

DELEGATION OF THE COMMISSION OF THE EUROPEAN COMMUNITIES
DELEGATION DE LA COMMISSION DES COMMUNAUTÉS EUROPÉENNES
BUREAU DE PRESSE ET D'INFORMATION

BACKGROUND NOTE

European Community marks
20th anniversary of Rome Treaties

March 25 marks the 20th anniversary of the signing in Rome of the Treaties that led to the creation of the European Economic Community (the "Common Market") and the European Atomic Energy Community ("Euratom").

Heads of Government of the nine member countries will gather in Rome on March 25 - 26 to celebrate the occasion and to hold one of their thrice-yearly European Council meetings.

A note recalling the main events in the European Community's development is attached. Further information and photographs of the 1957 ceremony are available on request from Martin Mauthner or Hélène Geoffrion at the Press and Information Service, Delegation of the Commission of the European Communities, 350 Sparks Street, Suite 1110, Ottawa, Ontario K1R 7S8. Telephone (613) 238-6464.

They also have details of the formalities to be complied with by correspondents going to Rome for the ceremony and European Council meeting.

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THE EUROPEAN COMMUNITY

A REVOLUTION IN RELATIONS

The decision in 1951 of Germany, Belgium, France, Italy, Luxembourg and the Netherlands to set up the European Coal and Steel Community (ECSC) was a conscious attempt to establish a new type of international relationship. To give responsibility for managing coal and steel production to a body independent of governments was, in its day, a revolution. The fundamental objective of pooling coal and steel production was to prevent any attempt by European countries to re-arm. The peace that has since prevailed is a tribute to the wisdom of the "Fathers of Europe".

The success of this first revolution was limited to coal and steel but it persuaded the six countries in 1957 to expand their union into a European Economic Community. In 1973 the founding countries were joined by the United Kingdom, Denmark and Ireland to create the European Community of the Nine.

The basic aims of this Community was and still is to create a closer union between the peoples of the nine countries, to maintain peace and create prosperity and to try to make European society more just and humane. It aims to make the voice of Europe heard in a world where individual countries have become too small and weak to defend their interests.

The Nine have established institutions (see box) obliging governments to find common solutions to accomplish these aims. The progressive development of a common market requires the harmonisation of the policies of the nine countries.

From its inception, this project of constructing a united Europe was seen as the adventure of the century. The construction has quite evidently been slow, but the links between the countries and citizens of the nine countries have become closer. Day by day more politicians, civil servants, industrialists, trade unionists, farmers and consumers are meeting their European counterparts, getting to know each other and finding common solutions to the problems confronting them.

"We are not only uniting the countries", stated Jean Monnet, one of the founders of the European Community. "We are uniting the peoples".

THE WORKING OF THE EUROPEAN COMMUNITY

The European Commission could be described as the engine room of the Community. It draws up proposals for the Council of Ministers and "polices" Council decisions as well as acting as guardian of the provisions of the European Treaties. Based in Brussels, the Commission is composed of 13 Commissioners who are appointed by mutual agreement of the Community's Member States, while remaining independent of their national governments.

The Council of Ministers is the Community's decision making body. It is composed of representatives from each of the nine governments of the Community. The Council meets in either Brussels or Luxembourg. The Nine's heads of government meet two or three times a year within the framework of the European Council to deal with the most important points of Community activity.

The European Parliament is the Community's watchdog, keeping a vigilant eye on the Commission and the Council of Ministers. The 192 members are delegated by their national parliaments and also have certain budgetary powers. From 1978 the European Parliament will have 410 members who will be directly elected by Europe's citizens. The Parliaments meets at Strasbourg or at Luxembourg.

The Court of Justice ensures respect for Community law and ascertains the legal basis for Community decisions. It has nine judges appointed with common agreement of the Member States. The Court sits at Luxembourg.

In addition to the above, the Community's Economic and Social Committee brings together representatives from both sides of industry to present their different points of view on Community policies. The European Investment Bank contributes to development of the European Community and associated countries by providing financial assistance.

THE COMMON MARKET

Creating a united Europe involves removing the frontiers which divide the nine Community countries so that people as well as goods can move as easily between Bonn and Paris, and London and Rome, as between Naples and Milan or Glasgow and Cardiff. It also implies that, an Italian worker should be able to move to any other Community country and work without discrimination and that a Dutch or British consumer should be freely able to buy Danish or Italian goods if they want them. Producers should be prepared to accept unrestricted competition in their own countries from other Community producers.

This "customs union" implying free movement of people and goods across the frontiers of the Nine is the basis of the "Common Market" that the six founding Community Members finally established in 1968 and which from 1977 covers all the Nine. No more customs duties within the Community, and no more import restrictions. From now on the Community is a single market at the disposal of almost 260 million European consumers.

The continued existence of customs officials on Community frontiers is not, however, due to forgetfulness on the part of the authorities, but to the differences in VAT rates between Community countries. Since these rates have not yet been harmonised, the rates charged on goods crossing national frontiers still have to be adjusted. When this gradual harmonisation is accomplished, their role will be reduced to simply one of policing and collecting statistics.

The elimination of barriers between Community countries has already multiplied trade between Member States six-fold in 20 years. The opportunity of selling on an enlarged market has given the economy of the Nine an extraordinary boost : in 20 years the income per inhabitant in the Community has doubled at constant price.

