to 1980.

The targets for 1973 make an impressive list. By the end of the year, the Community must be ready to move into the second stage of EMU, the first having covered the 1971-1973 period. But before then, according to the Communiqué, the following steps must be taken:

— by April 1, the projected European Monetary Cooperation Fund must be set up;
— by May 1, the EEC Commission must report on how the powers and responsibilities of the Community institutions will have to be modified so as to enable EMU to function properly;
— by June 30, there will be a new report on future political cooperation;
— by July 1, the Nine are committed to reaching agreement on a joint position in preparation for the world trade negotiations due to begin in the autumn;
— by July 1, the Council of Ministers will take practical steps to improve its decision-taking procedures and better the cohesion of Community action;
— by July 31, the EEC institutions will have produced a report on environmental control;
— by September 30 plans will be agreed to increase short-term credit facilities under EMU;

— finally by December 31, the EEC Regional Development fund will be established, a report will be prepared on conditions for pooling currency reserves, an action programme in the social field will be drawn up and a timetable for a common industrial, scientific and technological policy will have to be worked out. In addition, the Community has undertaken by the end of the year to study ways of more effectively aiding developing countries.

Economic and Monetary Union

Coming to the details of the 16-article Paris communiqué, more than one quarter of the text (articles one to four) is devoted to Economic and Monetary Union. This is divided into three main headings: the creation of the EEC Monetary Cooperation Fund, the common fight against inflation and the Community's concerted position on world monetary reform.

The decision to create the monetary fund by April 1 is perhaps the most significant. It testifies to the community's confidence in the future of EMU since strictly speaking according to the Werner Plan of 1970 that set out the blueprint for EMU, the Fund was envisaged during the second of the three principal phases of monetary integration. Now, despite the monetary upheavals of the past three years, the EEC is bringing in the fund at least nine months ahead of schedule during the first phase of EMU. The main function of the Fund is to coordinate Central Bank interventions under the EEC's ambitious scheme for narrowing the fluctuation margins between the currencies of member states to half the width permitted under international rules. The Fund, to be administered by the Committee of Central Bank Governors, will also put the operations in support of member currencies on a community rather than individual footing. For this purpose the Fund will use the European Unit of Account. In addition, the Fund will take over the running of the system of short-term monetary support among EEC Central Banks, which has been in operation since 1971.

For the Economic half of EMU, the Summit stressed the need to coordinate more closely the Economic policies of the Community and to introduce more effective Community procedures.

"Under existing economic conditions, they (the Heads of State and Government) consider that priority should be given to the fight against inflation and to a return to price stability."

On world monetary reform, the Paris Communiqué lists the eight principles previously agreed on by the Finance Ministers of the Nine in London during the summer of 1972. For the Community, the definitive updated version of the system initially based on the Bretton Woods agreement should include:

— fixed but adjustable parities;
— the general convertibility of currencies;
— effective international regulation of the world supply of liquidities;
— a reduction in the role of national currencies such as the dollar as reserve instruments;
— the effective and equitable functioning of the process of adjustment of parities with currencies that are undervalued upping their parities just as overvalued ones have to devalue;
— equal rights and obligations for all participants in the system;
— the need to lessen the unstabilising effects of short-term capital movements;
— the taking into account of the interests of developing countries.

"Such a system," the Communiqué notes, "would be fully compatible with the achievement of economic and monetary union."

Regional Policy

Regional policy is the first of the areas associated with EMU to be dealt with in the Community. The text speaks for itself: "The Heads of State and government agreed that a high priority should be given to the aim of correcting, in the Community, the structural and regional imbalances which might affect the realisation of economic and monetary union...

"From now on, they undertake to coordinate their regional policies. Desirous of directing that effort towards finding a Community solution to regional problems, they invite the Community institutions to create a regional development fund. This will be set up before December 31, 1973, and will be financed from the beginning of the second phase of economic and monetary union, from the Community's own resources."

The commitment to create the fund, financed by the Community, was a major Summit aim of British Prime Minister Edward Heath. Given the importance of redressing regional imbalances in the United Kingdom and the desire to get a return from the Community budget for the major contribution Britain will be making to the EEC Farm fund, Mr. Heath banked on Britain being a major beneficiary of a Community programme for correcting the "main regional imbalances in the enlarged Community and particularly those resulting from the preponderance of agriculture and from industrial change and structural unemployment." Italy and Ireland, each with considerable regional difficulties backed the British on this point.

