EUROPEAN UNIFICATION:
A Conceptual Guide for Educators

Steven L. Miller, editor

ERIC Clearinghouse for Social Studies/Social Science Education
and
The Mershon Center

1995
Countries of the European Union

Europe Union: 367.3; $18.6

Country: population in millions; per capita income in $1000s

Austria: 7.8; $20.1
Belgium: 10.0; $19
Denmark: 5.2; $23.7
Finland: 5.0; $24.0
France: 57.0; $20.4
Germany: 80.1; $23.7*
Greece: 10.3; $6.3
Ireland: 3.5; $11.1
Italy: 57.8; $18.5
Luxembourg: .4; $31.8
Netherlands: 15.1; $18.8
Portugal: 9.9; $5.9
Spain: 39; $12.5
Sweden: 8.6; $25.1
United Kingdom: 57.6; $16.6

Data 1991
Source: World Bank
Maps by Cartesia Software in Visio 3.0 by Shapeware
*data for FRG before unification
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Foreword

Steven L. Miller

A Grand Experiment. As Michael Gordon puts it in closing Chapter 2 of this book, "something very important is happening in Europe." But he isn't referring to the tragic and ongoing conflict in Bosnia and Hercegovina. Nor does he mean the Russian attempt to stamp out revolt in Chechnya. Instead, in his chapter he has written of the "March Toward Europe," as Wayne Thompson calls it in Chapter 1—the unification of nearly all of Western Europe encompassing fifteen nations (as listed on the inside cover). Fifteen nations that have voluntarily ceded substantial portions of their respective sovereignties to form a single market, free of restrictions on the flow of people, goods, services, and capital. Fifteen nations that have committed to a monetary union, greater political union, and perhaps eventually common defense and international policies. Fifteen nations that may grow to eighteen or twenty or twenty-five, as the European Union considers accession requests from nations as far flung and diverse as Latvia and Malta. Truly, this is something very important.

The emergence of the European single market in the (then) European Community, followed pell-mell by the creation of the European Union by the Treaty on European Union and the accession of three more nations into the Union, is a story of a grand experiment, just as the U.S. experience is often described. And yet it has been mostly overlooked by the American people, media, and certainly social studies classes. Indeed, as described by Dagmar Kraemer and Valdem Stassen in the Preface, Europe as a whole has paradoxically been neglected in classrooms even as American education has been accused of Eurocentrism.

This inattention is partly due to bad timing for the unfolding events. When one examines the Chronology (inside back cover) it is easy to see that there always seemed to be some more urgent or dramatic event in Europe, as if our collective attention could only focus on a thing or two at a time. In 1989 when the European Council endorsed the plan to create a single market, Mikhail Gorbachev was unveiling glasnost and perestroika. In 1990, as the Madrid European Council endorsed the plan to create the monetary union, greater political union, and perhaps eventually common defense and international policies, the fall of the Berlin Wall over-shadowed all other European news and spawned the "velvet revolution" throughout Central and Eastern Europe. The development of the single market by the end of 1992 drew some attention in the business press, but was pushed aside in more general reporting by the continuing crisis in Bosnia and Hercegovina, a story that, along with events in Chechnya, eclipsed the creation of the European Union and the addition of Austria, Finland, and Sweden.

It seems that in many places in the world—in the old Soviet Empire, in Africa, in Asia, even in South America—countries are falling apart under the press of ethnic groups for a national identity, as it there were a global entropy at work. Nonetheless, this grand experiment in unification has been moving forward, even if it hasn't been walking.

Purpose of the Book. And if we were to watch more carefully, how would we make sense of this phenomenon? This question brings us to the central purpose of this book. It is intended to provide educators with the means to observe and teach about the unification process in Europe. It is hoped that, armed with a greater understanding of the relevant concepts and issues, teachers will have more interest in teaching about the European Union and more recent information than their textbooks to do so.
European Economic Community (EEC) and European Atomic Energy (Euroatom); hence Communities. But in common usage, it is simply the European Community, singular.

Finally, readers will note that the same events have more than one name. For instance, the Treaty on European Union is also commonly referred to as the Maastricht Treaty and the Union Treaty. The single market is known as SEM (single European market), the SEA (Single Europe Act), and Europe, 1992. This last is especially incongruous since the single market was to be completed by the end of 1992, and to some that makes it Europe 1993, the first year when it was to have been fully in effect. We have provided a glossary at the end which might be helpful in sorting some of this out.

Acknowledgements. Exercising editorial privilege, I would like to thank several individuals. First, and foremost, I acknowledge the authors of this volume who waited patiently through rewrites and revisions during successive waves of changes in the EU. There was the Maastricht Treaty which looked at first to be on, then off when the Danish voters rejected it, then on again when the Danes reversed themselves. Next the authors waited when it seemed that four new nations would join the Union. Three did. But, there was a further delay since the fourth, Norway, did not enter the Union when its citizens voted accession down in November of 1994.

My thanks to Richard Remy and the Citizenship Development in a Global Age program of The Ohio State University's Mershon Center, which provided funding for this project, including support for an instructive author's meeting in Brussels. I deeply appreciate the assistance of John Patrick, Director of the ERIC Clearinghouse for Social Studies/Social Science Education at Indiana University, for undertaking this project and keeping it in the queue while European events unfolded. I am especially grateful to Vickie Schlene at ERIC/ChESS for very thorough editorial assistance and formatting under the rush to publication.

Steven L. Miller
Columbus
August, 1995
Preface
Dagmar Kraemer and Manfred Stassen

INTRODUCTION

With the dissolution of the Soviet Empire and the concomitant collapse of its defense pillar and economic structure, the EU and the North Atlantic Treaty Organization (NATO) largely in response to the unanticipated breakup of the Soviet Empire in Eastern Europe, the European Community (EC) reacted swiftly with an ambitious blueprint for military security as the prime measurement of power in the international arena, the role of the EU as a global actor is likely to increase. The Maastricht Treaty stands as an expression of economic and political union, known as the Maastricht Treaty, primarily on the economic and political union, known as the Maastricht Treaty. Since the Single European Market was to be implemented, the Community faced its greatest "domestic" challenge since the creation of a single currency (by 1999 and no later than 1999) and a central European bank. Unlike the largely uncontentious Single European Act, the Maastricht Treaty faced widespread skepticism by experts and a spontaneous, almost visceral aversion by the general public, because it appeared to many European citizens that the measures it stipulates will result in a standardized European super-state run by faceless bureaucrats.

Since the Danish defeat of the Maastricht Treaty in June 1992, public support for greater integration a la Maastricht wavered also in other member states. The narrow victory in the September 1992 French referendum, where a mere 51% voted in favor of adoption, was also indicative of the treaty's lukewarm public support throughout Europe. The political reasons for this popular dissatisfaction with the concept of federalism as the organizing principle in the EU are rather complex.

In the aftermath of the Cold War, and in the face of enormous economic difficulty, Eastern Europe has witnessed a revival of nationalist sentiment. Western Europe, in spite of the undeniable success of the EC, has not been immune to this resurgence of nationalism. A continued recession and an unprecedented wave of immigration fueled demands for nationalist-inspired policies. The national economies of the EC member states were in poor condition, and, as the recent currency crisis has shown, the national economies (and the respective national policies) have grown so disparate that the requirements of Europe's Exchange Rate Mechanism (ERM) could not be met by Britain and Italy. The forced withdrawal of Britain and Italy from the ERM system raised a number of interesting questions concerning Europe's political and monetary future. Depending on the analyst's philosophy, the currency turmoil either proved the necessity of speedier unification or the non-viability of economic union.