COMMON POLICIES

The creation of Community requires more than setting up a simple common market. It also requires the nine countries to adopt common policies in a number of fields. And this is not an easy task. Since the beginning, the European Community has had a Common Agricultural Policy. This policy has been highly controversial for some time and will, without doubt, be modified. But it should be stressed that through this policy the people of Europe have had the benefit for some 20 years of an uninterrupted supply of agricultural produce at prices that have given farmers a decent level of existence and thereby enabled the structure of agriculture to be greatly modernised.

With a domestic common market of 260 million consumers, European industry has been able to rationalise production. To aid in this process, the Community has been carrying out a long term programme of harmonising the technical specifications of goods, since significant differences from one country to another effectively restrict the movement of goods across frontiers. To ensure that the Community's industrial expansion does not adversely affect the consumer, the European Commission acts as watchdog over the rules of free competition, sometimes banning agreements between industries and sometimes imposing heavy fines. The Commission operates a vigorous anti-trust policy to protect the consumer.

However, the Community has come up against serious difficulties in trying to establish a true common industrial policy, particularly in the private sector. Despite its efforts, Europe also lacks a common policy for the data processing, aeronautical and telecommunications industries.

Similar difficulties have had to be overcome in the field of scientific and technological research. Common research laboratories have been set up in the Community since 1960, currently employing some 2000 researchers and technicians. But most of Europe's scientific research is carried out within national frameworks. The Community's research budget only amounts to about 1.4 % of the total national research budgets. But to eliminate duplication, the Community tries to coordinate the work undertaken in the national laboratories.

THE EUROPEAN COMMUNITY AND THE WORLD

With its own domestic common market the Community has been able to develop a common trade policy towards non-Member countries. In international trade negotiations it speaks with one voice. The Community has become the number one trading group in the world. This in itself has enabled the Community to talk on equal terms with major trading countries such as the USA, Japan and Canada about liberalising international trade. This also helps to explain the number of European countries applying to join the Community such as Portugal, Spain and Greece. This "enlargement" of the Community quite obviously presents a large number of problems and is the inevitable price of success. It should finally, however, result in a strengthening of the Community.

Through its economic expansion, Europe has also assumed responsibility for the poorer countries in the world. Many of them are offered generalised preferences for importing their goods into the Community as well as financial and technical assistance of various kinds. In 1974 the Community signed a Convention with 46 developing countries which amounts to the most generous form of assistance ever given by a group of industrialised countries to a group of developing countries. Not only has the European Community allowed free access to its market for the majority of goods exported by these countries, it has also assured them a sort of guaranteed minimum annual income for the sale of their primary products.

It is quite clear that the commercial weight of the Community on the world scene adds a lot to its political muscle. It has to be admitted, however, that though the Nine speaks with one voice on trade matters, they do not always have the same unanimity when it comes to political affairs. But at least the effort of trying to reach joint positions are now beginning to bear fruit.

AFFLUENCE

Technical cooperation between Community countries is carried out in a Community and not just an inter-governmental spirit. Within the confines of the original institutions, economic expansion in Europe has been made possible without precedent. In 1960, for example, there were only about 78 cars per 1000 inhabitants in the Community. By 1975 this had risen from 60 per 1000 people in 1960 to 262 in 1975.

THE PROBLEMS OF GROWTH

Given the social problems that economic growth has created within the Community, it is fast becoming apparent that most of these problems need to be dealt with, and if possible resolved at the Community level. Community institutions have played a large part in creating Europe's economic expansion and the same institutions should be used to find solutions to the problems resulting from this expansion.

Economic growth has not, however, eliminated social disparities or greatly accelerated the development of backward regions. Growth has led to an increase in pollution and nuisances. It has aroused the disquiet of increasingly better organised consumers who are now taking a more active role in the consumer society of the twentieth century. The Community was called upon to deal with these problems and in 1972 the heads of government of the Nine Community countries decided to instigate new common policies in these areas. Common programmes were adopted without a blow being struck, and Community budgets were granted to implement them. Up until then the Community had been essentially economic. It took on a more human face and started concentrating on the problem of finding out how to achieve a better way of life in the Community.

THE ECONOMIC CRISIS

It is relatively easy to eliminate customs barriers, expand free competition, and fix agricultural prices. But to reduce inequality, improve the standard of living and build a better society is much more difficult - especially in the middle of an economic crisis.

The Community is faced with the quadrupling of oil prices with, in effect, no common energy policy. The parallel rise in the price of imported raw materials has similarly caught the Community without a common industrial policy. Though it has no industrial policy, the Community is still obliged to transform a number of its industrial sectors. Above all, it is faced with inflation without an overall economic and monetary policy that is sufficiently concerted to be truly common.

Everyone is afraid of inflation and everyone has been trying to fight it in their own way. When it was necessary to find common solutions together, national solutions had to make do. The Nine's economic policies have been diverging when in fact they should be converging. At the same time, achievements such as the single market, the single trade policy and the single agricultural policy, are living under the threat of a return to protectionism by one or other of the Community countries. Up until now, the Community has been able to guard against such a threat just as it has been able to dissuade similar attempts by certain third countries. But in 1975 the Community experienced its first negative rate of growth since its creation, coupled with an inflation rate averaging 15 %.

THE SOCIAL CRISIS

The increase in prices was accompanied everywhere by a considerable increase in unemployment. In 1975 the level of unemployment in the European Community hit the five million mark.