Social Policy

Social policy came next. It was here that the Community leaders tried to underline the efforts to be made to give the Common Market a human face, to give it another aspect to the mercantilist one President Pompidou of France warned it was acquiring. West German Chancellor Willy Brandt put particular stress on the need for an effective social policy as an essential adjunct of economic and monetary integration. The Communiqué stated: "The heads of state and government emphasised that they attached as much importance to vigorous action in the social field as to the achievement of the economic and monetary union. They thought it essential to ensure the increasing involvement of labour and management in the economic and social decisions of the Community."

To this end the Summit called for an action programme to be drawn up by the end of 1973 covering concrete steps to be taken and the supply of necessary resources, particularly in the framework of the Community's social fund.

"This programme should aim, in particular, at carrying out a coordinated policy for employment and vocational training, at improving working conditions and conditions of life, at closely involving workers in the progress of firms, at facilitating, on the basis of the situation in different countries, the conclusion of collective agreements at European level in appropriate fields and at strengthening and coordinating measures of consumer protection," the Summit proclaimed.

Industry and Science

The last section (article seven) directly linked to EMU was headed "Industrial, Scientific and Technological policy" and stated the Summit leaders conviction of the need to establish a single industrial base for the Community as a whole. In order to reach this goal action is needed to eliminate technical barrier to trade, and to overcome fiscal and legal obstacles to transnational cooperation and mergers between Community companies. Furthermore, the Summit calls for the speedy adoption of a European company statute, the progressive and effective opening up of national markets for public works contracts, the promotion on a european scale of firms able to compete internationally in the sectors of advanced technology as well as the transformation and conversion of declining industries. Measures to promote fusions between community firms should first of all be in line with EEC economic and social aims and secondly not run counter to its principles of fair and free competition.

In the fields of science and technology, objectives will have to be defined and the development of a joint policy ensured, that will include the joint implementation of projects of interest to the Community.

Thus, the Summit has succeeded in inserting Economic and Monetary Union into a framework of a series of accompanying policies. This is to the satisfaction of most member states, although there were fears expressed in some quarters prior to the Summit that France would have preferred to see tighter monetary coordination as the cornerstone of economic and monetary integration without the other elements being associated so closely with it —the idea of monetary union "pure et dure" as it became known.

The content of the second stage of economic and monetary union still has to be agreed on. All the Communiqué says is that the necessary decisions should be taken in 1973 to allow the transition to the second stage as the start of 1974. France and Belgium will probably continue to give priority to monetary integration (even narrower currency fluctuation margins, pooling of national reserves and closer mutual support credits) as the main motor of EMU.

For Germany, concerned with fighting inflation and maintaining price stability above all, the second stage ought to give prominence to further coordination of economic budgetary and fiscal policies of member states. The Dutch think along similar lines.

As far is Britain is concerned, it must include a common industrial base for the community and a commitment through the regional fund to make Community resources available to help her industrially depressed areas.

External Relations

Before dealing with external relations, the second main theme of the Summit, the communiqué makes brief but important references to environmental and energy policies. On the former (article eight of the text), it calls on the EEC institutions to work out a programme with a precise timetable by the end of 1973 for action in this field.

Turning to energy policy, the Summit asks the institutions to formulate "as soon as possible an energy policy guaranteeing certain and lasting supplies under satisfactory economic condition."

On external relations, the communiqué is divided into three sections, covering the developing world, other industrialised countries and the Communist states of Eastern Europe.

As for the first category, the Communiqué confirms its priority towards helping the development of the countries of Africa associated with it and towards establishing closer links with the nations of the Mediterranean basin. But in line with the recommendations of the U.N. Conference on Trade and Development, it invites the EEC and member states to adopt an overall policy of development cooperation towards developing countries as a whole. In this context it picks out the following elements:

— the promotion, where appropriate, of international commodity agreements to stabilise the markets for developing countries' exports and increase their earnings,
— to improve outlets for manufactured goods from the developing countries through the UN generalised preference scheme.
— an increase in the volume of official financial aid. Surprisingly it was West Germany here that came out most strongly against setting a specific target of 0.75 per cent of Gross National product for the level of this aid by 1975, as recommended by the UN;
— the improvement of the terms of this aid, for example through special low rates of interest on loans, particularly in favour of the countries at the bottom of the development scale.