The European public witnessed these discussions with great dismay. Unlike any other recent decision of European will, the Maastricht Treaty seemed to cast a long shadow over economic union--not the least of which is the fear of an hegemonically dominant Germany. In particular, the anticipation of "European uniformity" and a concomitant loss of national identities fueled resistance to the terms of the Treaty. The notion of "European uniformity" was coupled with the fear that smaller states may be overwhelmed by a federated Eurosuperstate, in which Brussels bureaucrats in distant Brussels or an economically dominant Germany will determine the course of their domestic affairs.

Waning popular support for European integration and the return to nationalist thinking also stymied, as some observers
suggested, from an often less recognized fear of the unknown and, most importantly, are caused by the absence of a convincing rationale for deeper European integration. On a theoretical and factual level, the concept of regional cooperation is a distinctive form of policy in the international system—distinct from, for example, the traditional balance of power concept—and, in Europe, was closely linked to the existence of a major threat on the ideological and the military levels. If, indeed, one of the functions of regional integration was the creation of a "bulwark" against Communism, then the disappearance of this threat seemed to deprive the Union of its erstwhile raison d'etre.

Moreover, during the Cold War, the European Community was "undisturbed" by the historically backward East, and the traditional East-West economic disparity did not interfere with the rebuilding of Western European power. Instead, the West, with the financial help of the United States and under her ideological prodding, was allowed to flourish and became an increasingly successful economic trading bloc. With the fall of the Wall and the Velvet Revolutions in the East in 1989, Europe witnessed a period of elation: the old dream of a free and democratic Europe, stretching from the Atlantic to the Urals, or even from Lisbon to Vladivostok, seemed within reach. Instead, old ethnic conflicts, long bottled-up by the Cold War, erupted, leading to the partition of the "Eastern" European states and violent strife in the former Yugoslavia. The desire of these newly created states to join 'Iadivostok, seemed within reach. Instead, old ethnic conflicts, long bottled-up by the Cold War, erupted, leading to the partition of the "Eastern" European states and violent strife in the former Yugoslavia. The desire of these newly created states to join the European Union, seemingly a contradiction, is motivated less by supranational yearnings than by the desire 'to catch up' with the economically prosperous West.

The European Community, in turn, was not unaffected by the events in the East, most notably by the unification of Germany. French acceptance and support of German unification was closely linked to the notion of "deepening" within the EC, to anchor a unified Germany firmly in the West. Yet, the desire of these newly created states to join the European Union, seemingly a contradiction, is motivated less by supranational yearnings than by the desire to catch up with the economically prosperous West.

Problems Were Seen with the Maastricht Treaty. The negotiators, at Maastricht, however, failed to inform their constituents on the merits of the Maastricht Treaty and disregarded the need to dispel the fear that its terms may pose a threat to national sovereignty and identity. The resulting crisis of confidence in the Community leaders, its institutions, and its future was not merely based on "bad perceptions" by the public. Rather, Community institutions and the Maastricht Treaty, in particular, displayed some serious flaws which needed to be remedied before ratification by the national governments could effectively be sought. The first major flaw concerned the Maastricht Treaty's exacerbation of the already existing "democratic deficit" in Community institutions by taking more powers away from national and local elective bodies. Secondly, the Treaty was silent on agricultural policy, traditionally the backbone of EC policy, which is of great concern to Europe's powerful lobby of farmers. Thirdly, the principle of "subsidiarity", a potentially undermining force of the Treaty, was ambiguous and required clarification. Fourthly, the Treaty did not spell out specific measures to ensure openness of the political process, and failed to define the limits of the bureaucracy in Brussels. To influence the next round of the debate, and to create a more favorable climate for the acceptance of the Treaty by the public, political leaders needed to define how greater unity could be achieved without excessive centralization.

Observers identified another equally serious, but perhaps less manageable, problem concerning the significant economic differences among the EC states. Persistent currency crises underscored the enormous task of synchronizing the budget deficits of member states, their government spending programs, and rates of inflation. In anticipation of this difficult endeavor and, in large part, due to the two different philosophies in the EC, the emergence of a "two-speed" Europe has become a distinct possibility. This "two-for multi-speed" approach foresees a few core states proceeding toward monetary, political, and social union at a faster pace. Other states with weak economies would be floating on the periphery until they gain enough strength to join the inner "core." In this scenario, the inner "core" would consist of France, Germany, and the Benelux countries, while Britain, Italy, and Denmark would remain at the gates, and the other four member states would occupy the periphery.

The essential flaw of this approach would be the two-class or three-class EU membership that it creates. In addition, these "two- or multi-speed" Europe would rely too heavily on Bonn-Paris relations to shoulder the responsibility for the entire EU. Furthermore, this scenario significantly diminishes the political stature and influence of the smaller nations.

Overcoming these problems and the further development of the European Union in the second half of this century thus represent a fascinating case study for students of international relations. Moreover, the economic and political importance of the Union make it imperative that more, and more accessible, expert information on the new EU is made available to every social studies teacher and student in the United States.

THE IMPLICATIONS OF EUROPEAN INTEGRATION FOR THE U.S.: THE "EUROCENTRIC" CHALLENGE

U.S. Economic Involvement. The degree of the U.S. involvement in the development of European unity—an expression of the U.S. stake in this experience of regional cooperation—is often underrated. Early on after WW II, the U.S. played an important part in European integration. Without Secretary of State George Marshall's European Recovery Program of 1947, which stipulated that American aid was to be administered jointly by the beneficiary states, European integration would have lacked impetus and institutional foundation. Due to American financial assistance, the first postwar multilateral European Agency, the Organization for European Economic Cooperation (OEEC), which evolved into the more familiar Organization for Economic Cooperation and Development (OECD), was created.

Ever since planting this first crucial "seed," the U.S. has been an interested and engaged "out of area" player in the affairs of Europe. The influence, both supportive and at times highly critical, of Europe's transatlantic partner is by and large insufficiently understood on both sides of the ocean. Nonetheless, bound by history, heritage, and a shared commitment to Western values and democratic reform, the United States and the EC strengthened cooperation over the decades and extended it to new areas. Yet, if the promise of economics replacing military might as the measure of power is accepted, the transatlantic relationship and the distribution of power within this relationship will change.

From a purely economic perspective, the stakes of the U.S. in the "United Europe" are indeed significant. With the completion of the internal market by 1992—albeit, if not the latest—a single currency will be adopted, the so-called ECU (European Currency Unit), which will develop into a global reserve currency, not unlike the dollar or the yen. While a single European currency will translate into more financial clout globally for the EU, it can also benefit American business, because it allows U.S. firms to more reliably predict the future costs of doing business in the EU while eliminating a twelve-told bureaucracy. The centrality of the EU to the
opportunities afforded by a single market: 370 million consumers on the European continent and as a whole (Ahearn 1992, p. 4-2).

So far, fears of a "Fortress Europe" have been allayed by assurances that the internal market would not repeat the failures of traditional policies — such as generous state aid, cartelization, and encouragement of mergers and joint ventures — sometimes adopted by individual member states to protect their industries against foreign competition. However, the accelerating economic downturn in Europe will make the establishment of a fiercely competitive single market initially more painful than politicians are willing to admit.

**Military Security.** Apart from the economic consequences and its implications for U.S. business, the emergence of a united Europe is likely to bring about equally significant changes in foreign and defense policy. Although the foreign policy provisions in the Treaty on European Union are deliberately vague and appear more evolutionary in nature, the Treaty does, however, delineate defense objectives and affords the EU the opportunity to undertake foreign policy actions and support them by force.

In this scenario, the Western European Union (WEU) would be strengthened while serving as a bridge between NATO and the EU. Nine Western European member nations of WEU (the United Kingdom, Germany, Denmark, France, the Benelux countries, Spain, and Italy) have decided to assign 50,000 troops to WEU including the newly created Franco-German corps. While the mission of the WEU forces was primarily defined in humanitarian and peacekeeping terms, it was indicative of a newly felt urgency to create a joint defense capability independent of NATO. Also underlying the revival of the dormant WEU is the assumption that a U.S. preoccupation with domestic economic and social problems will be more and more inclined to disengage itself from Europe, eventually withdraw its troops, and leave Europe largely unprotected. It remains to be seen whether the creation of a European defense system will precipitate the contingency it pretends to address, the revival of isolationism in the U.S., leading to the withdrawal of American troops and, thus, an unprotected Europe.