The re-establishment of full employment is, of course a priority objective for the Community ; and it is obvious that due to the free movement of workers a short term solution can only be found through cooperation between the nine Member States. But this is not enough. In the long term, workers will demand a continual increase in their purchasing power, a reduction in (as well as more flexible) working hours, and more interesting work. This would mean cutting out repetitive work on assembly lines. In other words, not only full employment will be demanded, but also a better quality of work.

Social demands, however, go beyond the work place. These will require an increase in communal facilities such as schools, hospitals and sports stadiums which too often get sacrificed for short term public spending projects with greater electoral advantages more than anything else.

Another requirement is more generous social and family welfare which is becoming increasingly more expensive as medical drugs become more refined and hospital equipment more advanced. The fact that children stay longer at school and old people live longer after they retire, increases the "social burden" on those who are working.

The Community and the countries that form it have ambitious social objectives to achieve to bring about better working and living conditions - but with finances that are continually whittled away by rising costs.

THE MORAL CRISIS

Progress causes problems. The economic growth the Community has enjoyed in recent years has developed a new life-style which in itself has aroused more widespread conflict. Those most involved are, naturally enough, the young. The unrestrained "consumer society" whose by-products go under the name of pollution and wastage seems increasingly less acceptable. It only seems capable of creating wealth by creating poverty. The poor are however increasingly less prepared to accept their poverty. One third of the entire world population is situated in the countries of the Third World. They still suffer from hunger. In our own countries society hides in its midst paupers, whose destitution is only matched by the crude opulence that surrounds it.

Industrialisation and urban concentration have caused an acceleration of the pace of life that our bodies find difficult to adapt to. The enormous size of cities and buildings have brought an increasing and almost unbearable isolation for the individuals living in them. Such conditions breed depression and even violence and often lead to the questioning of the traditional scale of values of our societies in western Europe.

THE TIME TO CHOOSE

All this is interlinked : the economic crisis, the social crisis and the moral crisis. But we are a long way from simple technical problems that can be solved by technicians.

The European Community is faced with a social choice. It is up to each one of us as citizens of Europe to make this choice. No doubt the forthcoming election of the European Parliament by direct universal suffrage will come at just the right time : each one of us will have the chance to

press for the Europe we want.

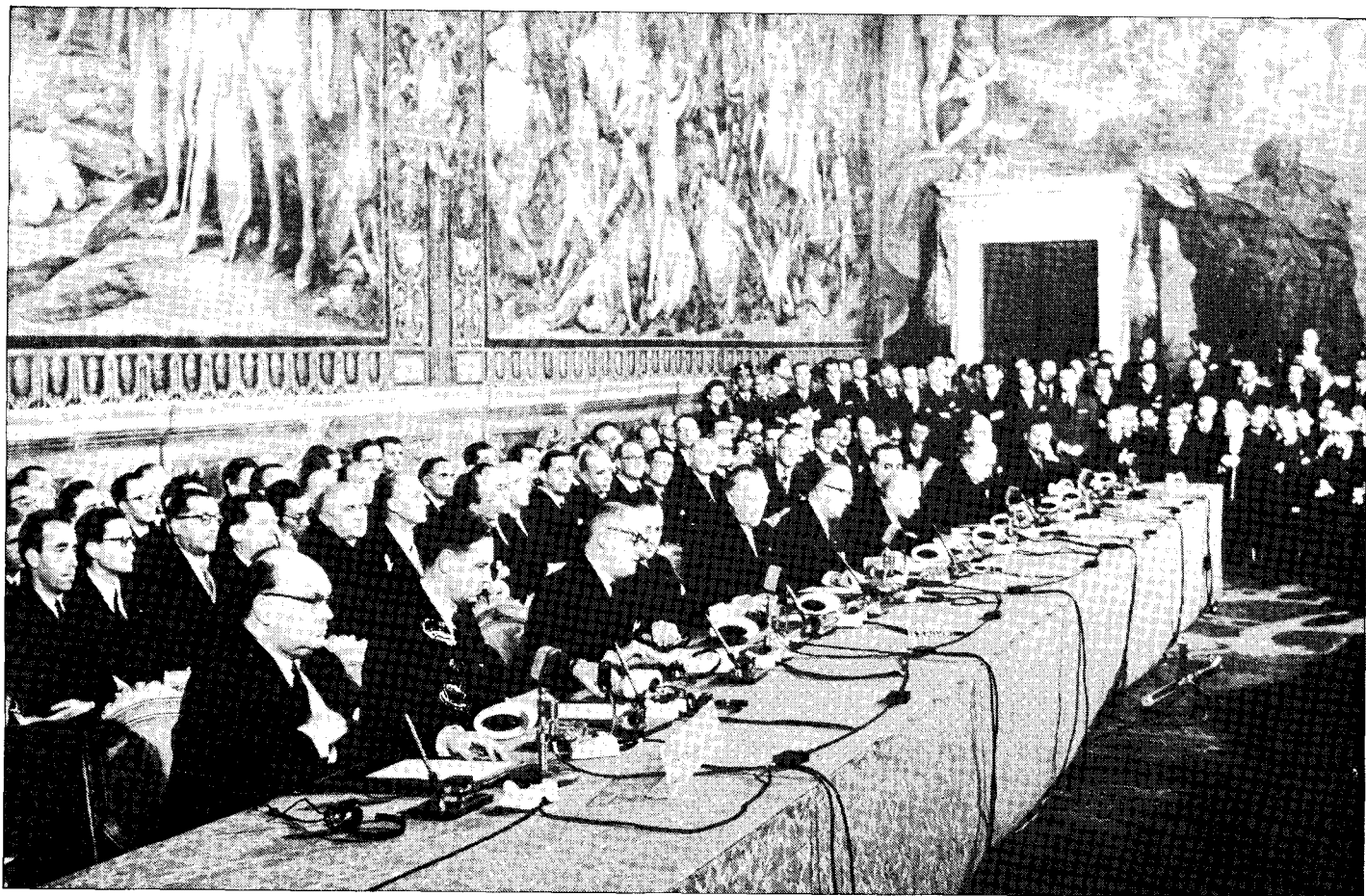
The interdependence that the Community has created between the men and women of western Europe obliges them to seek solutions together to the challenges of modern society. The principles that form the basis of European construction and the institutions that serve them remain valid. But the moment has come where it is necessary to reinforce them so that they can bring about a more just and humane society. Then it will be possible to make Europe a Community that is a better place for everyone to live in.