In its relations with industrialised countries, the community gives as its principle aim the implementation of action ensuring the harmonious development of world trade. The Community on the one hand wants to contribute to a progressive liberalisation of international trade by the elimination of tariff and non-tariff barriers. It also expresses its determination to "maintain a constructive dialogue with the United States, Japan, Canada and its other industrialised trading partners in a forthcoming spirit, using the most appropriate methods." This formula falls short of the type of institutionalised permanent dialogue, particularly between the Community and the United States, that some Member countries would have preferred.

The Summit set a deadline of July 1, 1973 for finalising a community negotiating position in advance of the world trade negotiations in the framework of the General Agreement on Tariffs and Trade (GATT) due to begin later this year. The Communiqué adds that "The Community hopes that an effort on the part of all partners will allow these negotiations to be completed in 1975".

In the external relations context, the Summit makes a special reference to Norway, which negotiated entry terms that were subsequently rejected by the Norwegian people in a popular referendum. "The Community declares its determination to seek with Norway a speedy solution to the trade problems facing that country in its relations with the enlarged Community." In fact, the intention is to put Norway on the same footing as the other Countries of the European Free Trade Association by concluding an industrial free trade agreement with it.

Article 13 of the Communiqué is devoted to relations with Eastern Europe. The EEC reaffirmed that their common commercial policy, which forbids bilateral trade accords by member states would take effect on schedule on January 1, 1973. There is still however, no sign that the Eastern Europeans are any nearer recognising the Community as a unit and of agreeing to Negotiate trade accords with it as a whole.

The Communiqué takes account of this situation by stating that member states "declared their determination to promote a policy of cooperation, founded on reciprocity, with these countries." And it goes on: "This policy of cooperation is at the present stage, closely linked with preparation and progress of the conference on security and cooperation in Europe to which the enlarged Community and its members are called upon to make a concerted and constructive contribution."

Towards Political Union

On the EEC's own foreign policy coordination as such, the Summit agreed to intensify the number of sessions of their foreign ministers devoted to this topic from two to four a year. The Heads of state and government "considered the aim of their cooperation was to deal with problems of current interest and, where possible, to formulate common medium and long-term positions. These consultations would continue to be outside the scope of the Community as such, since they do not fall within the competence of the EEC institutions. But the Foreign Ministers would keep in mind the international implications of their efforts to reach joint positions on major issues and their effects on "community policies under construction." At the same time, "on matters which have a direct bearing on Community activities, close contact will be maintained with the institutions of the Community."

Finally, the Communiqué turns to the reinforcement of the EEC institutions, declaring that by the end of the first stage of economic and monetary union and based on a Commission report to be submitted by May 1, 1973, the institutions and member states must decide on the measures "relating to the distribution of competences and responsibilities among Community institutions and member states which are necessary for the proper functioning of an Economic and Monetary Union."

But despite strong Dutch pressure, the Summit did not commit itself to any specific move towards direct elections to the European Parliament. The Netherlands delegation at the Summit held up the final communiqué as it fought to get a commitment on direct elections. "We must have European elections to the European Parliament," Premier Barend Biesheuvel told his partners, "if we wish to involve every European in the moulding of European policy."

But despite his plea, he got little satisfaction, except for a formal statement in the text of the communiqué reminding everybody that it is to be elected by direct universal suffrage under the terms of the Rome Treaty.

In fact the question of greater powers was carefully divorced from the controversial direct elections issue. The Communiqué states: "Desiring to strengthen the powers of control of the European Parliamentary Assembly, independently of the date on which it will be elected by direct universal suffrage under article 138 of the Treaty of Rome, and to make their contribution towards improving its working conditions, the Heads of State and Government... invited the Council and Commission to put into effect without delay the practical measures designed to achieve this reinforcement and to improve the relations both of the Council and of the Commission with the Assembly.

"The Council will, therefore, before June 30, 1973, take practical steps to improve its own decision-making procedures and the cohesion of Community action."

Needless to say the absence of timetable for direct elections displeased the majority of the groups of the Parliament itself. In addition, all spokesmen with the exception of Raymond Triboulet of the European Democratic Union (French Gaullists) expressed disappointment at the vagueness of the references in the Community to the Assembly.

Having covered all this ground the Communiqué calls for the creation of the European Union by 1980. Whether the call is realistic, and whether the political will of the Nine is really committed to making it a real "Union," should be clearer already by the end of 1973. If the Community can achieve what it has set itself for 1973, then the wind must be set fair for reaching the final goal.

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