**Europe, Multiculturalism, and Textbooks.** Revolutionary changes in Europe could not have come at a worse time for the United States. Riddled at that time by an economic recession that outlasted the worst predictions, and by a spiraling budget deficit, the United States continues to face a challenge on the ideological home front. The tenets of Western civilization as the sacred foundation of American society have increasingly been called into question. Traditionally marginalized groups—Native Americans, African-Americans, Hispanic-Americans—are demanding greater inclusion of their stories in the national curriculum and are charging the American college and high school curricula with displaying an inappropriate Euro-centric bias.

In spite of major technological innovations from satellite learning to CD-ROMs, textbooks remain the foremost instructional media in the classroom. In recognition of its eminent position, a number of educators concerned with the crisis in American education have sought to alter the textbook as one of the culprits for this politically incorrect bias. In the textbook debate, multiculturalists level the charge of Eurocentrism against the texts while traditionalists deny the legitimacy of the argument, and, instead, claim to detect a systematic, dumbing-down of the texts through the inclusion of allegedly cultural irrelevant, distant, and alien material. In the 20th century, however, the western cultural tradition has prevailed over fascism and communism, and helped to spread economic prosperity on a scale unsurpassed in human history.

This volume claims that Europe will assume a renewed importance for U.S. foreign and economic policy in this decade and, perhaps, the next century. One of the ways to take cognizance of Europe's continued relevance is to impart, through the school curriculum, a profile of Europe commensurate with this importance that is meaningful to the ever changing American school population whatever its national or racial origin.

Despite the legitimate claims of non-European ethnic groups in the United States, it is imperative to provide the educators of the new generation on all levels of the educational ladder with the facts, background information, and concepts necessary to grasp the economic challenges and opportunities created by greater European integration. In spite of the increased importance of the transatlantic relationship post-1945 developments on the European continent including Britain are barely covered in the existing books. Instead, the textbooks leave U.S. educators and their students—unprepared to grasp the Union's pivotal economic status and its impact on the American economy. In most texts, global history after 1945 is reduced to a bipolar conflict, with the U.S. cast as the unquestioned leader of the West. Combined with the emphasis (and implied preference) on the nation-state as the parameter of national progress, the educators and students are provided with an ill-equipped reference for understanding the recent developments and the dynamic character of European supranational cooperation.

It would be unfair, however, to lay the blame for the flawed portrayal of Western Europe on the textbook writers and publishing companies alone. As a number of concerned educators have pointed out, it is the academic itself that has, for the most part, neglected the EU as an object of serious scholarly investigation, or has underestimated EU developments. For example, Charles H. Karelis has charged that:

> "The importance of the EU is all the more surprising to the American public because it is unduly focused on the Cold War. In the late 1980s, the EU was the first supranational organization to pose a serious challenge to the U.S. Cold War strategy and the U.S. leadership role in forging a European foreign policy. In the early 1990s, the EU became the second most important political actor in the world after the United States, and has been a model for reformed global governance.

According to Karelis, the area studies approach would be a more relevant means by which to approach community progress. Yet, it is also true that an understanding of European progress is not easy to obtain because, as a shrewd observer of European integration has pointed out, "... it has always been quite abstract and shrouded in an institutional and linguistic fog that only initiates seem to understand" (Harrison 1992, p. 1).

**Knowledge of the EU is Vital for U.S.** For a number of reasons, the U.S. government has traditionally preferred to deal bilaterally with the nation-states of Europe rather than to approach Europe as a unit. In 1990, the Bush administration and the EC signed the "Transatlantic Declaration," which laid down the principles and the framework for EU-U.S. consultation and cooperation in economic, scientific, educational, and cultural fields. It also committed both parties to working together on transnational problems such as terrorism, drugs, and the environment.

While greater public recognition of the EU-U.S. dialogue has ensued, this development needs to be transmitted to the American educators as well. According to a 1998 Gallup poll, the general public appeared quite interested in community progress and continued U.S.-European cooperation.
THE EDUCATOR'S CONCEPTUAL GUIDEBOOK ON EUROPEAN UNIFICATION

Historical Perspectives. The first two chapters by Wayne C. Thompson and Michael Gordon provide a theoretical framework with which to approach European integration and an historical account of European Union development. In his overview of the history of European unity from Caesar to the fall of the Soviet Empire, Wayne C. Thompson argues that, after 1945, the gradual, functional, and pragmatic approach to European integration proved successful. After the devastating effects of World War II, the idea of unity by force was discredited, and the ground was prepared for this historically unprecedented voluntary pooling of resources between traditional enemies.

In the course of his analysis, Thompson reflects on the extraordinary set of favorable external and internal circumstances that promoted European unity after 1945. In addition to these, the impact of intellectuals such as Robert Schuman, Jean Monnet, Walter Hallstein, Paul-Henri Spaak, Konrad Adenauer, and Charles de Gaulle (and to this list could have been added Alcide de Gasperi) who significantly influenced the course of European Union history is not to be underestimated. In his investigation of the East-West conflict, Thompson shows links and connections between seemingly isolated events and developments. Patterns of state behavior which are re-surfaces in times of stress can be discerned in different periods of Union development: Britain's refusal to join the EEC in 1952, the French National Assembly in 1954, 'little Europe' determinants to make unity work. Denmark's narrow support of its continued EC membership in the referendum of 1972, etc. In spite of these setbacks, which, every time, triggered the 're-launching of Europe'. European unity recovered, due in large part, to the fact that international cooperation and coordination had worked and that economic advantages were on the horizon.

Thompson also tackles the thorny issues of deepening (not integration) and widening (not membership) which constitute the most significant challenge to future European cooperation. After having 'broadened' to include Spain and Portugal, the Community, under the leadership of Jacques Delors, in 1987, concluded the Single European Act (SEA) aiming at the completion of a 'single market' by the end of 1992. The set date of 1992 also had an important symbolic value, as it asserted Europe's role in the world five centuries after its discovery of the New World. The SEA further discussed in Chapter 5 by Leon Hurwitz, on European Political Transformation and the Future of Europe.

In Thompson's view, the unseen collapse of the Soviet Union endangered the Community's plan for the free flow of goods, capital, and people by 1992. Western migration caused by economic distress in the East, and population explosions in northern and western Africa threatened to overwhelm welfare sys
England, the Netherlands, and Germany represents the most continuous zone of high agricultural fertility in Western Europe. Dependent on accessible coal, the industrial revolution further enriched the advantage of Britain, Belgium, and Germany. Harboring Western Europe’s major coal deposits, these states, together with Luxembourg and later France, emerged as the dominant states in base industrial development at the beginning of the twentieth century. This situation created an urbanized heavy industrial core for Europe, the so-called economic region, which the northern, western, and southern margins remained more agricultural. Even in light of the declining importance of traditional resources and the rise of “foot-loose” and high-technology industries, food detects a continued relevance of these locations where industrial activity originated. The largest and most affluent markets, the most efficient transport system, the greater sources of investment capital, the most educated and skilled populations are still to be found on the North European Plain.