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HISTORY IN THE MAKING



Jean Lecerf, Economic Correspondent of the French newspaper *Le Figaro*, has been watching the progress towards European Union since the first tentative steps were taken by Jean Monnet and Maurice Schuman. He has covered all the major conferences and negotiations along this tortuous path and in this article he recalls some of the marathon sessions that have punctuated his own journalistic career.

Above, the signing of the Treaty of Rome in the Capitol, Rome, on March 25, 1957, and, opposite page, the signatures under the Treaty.

March 25, 1957

It was raining hard. The bells of Rome were ringing for the feast of the Annunciation. In the tiny Piazza de Capitole Marcus Aurelius and his horse continued to await the Last Judgement. In a historic room hung with magnificent tapestries, Ministers of six European countries gathered to sign a solemn undertaking unheard of in history, an undertaking to abolish the economic frontiers which divided them and to pursue the goals of justice and peace together.

How had this come about when wise men all around had scoffed at the idea. I well remember at the beginning of March, 1956, one of Europe's leading political analysts saying to me: "People in the know are asking themselves if the idea will collapse at the end of the negotiations, at the time of signature

or at the ratification stage. No one believes that this project will succeed." But it did and it's interesting to recall how it did succeed.

Let us go back to May 9, 1950, at the height of the Cold War, when Robert Schuman, France's Foreign Minister, proposed the pooling of Europe's coal and steel resources. This French idea, warmly welcomed by Germany, the Benelux countries and Italy, resulted in the Treaty of Paris which established the European Coal and Steel Community.

Soon after it came into operation in 1952, however, the problem of German rearmament came to the forefront. At the suggestion of Jean Monnet, whose brainchild the ECSC was, the French Government suggested the formation of a European Defence Community. A

treaty was drafted, signed and ratified by five of the six ECSC countries, but it ran into opposition in France from the Communists, backed by Moscow, where there were fears of a possible western European army, and from the Gaullists who feared France would lose her independence and Germany would dominate Europe. Nevertheless, there was still support in France for the idea of some form of European unity.

In November, 1954, Monnet, who had been acting as President of the ECSC in Luxembourg, resigned to devote himself fully to uniting Europe. It was agreed that the six Foreign Ministers would convene in Messina in Italy to choose a successor. Monnet took advantage of this to prepare a memorandum calling for increased common action, particularly in the field of atomic energy. After three days of discussion on the memorandum in Messina, it was agreed to form a committee, which I felt at the time was a convenient way of burying the whole idea. However, the committee was put under the control of the dynamic Paul-Henri Spaak, the Belgian Prime Minister, who gathered together at Val Duchesse, a former beguinage in the suburbs of Brussels, ministers, diplomats and ECSC officials. Spaak told them at their first meeting: "I want a solution by tomorrow or I will decide myself. If you do not find a technical solution I will find a political one."

Things didn't turn out quite that way. It was the time of Suez and one of the observers at Val Duchesse remarked about the surrounding statuary: "There are two busts missing here; one of Stalin and one of Nasser." It is fair to say that these two played an important part in the evolution of a political will among Europeans to unite.

Nevertheless, the work at Val Duchesse made constructive progress. It began on July 9, 1955 and by July 13 Felix Gaillard, who led the French delegation and a close collaborateur of Monnet remarked to me on the excellent atmosphere he had found and particularly the positive attitude of Walter Hallstein, the chief German representative who subsequently became President of the European Commission. Of the four projects which the Messina communiqué envisaged — a European transport network, the development of trade in gas and electricity, a customs union

and a common organisation for the peaceful use of atomic energy — the last two were agreed almost immediately.

Two ministerial conferences, one near the Hague and the other in Venice, enabled governments to follow and guide the discussions. In Venice they approved the Uri Report which even then contained the essentials of the eventual Treaty. It remained to sort out the legal difficulties and to prepare for their adoption.

The detailed preparation of the Treaty was not easy. It had been decided in Messina to invite the British. They came to Val Duchesse but they quickly withdrew. What they favoured was not a customs union but a free trade area which would allow them to retain their system of Commonwealth preference and to continue to import cheap food. The idea of linking the Common Market in a free trade area with Britain was fairly generally accepted, but it was later blocked by the Gaullists.

Agriculture was another stumbling block and the chapter of the Treaty dealing with this sector remained vague for some time. Another major difficulty were the clauses dealing with the question of equal pay for men and women which France regarded as essential to ensure fair competition but which frightened the other countries. The final obstacle was posed by the French overseas territories which were still French colonies. As it was remarked at the time, France was offering them as a dowry to the Community but the others preferred her without her dowry. The Algerian war had begun. The Germans and the Dutch had no desire to get mixed up in France's colonialism. Nor had they any wish to provide subsidies and preferential tariffs to countries which, in their view, would prefer to be left alone.