One of the major tasks of the EC has been the reduction of regional economic differences, within which level terms the “core-periphery dichotomy” with the help of generous economic assistance. With the admission to the EC of Greece in 1981 and Spain and Portugal in 1986, another spatial sub-economy dichotomy has evolved, and as a consequence, the proportion of peripheral regions in the admissible categories has increased substantially. The EC has undertaken extensive efforts to promote the development and structural adjustment of underdeveloped regions, the disparities between the different regions continue to persist, posing an exorbitant challenge to integration. Given the persistent “core” vs. peripheral disparities, combined with the continued advantage that the EC enjoys in terms of trade and production, the notion of a two-track Europe, or a Europe of concentric circles, appears a more likely outcome than EC politicians want to admit. Furthermore, the fall of the Iron Curtain has prompted membership requests from Eastern European states such as Poland, Hungary, and the Czech Republic, which adds a potential Eastern or East-Central European dimension to the current regional disparities.

EC Institutions and Integration. A frequently voiced complaint in the debates on the Maastricht Treaty concerned the alleged democratic deficit inherent in the EC structure that the Treaties initially left unaddressed. Richard Gunther’s chapter “The Political Institutions of the European Union” offers an analysis of the Union’s political institutions and their interactions with the governments of the member states. In a political body highly dependent on institutional structure, only such thorough treatment of its workings can help fill the unmet understanding of the process of decision and policy making within the EC. Due to the evolving nature of government relationships, it is often difficult to portray adequately the role filled by key institutions in the policy-making process. Nonetheless, in spite of the fact that the scope of Union activities continues to influence the distribution of power within political institutions as well as their policy-making function, the formal structure of the institutions has been relatively stable.

At the heart of EU progress is the structure of the decision-making process. The author places his discussion of the different Union institutions in the context of functional and neofunctionalist theory. Federalism with its promise of outright abandonment of sovereignty at the beginning of the process was not viable to an extended community regarding the ultimate goal of stabilization, a federal system. The desiring voice of a single national leader would immediately halt the federal integration process.

The debate proponents of European integration opted for integration on the installment plan and embraced a less dramatic, but more workable incremental, functional approach. The theory of functionalism assumes the gradual transfer of governmental authority to the international institutions demanding only that participating states cooperate with each other until cooperative habits have created patterns of social interaction across boundaries. Neofunctionalism added relevant conditions to the success of this integrative effort. Among these, the two most important require that the participating states have complementary economies (land politics) and that a supranational bureaucracy be established with individual political leaders. These political leaders would, out of institutional self-interest, serve as facilitators to induce member states to relinquish ever greater levels of governmental authority.

Community institutions, such as the Commission and its 20 Commissioners, represent, at the most obvious level, this kind of supranational bureaucracy: once selected by their respective national governments and appointed by the Council of Ministers, the Commissioners cannot be removed from office by their national governments. According to neofunctionalist theory, these technocrats, having internalized norms of cooperation, initiate new policies and mobilize public pressure for the cause of integration.

The rapid progress in cooperation throughout the 1950s and early 1960s was largely due to the smooth working of four processes, identified as “spillover,” “log-rolling,” “package-dealing,” and “Coster-scientific” integration. The spillover effect in the early 1960s witnessed “turbulent fields,” a term used to describe a disruption in the incremental-bureaucratic processes which assume a key role in neofunctionalist theory. These disruptions can be rooted in the opposition of national political leaders (De Gaulle, Thatcher) to giving up sovereignty or are caused by an international economic crisis such as the oil crisis in 1973-75.

In this context, Gunther discusses “intergovernmental institutions,” a theoretical framework which emphasizes the importance of national political leaders and their policy commitments as engines of Union integration. The SEA and the Maastricht Treaty are cases in point: without the personal commitment of Francois Mitterrand and Helmut Kohl, these agreements would not have been initiated or successfully concluded.

In his overview of the functions and tasks of EC institutions, Gunther recognizes that the European parliament, unlike other parliaments in democratic regimes, lacks one important function: the recruitment of governing elites. Significantly, the EC’s decision-making body, the Council of Ministers, is not responsible to the Parliament. The other arm of government, the Commission, can only be removed from office en bloc (the removal of individual Commissioners not being an option) by a two-thirds majority—a motion to date never applied.

Policy processes in the EC involve extraordinary efforts to establish a dialogue between public and private sector groups, between Union and national institutions, and among EU institutions themselves—with the objective of building consensus. It is important to remember at this juncture that, due to the requirement of consensus, no single state can impose a policy.

Economic Perspective. McDowall provides a detailed picture of the external and internal economic policies of the EC. In particular, the author takes a wide-ranging look at the implications of the 1992 Program and the challenges ahead regarding the implementation of economic and monetary union, well cognizant of the fact that economic integration has been at the heart of the European integration process to date.

With a short glossary at the beginning of his chapter, McDowall provides a handy reference of terms employed in the scholarly discourse on economic integration. In his examination of the different stages of economic integration, the author poses a number of interesting questions. If the logic of economic integration propels the member states to move forward to ever higher levels of economic cooperation, does it follow that the progression is inevitable? Or can this progress be halted and a compromise adopted to reconcile the allegedly different national objectives and economic agendas? In light of the dissent regarding the
The completion of the internal market have significant implications in the four areas of freedom to move, freedom to work, freedom to purchase certain goods, and freedom to receive information. In order to counter the threat of transnational crime connected with the unchecked movement of arms, illegal immigrants, drugs, terrorism, and transnational financial fraud, the EU must harmonize the disparate national policies regarding, for example, immigration and asylum. Similarly, a multinational and highly effective police force (whose powers would have to go far beyond those of INTERPOL) will be necessary. The potential for increased police control and the subsequent loss of freedoms for the citizens must be balanced against the concern for effectively combatting the rise in international crime.

The "freedom to work" causes touches upon such highly sensitive matters as national pride, cultural traditions, and educational institutions. For Hurwitz, the main obstacle evolves from differences in educational philosophies among member states and the resulting different national approaches to education and licensing standards. Consequently, diplomas and certificates from one member state, despite tremendous progress achieved over the past two decades, are still only recognized in each member state. The Community's harmonizing directive permitting architects to practice EC-wide, for example, took seventeen years to be developed.

Although the "freedom to purchase" rule may seem less controversial, it nevertheless affects cultural sensitivities which are often difficult to overcome. Under the guise of "health" or "safety" concerns, national governments have erected and indeed continue to erect barriers to trade: the prohibition of the sale of foreign and allegedly "impure" beer (strict Bavarian standards dating from the 16th century) in Germany comes to mind, as well as the Italian government's refusal to import pasta not made from durum wheat. Community efforts at harmonization were not well received by the European public which tends to view standardization as interference from Brussels bureaucrats aiming to create tasteless, indistinguishable European products. In spite of the Commission's renunciation of strict standardization and other efforts to appease the public, the Germans and the Italians still believe, respectively, that beer with additives and soft wheat pasta represent a contradiction in terms.

The "freedom to receive information" rule can have profound implications. In Ireland, for example, courts ruled that the constitutional "right to life," the "unborn" clause included the prohibition to disseminate information about the availability of legal abortions in other EC member states to Irish nationals.

Hurwitz interprets the resistance to the four "freedoms" outlined above as an indication that the EC has been overly ambitious and overly optimistic in its stated timetable. He also cites examples of the continued sensitivity of national images and historically developed belief-systems. While the objectives of the single unified market will eventually be solved, more time is needed in light of the many obstacles.

Regarding other still unresolved issues, the absence of a common foreign policy and the lack of unity in this area is noteworthy. This fact, combined with the slow decision-making process of the EC, and the requirement of unanimity in foreign policy matters, makes Europe an unlikely equal partner in leadership for the United States. It is, therefore, not surprising that the U.S., for the most part, ignores Europe and acts as she sees fit. For Hurwitz, European "political cooperation" appears more as "an excuse for inaction" than a viable factor to reckon with in global affairs.

Union enlargement, for Hurwitz, is highly problematic on various accounts. In the case of Turkey's prospect for EC membership, traditional (and unresolved) hostility between the EU and Turkey precludes admission. Secondly, apart from France which works closely with NATO, the only non-NATO member in the Community was Ireland until Sweden, Finland, and Austria were admitted. With the potential...