On February 19, 1957, a sort of summit was staged at the Hotel Matignon in Paris. It was held in great secrecy. From the courtyard, journalists standing about in the hailstones could see fleetingly the shadows of Konrad Adenauer or Guy Mollet. It emerged later that they spent most of their time arguing over figures. So arguments of principle had ended and the major obstacles had been overcome.

Before committing its signature to the Treaties, the French Government,

mindful of its previous experience of the ill-fated European Defence Union organised a parliamentary debate. Pierre Mendès France took advantage of the occasion to launch a bitter attack on the whole project. He alleged among other things that it would mean that the franc could be devalued by supranational authority, that the other countries would not be obliged to match France's equal pay legislation that the majority would always be against France, that the British idea of a free trade area would have been preferable for French agriculture, that Europe would be dominated by the powerful industries of the Ruhr and low wages of the Netherlands. . . . Only a few weeks previously, following victory in the elections, Mendès France had been demanding the Foreign Affairs portfolio which went to Guy Mollet. If he had succeeded, who knows what might have happened at the Hotel Matignon.

However, the debate showed that, in France as well as in the other countries, there was a parliamentary majority in favour of Europe. Ratification would not be opposed so it was therefore possible to sign.

The Treaty of Rome was signed on March 25, 1957. As he added his name, Paul Henri Spaak declared: "We are all aware of living through a great moment in the history of Europe."

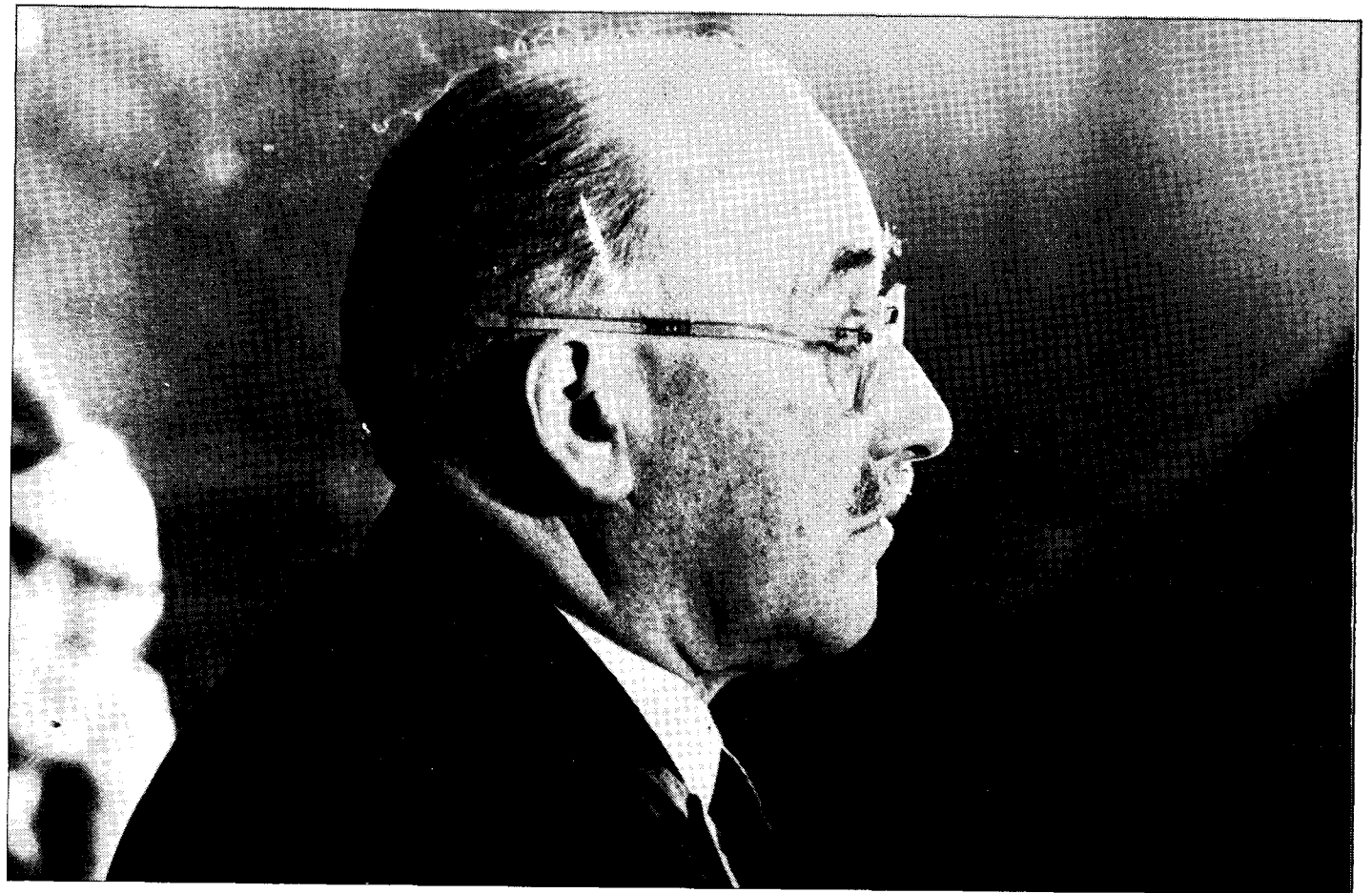
The Treaty of Rome is a remarkable document, a precise, legal text which can be applied even in its details by the administration for which it is a bible, under the constant scrutiny of six, or nine, governments ever ready to quibble, which can be interpreted by the Court of Justice that has used it to develop an ever-expanding body of jurisprudence. It is already 20 years and the text still stands. Neither the humours of President de Gaulle, nor the admission of three new member states, nor the British "renegotiations" have shaken it profoundly.

Certainly, it has not been left unscathed. Economic crises and resurgent nationalism, among other things, have subjected it and the Community to severe tests. How often have we heard the words of Jose Fralon, "Europe is finished", repeated. Yet the Community, and the Treaty, remain intact.

by Jean Lecerf

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PAST, PRESENT AND FUTURE



The Treaty of Rome which established the European Community was signed 20 years ago this month. In this article, John Lambert traces the evolution of the Community and offers some suggestions for its future growth.

If Helen of Troy's face launched a thousand ships, the mind of the small mustachioed man pictured above could be said to have launched the European Community. Jean Monnet was the architect of the original European Coal and Steel Community and was its first President. Since then he has been working indefatigably for his dream of a United States of Europe and has become an honorary citizen of Europe.

What marks the Community out from other organisations in which several countries work together is its institutions and, above all, the principle underlying them. Reduced to its essentials, the formula is that if sovereign countries are to work effectively together there must be an independent body jointly endowed by them with the power to act in the common interest. One of the Community's founding fathers, Jean Monnet, holds that through institutions the behaviour of peoples can be changed.

The formula was initially applied in the European Coal and Steel Community, founded in 1952. The six member countries — Belgium, France, Germany, Luxembourg, Italy and the Netherlands — not only removed barriers between them in these key

sectors, they also set up a High Authority with the power to act directly on many matters — and to propose action to a Committee of Ministers on others. With the establishment of the European Economic Community (and Euratom founded at the same time to develop nuclear energy in common) virtually the whole of the economy was brought under the Community formula.

However, the central body, the Commission, had powers of direct action in only limited areas, in particular in enforcing the rules on free competition. On the other hand — and this has been crucial — it kept the sole right of initiative. The Council of Ministers, the decision-making body, can only act on a proposal from the Commission. The provision for weighted majority voting in the

Council, when followed, gives the Commission, with its central position and responsibility to the Community as a whole, a strong position in seeking a fair compromise. Unfortunately, the use of majority voting has largely remained confined to minor issues.

While the essential element of the system has been preserved, many factors have converged to make the Community's decision-making procedure less and less effective. One is the sheer burden of work and the range of subjects. Another is the emergence of a new generation of national politicians not motivated by the same idealistic commitment to integration and also with their attention fully absorbed by national situations which are far less stable, politically, socially and economically than during the early Community years.

In the institutional field, the challenge facing the Community in the coming years is a double one; to safeguard and develop the underlying principles of the institutions, and exploit them to the full, and to look for new formulae involving the key element missing so far — democratic control.

For the Commission, this means holding firm to its right of initiative and its political independence from the member governments. Without this key driving force the Community cannot advance. For the Council of Ministers, it means the search for ways of streamlining and speeding up its decision-making and, perhaps, in certain areas delegating further responsibility to the Commission. As for the way to democratic control, it lies in the extension of the powers of the European Parliament. It will be for the first directly-elected Parliament to find how this can be done.

But there is more to the problem than the functioning of the existing institutions. The Community has outstripped the Treaties and there is a need for a new "constitution" to provide the framework for the next stage in the Community's development.

The Community was originally based on the tradition of free enterprise and free competition. This produced a Community well enough suited to the carefree prosperous period of the 1960's. Few would argue that the establishment of the Community, with

the steady removal of barriers between countries aided (though it was not the sole cause of) the stable and steady economic growth of that period. But it was also true that stability and economic prosperity meant that the Community could develop without constraints or sacrifices; with more than enough cake to go around there were no problems about sharing it.

The signatories of the Treaty of Rome were convinced that new forms of political solidarity would grow out of the economic solidarity created by the Community. Whether that will happen will be the key question for the years ahead, but in any case it did not follow on rapidly and easily as they had hoped. After the transitional period, the Community moved out into uncharted waters. Not only were there no longer specific deadlines to be met, to which there was a prior political commitment signed and sealed in the Treaty, but problems were occurring which had not even been thought of when the Treaty was drafted. This is true for external relations, with the emergence of the oil producers and the third world as a tough bargaining force. It is equally true for the situation inside the Community, with problem-free prosperity giving way to recession and an unprecedented complex of economic problems; inflation, massive unemployment, growing gaps between the richer and poorer member countries. The Community has adapted as best it could to meet these problems but in many cases the real challenge lies ahead.

The main initial effort of the Community in the 1960s went into removing protective barriers. This was mapped out in the Treaty. The elimination of customs duties and quotas was actually achieved 18 months ahead of schedule in 1968. State monopolies on such things as salt, tobacco and matches were tackled. So were restricted access to public works contracts, obstacles resulting from different technical requirements and the existence of cartels.

To make the member countries into a single economic area, not only goods had to be able to move freely but also people. In fact, migration on a vast scale was already taking place, with millions of people from the least-developed areas — above all southern Italy — being sucked into the industrial heartland — above all

Germany. The contribution of the Community was to ensure that these workers came to have equal rights with the nationals of the country to which they moved. By the 1970s the Community had to set about tackling the same problems on behalf of immigrants from third countries.