The last chapter in this volume addresses the effects of the Single European Market (SEM) on international economic relations. In his evaluation of the external effects of the SEM, George M. Vredenfeld has taken the present external trade relationships and the history of past Community behavior as yardsticks to predict the probable impact of the SEM on the rest of the world—particularly the United States and Japan.

Developments in the EU threaten American interests in a variety of ways. Apart from the existence of extensive trade between the U.S. and the EU, American firms have invested heavily into the EU and vice versa. The U.S. is the largest bilateral trading partner of the EU. According to Vredenfeld: "The EU is now the recipient of nearly 40% of all direct U.S. investment which is considerably higher than the 18% it received in 1983. The share of EU direct foreign investment that goes to the United States is nearly 40%.

Due to this cross-investment and the supportive American stance vis-à-vis European integration, the U.S. and the European Union are intertwined by powerful economic and political ties.

With regard to the rules and regulations defining EU trade relationship with the outside world, the General Agreement on Tariffs and Trade (GATT) has served as a major vehicle to promote a system characterized by free trade and reduced tariffs, non-discrimination, and multilateral reciprocity. GATT, on the other hand, grants many exceptions to these principles, as is evident in the manifold preferential trade agreements that the EC had established with outside states. In fact, only a very few states are subjected to the EU's common external tariff (CET).

The non-discrimination principle (Article 30), the reciprocity and mutual advantage principle (Article 81), and the intention to abolish restrictions on international trade (Article 110) are also codified in the EU's Treaty. While these official principles indicate a commitment to liberal trade policies, Vredenfeld calls attention to the different actual EU policies which imply a different philosophy. The EU's Common Agricultural Policy (CAP), for example, and EU law provide the member states with a variety of protective loopholes, such as the right to establish import quotas on specific products, the right to initiate antidumping proceedings against non-market economy states, and the rule of origin and local content which is open to wide interpretation by the European Commission.

Among the protective measures, none has troubled U.S. trade more than the EC's Common Agricultural Policy (CAP). CAP insured that agricultural products were sold at specified, artificial price levels that are often twice as high as competitive market prices. Furthermore, imported, non-EC agricultural products were heavily taxed to initiate prices to the set price level. On the international market, CAP policy undercut world prices because non-subsidized agricultural products from non-EC states were at a distinct disadvantage in competing with the EC for buyers. It is therefore no surprise that of all American GATT complaints vis-à-vis the EC, 80% were related to agriculture.

As Japanese and European producers have in recent years begun to challenge American producers, the international environment has become more competitive and dynamic. At the same time, the major industrial nations have resorted to more non-tariff barriers to trade and also started to strengthen their respective regional trading blocs. As a consequence, speculation has centered on the eventual creation of three major trading blocs in the world, in preparation for what could turn out to be devastating trade wars.

Regarding the prospect of a so-called "Fortress Europe"—a Europe with a strong, unified internal market and high trade barriers that deter exports and imports—Vredenfeld is cautiously optimistic. On the other hand, the Commission has enough flexibility to resort at any time to a restrictive interpretation of existing rules and regulations which would drastically affect access to the internal market. At present, it seems useful, however, to base predictions on future EM behavior on its past record, and in this context a "liberal" future EM appears most likely.

Vredenfeld foresees disproportionate effects of the Single European Market on Japan and on the U.S. Japan is less prone to benefitting from the increased "income effect" generated by SEM and FTA because, compared to the U.S., it does not show significant investment in EM states and has remained relatively distant from EM development throughout. According to Vredenfeld, "...one of the motivating factors behind the unification program was that it would enable the EM to assert its interests more strongly in its relations with Japan—historically highly protected market." It is less certain how Central and Eastern European states will be affected by SEM.

For the less and least developed states, the gains from SEM are, at best, modest. Moreover, these states will be in no position to retaliate should the EM adopt protectionist policies. Vredenfeld considers the overall impact of SEM on the world economic order highly significant, as it will not fail to enhance the EM leadership role in world affairs. SEM benefit to the rest of the world will depend on its internal success and the way the EM resolves some of the crucial economic and political issues discussed in this volume. Concerning heightened U.S.-EC-Japan economic competition or the creation of a "triumvirate" for global economic hegemony, Vredenfeld considers an emergence of a Washington-Brussels partnership likely, because Americans and Europeans share a similar vision of the design and direction of the world trading and competition system.

CONCLUSION

It is no accident, but rather a consequence of the editor's recognition of the inner logic of European integration, that this volume does not contain a chapter on culture. Despite all the impetus toward harmonization, standardization, and integration that the Eurocrats have exhibited in the past decades, the architects of a united Europe have wisely recognized one of Europe's greatest assets and lasting legacies to the world to be its cultural diversity. There is a common cultural heritage and patrimony to be jointly preserved, but the diverse contents of this treasure, including a rich and colorful linguistic variety, are not only not to be given up to an amorphous European museum—or to the functionalist hegemony of the English language—but they represent the strength of the European regions and cities, which in their impressive revival in recent years, and in their increased transnational cooperation on matters of immediate human concern, will perhaps be the only viable counterweight to the equally unavoidable and unloved supranational form of governance.

As the North American Free Trade Agreement (NAFTA) enters into its third year, educators and students of the social sciences and of international relations may look for guidance and a take solace in the chapters of this book. They tell the story of a challenge for the old continent of Europe, and of the promise of a lofty goal to be achieved in the foreseeable future, after centuries of division and dissolution. But they also tell the story of the extremely arduous road to get there.
Endnotes

1. The greater than 2-to-1 Irish vote favoring the Treaty appears less impressive upon considering that Ireland receives $6 from the Community for every $1 it contributes.

2. The European Exchange Rate Mechanism establishes trading ranges within which national currencies can float. ERM requires its members to keep the value of their currencies within 2.5% of a fixed relationship to the value of its strongest money. The system has been considered a key factor of economic stability and prosperity in Europe, as well as a prerequisite for economic union.

3. The German mark is the strongest currency in the EMS. As a consequence, all other EMS currencies are tied to the performance of the German mark. The German government's handling of the costs of German unification resorting to massive borrowing rather than raising taxes prompted the German Bundesbank to raise interest rates to curb inflation. Germany's tight money policy poses problems for Europe's weaker economies, which, in the absence of ERM, would resort to low interest rates to stimulate their economies during recessionary cycles.

4. The concept of subsidiarity provides that actions be taken at the most appropriate level. This usually means that as many decisions as possible be left to individual countries. In short, the EU should not interfere in matters handled best by member states (comparable to the 10th Amendment in the American Constitution).

5. Denmark and Britain, two "late-comers" to the Community, have traditionally advocated a cautious approach to European unification and, on a political plane, have preferred a loose federation of European states to a federated Europe. France, Germany, and the Benelux countries have traditionally shown greater enthusiasm for the idea of a united Europe.


7. For the text of the declaration, see A Guide to the European Community, pp 27-8.

8. The issue of continued interregional disparities in terms of net income per head and wages by occupation is also addressed in Chapter 5 by Moore McDowell, "Economic Evolution of the European Union."

9. Since the middle of the 1970s, the FC has systematically developed mechanisms for the enhancement of intra-European academic mobility and the recognition of certificates and diplomas. See Manfred Stassen ed., Higher Education in the European Community: A Handbook for Students.

Bibliography


The report is available on-line through the Educational Resources Information Center (ERIC) database system; printed copies can be obtained from the ERIC Document Reproduction Service (EDRS).