No area of the common market more dramatically illustrates the basic Community dilemma — that after 20 years, whatever the achievements, new problems have emerged and new challenges have to be faced — than the Common Agricultural Policy.

By 1968, a single "market organisation" was in operation for the main agricultural products. This was not purely technical; it had far-reaching political implications. For a system of this kind, with central joint decision-making and above all joint financing created unshakable links between the Six.

This farm policy machinery has proved remarkably effective under unforeseen circumstances. It was conceived in a time of relative food surplus for traditionally protectionist countries with high food prices. Yet, in 1973 and 1974, with a world-wide food shortage it worked perfectly "in reverse", ensuring that food prices inside the Community remained stable and below world market levels.

But if the CAP is a remarkable achievement, it also faces massive problems. Its principal architect, Sicco Mansholt, was aware that it had one crucial flaw — the practice of guaranteeing a given price for a product, irrespective of how much is being produced, who is producing it and in what conditions. Thus, prices have to be set high enough for the smallest and least efficient farms to survive: the political weight of the farmers' lobbies ensures that.

But, at such a price, larger and more efficient farmers are getting a straight gift from public funds. Moreover, there is an incentive to produce the maximum possible and surpluses are unavoidable. To overcome this, Mansholt introduced a structural programme aimed at an efficient pattern of farming but, unfortunately the Council of Ministers has not been prepared to make more than limited moves in that direction.

Monetary fluctuations have

Discussing the future shape of Europe . . . the former German Chancellor Konrad Adenauer (left) and the former French Foreign Minister Maurice Schuman. It was Schuman, inspired by Monnet, who on May 5, 1950 made the famous declaration which sketched out the fundamental ideas.

aggravated the problem, leading to a situation where, because farm prices are set in units of account, consumers in a weak currency and food-importing country like the United Kingdom are enjoying a direct subsidy from the Community. (The opposite is true for Ireland, a net food exporter.) The only

prospect for ending this situation lies in solving the vast problem of the relationships between national currencies which, in turn, means the relationships between economies.

For the whole of the 1960s, the Community had its route mapped out and its goals defined, however vaguely. From then on, with what had been set up and the institutional machinery that had proved its worth, it entered uncharted waters. There was a pause while considerable effort was concentrated on working out the terms for the admission of the three new member states — Denmark, Ireland and the United Kingdom — taking effect in January 1973. On the eve of the enlargement a meeting of heads of government of both the old and new members gave indications of new priorities for the Community to follow in the future.

This was the period when the awareness was spreading that there were major flaws in the kind of society resulting from the all-out pursuit of a maximum rate of economic growth. Gaps between the richest and poorer areas were getting wider. For a Community set up to ensure the well-being of all its citizens this was inadmissible. At the same time, awareness was spreading of the new kinds of problems arising in the central areas towards which wealth was gravitating; over-crowding, pollution, bad conditions for migrants as well as over-dependence on migrant labour. The unrestrained exploitation of the world's finite resources was also being denounced. In the words of France's President Georges Pompidou, the Community had come to seem increasingly "mercantile".

The outcome of this awareness, expressed at the Paris Summit of October, 1972, was a certain number of new initiatives. The Social Fund underwent major change. In addition to the training of industrial workers, it was given new scope to help migrants, workers leaving agriculture and others in declining areas. Trade unions, employers and governments were brought in on a regular system of consultation. Nevertheless, the Fund's activities were hampered by lack of resources. The same was true of the Regional Fund which came into operation on a very limited scale. Also arising out of the changed mood was the development of a Community policy for the protection of the



environment. There was a general readiness to admit that "pollution knows no frontiers". A consumer protection programme was also set in motion.

Encouraging though these moves were, they left untouched the central issue of monetary and economic policy. It is one which has hung over the Community since the start. As barriers between the economies are removed they become interdependent because far greater proportions of trade are done with other member countries. Economic trends or policies adopted in one member country have an impact on the others. The governments have surrendered the right to use many of the weapons — duties, quotas, restrictions on capital movements — which formerly made up their arsenal for coping with economic crisis. Only emergency moves are allowed under Community rules, and then for a limited time only.

In the early years, attempts at economic coordination were made and out of this grew ambitious plans for "economic and monetary union". They were very much the product of the fat years. The aim on the monetary side was to move rapidly to a sort of federal reserve system, backing the currencies of the member states, to fix exchange rates and then ultimately to a single currency. On the economic front, there was to be a single authority effectively applying an overall economic policy for the Community.

The early Seventies brought problems which were to make these plans utopian. In the aftermath of dollar devaluation, the member countries adopted the far more limited solution of pre-agreed margins of variation between their currencies — the "Snake". But gaps between the economies were widening and it was not long before some members were obliged to withdraw from the Snake. The enlargement of the Community to include Ireland — with a major regional development problem — and above all the United Kingdom — in a state of economic crisis — served to reinforce the problem which already existed of increasing gaps rather than gradual narrowing of differences. It is a situation with which the traditional *laissez-faire* liberalism of the original Community approach cannot be expected to cope. The kind of grudging charity expressed in the

Regional and Social Funds is not on a scale proportionate to the problem. The example of the CAP shows how growing divergences can create havoc with what has been achieved in the past.

It is undoubtedly here that the challenge to the Community is greatest. There has been increasing interdependence but this has not been matched by increasing solidarity.