Chapter 1

History of European Integration

Wayne C. Thompson
THE HISTORICAL ROOFS OF THE IDEA OF EUROPE

Introduction. The idea of a united Europe is centuries old, but not until after the most destructive war known to man did it become reality. The process of European integration required patience. After 1945 it did not come quickly, easily, or completely; optimism ebbed and flowed. Indeed, the approach which proved most feasible was gradual, step-by-step, pragmatic, functional, and sectoral. It was immensely complex, and many diverse interests, fears, animosities, dreams, traditions, and personalities were involved. To be entrusted with supranational powers and to succeed, any integrated European community had to satisfy the national aspirations and interests of each member state. The entire march toward unity was subject to dynamic external and internal environments, heavily influenced by threats, invasions, coups d'etat, colonial wars, domestic elections, and the presence in the political arena of far-sighted individuals who had the skill, persuasiveness, and tenacity to see it through.

Global politics could not be separated from European politics. America's deep involvement during the first postwar decade revealed how closely its destiny and interests were linked with those of Europe.

Early History. The idea of European unity is more than two thousand years old. Julius Caesar's invasions and conquests of France, southwestern Germany, the Lowlands, and England extended Roman rule beyond southern Europe. During four centuries most of Europe lived within the political, legal, and economic framework of the Roman Empire, which finally collapsed in 476 A.D.

The banner of universality was retrieved by Charlemagne in 768; he ascended to the throne of a far-flung Frankish empire, extending from northwestern Europe south to Rome and from Hungary to northern Spain. He was a leader of extraordinary qualities who spent half his time in the saddle holding his vast territory together. It survived only a few years after his death in 814 and was divided in 817. After bitter and complicated inheritance quarrels, two realms faced each other along roughly the same line as the present border between Germany and France.

The symbolism of European unity was preserved in the eastern Frankish realm, which became the German Empire in 911. In this case, the term "empire" is misleading since it confounds a centralized unified power. Many heads of local states and independent cities actually ruled. By the eleventh century they had collectively become a power in Europe and claimed the title "Roman Empire." In the thirteenth century this was dignified to "Holy Roman Empire." and in the fifteenth century "Holy Roman Empire of the German Nation." The reach and power of this empire expanded and contracted, and there was no capital city. The emperor was elected by the highest nobility, and the major and minor nobility met infrequently in an imperial diet called the Reichstag, to which the emperor had to turn if he wanted to conduct a war or increase his revenues.

The emperors focused their attention far beyond what is now the German-speaking world, particularly on Italy. In 962 the Pope crowned the Saxon King Otto I emperor in St. Peter's Cathedral in Rome, a tradition which would last over 500 years. This unique privilege, which was bestowed on no other ruler, gave the German Empire a universalistic claim to rule over the entire Western world as the protector of Christianity. This claim never became reality. The emperors' attention became so fixed on Italy that the last Hapsburg emperor, Friedrich II, tried to rule his enormous realm from Sicily. But within a few years after his death in 1250, the emperors could no longer pretend to control large areas outside Germany. They had lost much of their power and influence within Germany as well. From the thirteenth century on, the parts of the empire predominated over the whole. After 1480 the imperial crown practically became the sole possession of the Austrian House of Habsburg.

For centuries Europe was fragmented. Only the Roman Catholic Church served as a unifying force, providing one religion, one language—Latin, and a common civilization over most of the continent. It preserved a common body of knowledge and way of looking at the world, and it sought to mediate political disputes. It organized a series of Crusades against the threat of Islam emanating from the Middle East. The first book on European federation, On the Recomquist of the Holy Land, published in 1306 by Pierre Dubois, advocated making the French King chairman of a permanent council of princes, which would appoint a supreme court to mediate conflicts in Europe. This book inspired the King of Bohemia, George of Podiebrad, to call for European integration to stem the Turkish invasions.

Idealistic plans to replace conflict with cooperation among states resurfaced periodically. Most were inspired by Christian beliefs, such as the Duce de Sully's "Grand Design" for a "most Christian Council" in Europe, proposed during the reign of Henri IV in France. This Council was to be supported by a European peace-keeping army. Later, in 1712, the Catholic Abbe de Saint Pierre called on European rulers to establish a European senate in which decisions would be made by majority vote. In 1794, during the aftermath of the French Revolution, German philosopher Immanuel Kant argued in Perpetual Peace that the establishment of republican government throughout Europe would create homogeneity and the best balance of peace and stability in the system of states. A few years later, the Englishman Edmund Burke pointed in his Letters on a Regicide Peace to the obvious cultural similarities in Europe which could be the basis for political, economic, and cultural integration.

Nationalism on the Rise. The "Holy Roman Empire of the German Nation" continued to lead a moribund existence until 1806, when it fell victim to a conqueror who sought to establish a form of European unity based on the ideas of the French Revolution and on the bayonets of France's Grand Army. Europeans viewed Napoleon as the very embodiment of the Revolution, and he carried its ideals to every corner of Europe. These principles of "liberte, egalite, fraternite" were among his most effective weapons. He was a great military leader who in a series of campaigns sought to pacify Europe under French leadership. By 1806 French domination extended from Holland and the German North Sea coast to the Illyrian Provinces along the east coast of the Adriatic Sea. Italy was completely under French control, and some territories, including Rome itself, were annexed to France.

Napoleon's very successes helped bring about his downfall. French preeminence showed the strength of the modern nation, and Napoleon's invasions stimulated nationalism outside France.
Other governments felt compelled to imitate France by introducing popular reforms and raising citizen armies. Soon Napoleon faced opposition, not just from hostile governments and ruling groups, but from entire nations in Europe.

After his fall in 1815, nationalist self-interest and ambitions continued to flourish. Friedrich Hegel and many romantics viewed the nation-state as the best instrument for developing a people's genius. European liberals regarded a powerful centralized state as the best tool against the conservative ideas of ruling princes. Most socialists worked within national movements and pursued national goals, even though Karl Marx had argued that working-class solidarity sprang over national borders and made the nation-states irrelevant. Italy and Germany became unified in 1861 and 1871 respectively, and a restless Germany began seeking its "place in the sun." Nationalism weakened beyond salvation the polyglott Ottoman and Habsburg empires. Thus, the nineteenth century left a legacy of assertive nationalism, exaggerated patriotism, and military force to achieve political goals. By the outbreak of the First World War in 1914, the triumph of the nation-state was complete.

WORLD WAR AND THE IDEA OF EUROPE

The First World War. When Austrian Archduke Franz Ferdinand was assassinated in Sarajevo on June 28, 1914, Europe was divided into hostile military alliances, with no European institutions to bridge the trench between them or to help manage the crisis. Crowds in all belligerent countries greeted the outbreak of war with a gaiety which is usually reserved for carnival time. Trainloads of enthusiastic French troops left their hometowns in railroad cars with the words à Berlin ("to Berlin"). Many French viewed the war as an opportunity to avenge the dismal defeat of 1870 and recover the "lost provinces," Alsace and Lorraine, taken by Germany.

Two million German, over a million French, a million British, a million Austrian, a half million Italian, and countless Russian soldiers were to perish in the four-year bloodletting which followed. The war in the West soon became bogged down in the trenches, interrupted periodically by futile mass frontal assaults. Colonel de Grandmaison's axiom that "there is no such thing as an excessive offensive," produced untold carnage on battlefields such as Verdun, where a half million soldiers were slaughtered in the spring of 1916. A young second lieutenant named Charles de Gaulle, who was wounded and sent to a German prisoner-of-war camp for two years, noted: "It appeared in the wink of an eye that all the virtue in the world could not prevail against superior firepower." Novelist Jules Romains described the senseless dying in his book, Verdun: "Men in the mass are seen to be like a school of fish or cloud of locusts swarming to destruction. The individual man is less than nothing—certainly not worth worrying about." One cannot easily forget the lines which the poet John McCrae wrote after visiting a battlefield: "In Flanders fields the poppies blow between the crosses, row by row..." (Thompson 1995, 38, 61).

The war stimulated thinking on how a more unified Europe could prevent such carnage in the future. In 1915, a well-known German liberal journalist, Friedrich Naumann, employing an idea which had existed in the German-speaking world for more than a century, published a sensational book, Mitteleuropa (Central Europe), which by 1917 had sold more than 137,000 copies. The book's popularity stemmed from the idealism of Naumann, who hoped to direct German nationalism into new channels. He advocated a federation of Central European peoples to include Germans, Hungarians, Slovaks, Rumanians, and others, not an empire dominated by a single nation-state. Such a community of states and peoples with common institutions could be economically advantageous to all European peoples and enable Central Europe to resist the pressure of the great world empires, Russia and Britain. He stressed that its creation would require a complete reorientation of thinking. Narrow nationalism and mutual distrust would have to be replaced by a more liberal understanding of foreign ways and interests and by a mutual readiness to cooperate. Only then could a better and freer future for Europe and Germany emerge from the war (Meyer 1955, 194-215; Thompson 1980, 104).

Naumann was not the only German thinking in these terms. Kurt Riezler, a young adviser to the German chancellor, was able to propose such a possibility in the highest governing circles. The problem was that his views were centered too much on satisfying the power interests of one nation—Germany. In Riezler's 1914 "September Program," establishing provisional war aims, his most important recommendation was a "middle European economic union....It is to be created...by common customs agreements and is to include France, Belgium, Holland, Denmark, Austro-Hungary, and perhaps also Italy, Sweden and Norway." There would be no constitutional head, and all members would outwardly enjoy equality of rights. But then came the catch: De facto, all would be under German leadership, which would rule indirectly under the guise of equality: "his union must stabilize the economic predominance of Germany over Mitteleuropa." It was directed against both Britain and Russia. "Either Europeperializes, or a Central European imperialism with a soft touch develops." In his diary he was frank about the goal: "I always work toward German domination over Mitteleuropa and over all the small states under the pretense of a Central European confederation but without any sacrifices of German power."

Riezler realized that a great idea would be needed to hold this community of nations together, but that was the greatest weakness of his conception. As he wrote in his diary: "The people today do not have a single idea which corresponds to the greatness of the time." There was nothing about the "German idea" or the "ideas of 1914," as German propagandists called it at the time, that appealed to other Europeans. This form of fascist unity rested on a camera. The modern essence of the "German idea," German treatment of occupied peoples, a highly unfavorable diplomatic situation, and insurmountable domestic opposition rendered such a middle course impossible. Riezler recognized that his countrymen had not mastered what he called the "modern means to power," namely the art of ruling indirectly and by appearances. He noted ruefully in 1917 that the "noble attempt" to protect Germany by establishing indirect German hegemony over Central Europe "merely shows that an examination for a senior had been given to a sophomore" (Thompson 1980, 96-126).

The Interwar Years. The war destroyed the old Europe, and what could be pieced back together collapsed a mere two decades later. Some Europeans emerged from the war thirsty for revenge and the chance to re-fight it. Others had been converted into militant pacifists. French novelist Roger Martin du Gard wrote to a friend in the 1930s: "I am hard as steel for neutrality. My principle: anything, rather than war! Anything, anything! Even Fascism in Spain...even Fascism in France!...Anything! Hitler rather than war!" (Thompson 1995, 161) A state of mind jelled which prepared France for defeat in the next war. As noble as it may seem, pacifism may play into the hands of the world's bullies, as France was soon to see. The revulsion against war prompted still other Europeans to draw more creative conclusions: to contemplate forms of international cooperation which would make war impossible.

The most visible innovation was the League of Nations, a branchchild of Woodrow Wilson. This became primarily a European organization after the U.S. Senate refused to ratify American membership. This attempt to create a collective security arrangement that could resolve disputes peacefully had a poor beginning at the Versailles Conference. In contrast to all previous peace settlements in Europe, the vanquished (in this case the Germans) were not included in the negotiations. If they had been, perhaps they would have felt some responsibility for the Treaty. As it was, it represented a dictated peace to which the
Germans never felt any moral obligation. It had a strong whiff of "victor's justice." Germany was treated as a pariah and was not permitted to join as an equal partner in a common constructive effort to create a new Europe.

Prior to America's entry into the conflict in April 1917, President Wilson had proposed a "peace without victory" and later issued a proclamation containing "Fourteen Points" as a basis for European peace. The Germans accepted this text after the defeat, and they especially liked the ringing call for self-determination of all peoples, which would presumably include the Germans themselves. But at Versailles, Wilson's Fourteen Points faded into the background as French Prime Minister Georges Clemenceau virtually dictated to Germany the terms of a venal peace.

The settlement redrew boundaries in Europe, leaving a fourth of Eastern European minorities in larger nation-states. It whittled away at the territory of defeated countries, especially Germany and Austria, thus fueling dangerous irredentist pressures. As Germany's Chancellor Philip Scheidemann said to the National Assembly in 1919, "which hand would not wither up which put itself and us into these bonds?" The treaty not only helped create a deep division in German society, but it seriously hampered the normalization of Germany's relations with the outside world. It could only be maintained by force, but the U.S. quickly withdrew from Europe's military affairs, and Britain and France gradually lost the will to enforce it energetically. One day a spellbinding demagogue would be able to unite the "fetters of Versailles" right before the eyes of a weary and lethargic Europe, and reap much applause within Germany for this.

The League of Nations, which Germany was later permitted to join, proved powerless to prevent conflict. It was created by nation-states to serve their own interests, and they were unwilling to relinquish any of their national sovereignty to it. Without supranational authority, any nation could block an initiative which it did not like. It was paralyzed from the very beginning. No one saw this more clearly than the League's deputy general secretary, Jean Monnet, an exasperated young French economist who became convinced that only a truly supranational European organization could eliminate the root causes of war and serve Europe, as opposed to national, interests.

He wrote in his Memoirs: "I realized the shortcomings of the League Covenant....The veto was at once the cause and the symbol of this inability to go beyond national self-interest. But it was more than the expression of much dodged collective opinion unacknowledged. Britain and the U.S. were seeking a balance of power on the continent; France wanted to dominate it; Germany, if not already resentment, was maneuvering to loosen the constraints upon her. He added that the lessons learned from the League's experience "made it easier for me to persuade the champions of mere cooperation that intergovernmental systems, already weakened by the compromises built into them, were quickly paralyzed by the rule that all decisions must be unanimous." He reminded them of "the vetoes that had blocked all our efforts to find peaceful solutions to the conflicts set off by Japan, Italy, and Germany." Monnet (1978, 82, 97, 281).

During the interwar years there were prominent Europeans who saw the weaknesses of that kind of international organization. Perhaps the most energetic crusader for genuine European unity was the Austrian Count, Richard Coudenhove-Kalergi. Gaining the support of a number of distinguished Europeans, he formed a Pan-European Union in 1922, which advocated a European council made up of delegates from the various states, a parliament composed of representatives from the national legislatures, and a high court. Some international agencies were actually created dealing with posts and telegraphs, shipping and aircraft, health and labor. Their creators hoped that such international cooperation would ultimately lead to closer political collaboration.

Coudenhove-Kalergi's notions were not in the mainstream of European political thinking at the time, but his ideas appealed to two foreign ministers: Gustav Stresemann of Germany and Aristide Briand of France. Although both wanted a united Europe to prevent future wars, each meant something different by it, and each had other reasons that were incompatible. Stresemann could use it to lend off pressure from restless nationalists at home and to help change Europe in Germany's favor. Briand wanted a united Europe that could maintain the political settlement dictated to Germany at Versailles in 1919. In 1929 Briand advocated in the League of Nations Assembly a "federal link" among the peoples of Europe; this was the first time a leading statesman had made such a proposal in the twentieth century. The following year he argued that economic union was inextricably related to security and that security was impossible without collective political will and decisions. He stressed the political necessity of an economic union, but he argued that only after European political institutions are created could a "common market" be implemented.