There is a second, equally pressing reason why the Community has to find effective forms of joint economic action — the rapid change in the balance of economic power on the world scene. The Community, as an industrialised area, had benefited from unfairly cheap raw material prices. Starting with the rise in oil prices in 1973-75, this situation has been brought to an end. But far higher energy and raw material costs, as well as tougher competition from other industrialised powers, inevitably spell major structural change. Such change can be left to happen through the play of market forces; if so, it will mean whole industries and whole areas in decline, with massive unemployment and problems quite beyond the scope of existing policies of regional aid. Such distress could not fail to breed social and political discontent and instability.

The alternative is to tackle this kind of structural change as a matter for the Community. The reasons for doing so are powerful ones. It is the Community which acts on the world scene in the key field of commercial policy, with its impact on domestic industrial activity. Only joint action at the Community level could make it possible to spread the burdens of the new situation and avoid the worsening of the existing regional inequalities. This is going to require a wider realisation of the European dimension of the current crisis and the inadequacy of purely national measures in seeking to solve it. This in turn implies the need for far-reaching economic and financial solidarity involving, among other things, the transfer of resources from richer to less-favoured areas. The counterpart to such transfers is effective coordination of economic policies. Since past experience has shown this to be illusory as between nation states, it will be necessary to tackle head-on the need for an economic policy decided and applied at the Community level. This would

not replace but complement national policies.

The desperate need for solidarity in the Community's internal affairs contrast vividly with the ever-growing solidarity forced on it in relations with the rest of the world. The Community was not created in a vacuum and from the very first the pressures and demands of the rest of the world have forced first the Six and then the Nine to react as a single unit. Initially, it was as a single trading unit that the Community, with its common external tariff, emerged on the world scene. The Community has expanded its role by developing a scheme of generalised preferences. It also broke new ground with the signing of the Lomé Convention in 1975 which expanded its direct aid to some of the neediest Third World countries but also established a system of income guarantees for countries liable to economic setbacks through their dependence upon a limited number of commodities for export revenue — the so-called "Stabex" system. The Convention also guarantees duty-free access to the Community market for the bulk of exports from more than 50 developing countries.

Nearer home, the Community has worked out a global policy in the Mediterranean. Trade agreements have been negotiated with six Arab countries, the Euro-Arab dialogue aimed at closer cooperation is being pursued, and Greece and Spain, and eventually Turkey, are potential new members of the Community.

The period since 1973 has also seen the emergence of world-level negotiations about a new economic order. Yet the negotiations so far have revealed divided counsels among the member countries. The obvious formula is for the Community to speak with one voice in all these negotiations. But, with the issue of internal economic policy, a move of this kind is not conceivable except in the context of a new move towards political unity. Once again, it is the question of the Community's constitutional development that is posed.

The Community was set up specifically as the European Economic Community but, as we have seen, its founding fathers were aiming at creating economic solidarity which would underpin political unity. Although a system of political cooperation has

The then Taoiseach, Mr. Jack Lynch (right) and the then Minister for External Affairs, Dr. Patrick J. Hillery, signing the Treaty of Accession on January 22, 1972 in Brussels. The Prime Ministers and Foreign Ministers of the United Kingdom, Denmark and Norway signed the same day.

legal basis it becomes increasingly difficult to overcome the inertia of member states about accepting new joint action. Yet the Community has to face a whole range of new problems and a totally changed situation internally and externally. On the world scene it needs an overall strategy and

to be respected; in dealings with the outside world rapidity and a unified strategy are vital.

One formula among many that would meet these criteria would be a Commission President directly-elected by the Parliament from within its ranks,



been cautiously developed the way the Community countries handle their relations with the rest of the world remains full of anomalies and ambiguities. There are some areas — cultural relations, arms sales, bilateral development aid among them — which remain strictly the preserve of each state. In other matters, such as monetary affairs, world economic issues and some aspects of trade, national and Community responsibilities overlap. The bigger countries can still be lured into inter-governmental palaver with the US and Japan over monetary issues without prior consultation with their partners and without insisting on the presence of the Community as such.

The Community has been too long in uncharted waters. While the underlying principle of its institutional machinery — an independent central body, the Commission, with the right of initiative — is still intact, the institutions are creaky from the demands put upon them. Without a

the means to carry it out. But the vital complement to this would be the ability to carry out structural change internally.

Two elements alone can be counted as undoubted progress. One is the shift, in 1978, to direct Community revenues. The other, far more vital, is the first direct elections to the European Parliament in May or June next year.

Basically, the challenge to the Parliament, to the Commission and to the peoples of the Community is to evolve a new constitution, or at least to move into a new constitutional phase in the near future. Democratic control by the Parliament should be real and effective over any and every decision not subject to national parliamentary control; the Monnet principle of a driving force independent of national interests and responsible to the Community as a whole should be preserved; the defence of the interests of the member states should continue

submitting the members of the new Commission for approbation; a Council of Ministers playing the role more of a Senate of the member nations; and the Commission responsible, subject to consultation procedures not unlike those existing today, for all external relations except for those reserved specifically for the national governments. But it is meaningless at this stage to play with such formulae. All that is important is to emphasise that such a "constituent" phase must lie ahead. In the meantime, the Community has to face make-or-break tests — over its economic development and new world economic relations — with the existing institutions

If the campaign for the first European elections has a function, it may well be to reveal to the governments the degree of understanding and involvement with which the citizens of the Community look on the problems of their joint future.

by John Lambert

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