Unfortunately, Stresemann's untimely death in 1929, the collapse of the American stock market a few weeks later, and the devastating global economic depression eliminated the Franco-German cooperation that was essential to any effort to unify Europe. The nations' response to bad times was to raise protective trade barriers against foreign competition, but this only exacerbated their problems. The depression demonstrated how interrelated the global economy had become, and it highlighted the link between stable, democratic politics and economic well-being. Democracies toppled all over Europe, and economic desperation strengthened Europeans' receptivity to the non-democratic ideologies of fascism and communism.

Second World War. Europeans paid a heavy price for their inability to join hands and find a common way out of the corner into which they had painted themselves. They experienced Hitler's "New Order," the last futile attempt of a single nation to subordinate by force this diverse continent to the interests of one country. So tragic was that experience that many victims pondered different forms of unity which would make a repeat of such criminal conquest impossible. In concentration and prison camps, within resistance movements, and in governmental circles fighting Hitler's Germany, the idea of federation with real supranational powers reappeared. The French resistance adopted a slogan, Liberer et federer ("liberate and federate"). Nudged by Jean Monnet, British Prime Minister Winston Churchill made a dramatic offer in June 1940, shortly before the collapse of France, that "there shall no longer be two nations, but one Franco-British Union," which would include a common army and parliament. The French politely declined the offer (Urwin 1981, 5).

Moving to Washington, where he advised leading Americans including President Franklin D. Roosevelt, Monnet advocated the abolition of borders and tariff barriers within Europe.

"If the states were reconstructed on a basis of national sovereignty, as it would, policies of prestige and economic protection, year could be illusory. They must have large markets, their prosperity and the indispensable social developments are impossible unless the states of Europe form themselves into a federation or an European union which will make them a common economic and political whole." (Beloff 1952, 8-4).

In the U.S. he saw the effects of both federalism and a continent-wide market. He and other economists noticed that the Western European countries' share of the world's industrial production had fallen from half to a quarter between 1913 and the 1940s and had been overtaken by the U.S. It the U.S. could be so successful, then so could Europe. Monnet proposed that specialized administrative bodies be created after the war to gradually toward that goal. He was joined by such eminent liberalists as Henry Bruges from the Netherlands and Denis de Rougemont from Switzerland, who argued that mere international cooperation did not go far enough; nation-states would have to relinquish some of their power to joint European institutions.

In 1944 the exile governments of the Benelux countries (Belgium, Netherlands and Luxembourg), always the peace-set-
THE IDEA OF EUROPE AFTER WORLD WAR II

Postwar Europe. By the time Europeans climbed out of the rubble, their industrial production stood at only one-third and agriculture at half the 1938 level. International trade and payments had been completely disrupted. U.S. exports to Europe were three times higher than in 1938, and a dollar gap, which would plague Europe for years, had opened up. During the First World War the primary damage had been done only to battlefields in northern France and Belgium. The air war in the Second World War had devastated Europe's cities as well. Nearly a third of France's houses, two-thirds of its railway stock, and half its livestock had been destroyed. Two million Frenchmen had been transported to Germany. A third of the Dutch were homeless, and much of its valuable reclaimed land was under water.

Not since the Thirty Years' War from 1618 to 1648 had the Germans suffered so much destruction and loss of life. Over two million soldiers had been killed, two and a half million had been taken prisoner, more than a million and a half were missing, and at least an equal number had been crippled. Civilian deaths and injuries were in the hundreds of thousands, and far more than a million German children had been orphaned. Two-tenths of the buildings in the 50 largest cities had been demolished, and one-tenth of the nation's housing was destroyed. Shocked and hungry Germans without shelter were cramped in the homes of others in hotels, in makeshift structures, or even in former bomb shelters, bridges, viaducts, water mains, and power lines were cut. All bridges over the Rhine, Weser, and Main rivers had been destroyed, and these three key waterways were closed to shipping. Power facilities, even if operable, were often unable to function for lack of coal. Often the only warmth the Germans could get was at warming stations in certain places in the city where they could go for a few minutes a day. What little food there was also had to be shared with the flood of refugees who poured in from the Eastern Empire.

The Western Allies' assumption that the wartime coalition with the Soviet Union would continue soon proved to be in error. Moscow's treatment of Eastern European nations was not democratic, as the Allies had agreed in the conferences at Yalta and Potsdam in 1945. Talks involving the political and economic future of Germany bogged down by a growing Soviet threat to the rest of Europe and fearing that the Soviet Union would take advantage of economic chaos on the continent. American leaders became convinced that U.S. policy should shed its punitive aspects and shift toward whole-hearted support of Germany's democratic potential. On September 6, 1946, Secretary of State James Byrnes announced a significant change in policy. In Stalin's opera house he attempted to quell Germans' fears by assuring them that "as long as an occupation force is required in Germany, the army of the United States will be part of that occupation force." He proposed a greater measure of German self-government and, as a first step, the merging of the American and British zones. A British observer commented on the dramatic effect of this speech: "At the time they were spoken these were bold words, and they came to the millions of Germans who had heard or read them as the first glimmer of dawn after a long, dark night. Their moral impact was indescribable." (Thomson, p. 507)

The Cold War, fear of Soviet power, and American concern that a place be made for Germany in a democratic and peaceful Europe became consistent motives for American encouragement of a united Europe: all were important in gradually reducing resistance in Europe to economic integration.

The most important argument given to European leaders that the daunting problems they faced could not be solved within the narrow confines of the traditional nation-state was given by Winston Churchill during the war he had encouraged. Worst of all, he had led Britain out of the Western Alliance of Four and its predecessor, the Inter-Allied, the war had cut Europe apart. Churchill had said. "I see no reason why there should not ultimately arise the United States of Europe, both those of the East and those of the West which will unite this continent in a manner never known since the fall of the Roman Empire, and within which all its peoples may dwell together in prosperity, in justice, and in peace."

In a speech delivered at Zurich University September 19, 1944, he renewed his call for a Council of Europe encompassing at least ten states. Blending idealism with pragmatism, he put his finger on the key. The first step in the recreation of the European family must be a partnership between France and Germany. There can be no revival of Europe without a spiritually great France and a spiritually great Germany. If this is their wish, they have only to say so and means can certainly be found, and machinery erected, to carry that wish into full fruition. (Herriot, 1949, p. 13)

For decades his countrymen shared his sense of not totally belonging to Europe. He had spoken like a bolder federalist during the war. In March 1943 he had advocated a radio broadcast a "Council of Europe" which would oversee effective working institutions, including a common military organization. On May 6, 1946, he said. "I see no reason why there should not ultimately arise the United States of Europe, both those of the East and those of the West which will unite this continent in a manner never known since the fall of the Roman Empire, and within which all its peoples may dwell together in prosperity, in justice, and in peace."

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The Marshall Plan and U.S. Policy. The U.S. was a recent convert to the cause of European unity. Although there had been proponents during the war, President Roosevelt had not shown any sympathy for it until January 1945. There was fear that any united Europe would be dominated by Germany, and that it could possibly be an obstacle to the construction of an open, nondiscriminatory, universalist world, centered around the United Nations, which Secretary of State Cordell Hull, who was still pro-Franco, favored. Hull feared that a united Europe could degenerate into a closed commercial bloc and produce interregional economic conflicts with dangerous political repercussions. Throughout 1946 the opinion had taken root in the State Department that a common effort by the European peoples would be necessary in order to accomplish the task of rebuilding. In March 1947 the House of Representatives passed a resolution calling for the "creation of a United States of Europe within the framework of the United Nations" (Kilgore, 1986, 269-51).

U.S. leaders had hoped that the Soviet Union would agree to an undivided Europe, but the Iron Curtain made this original American vision unrealistic. On March 12, 1947, the U.S. President proclaimed the Truman Doctrine, pledging assistance against the spread of international communism. American skepticism about achieving anything from further direct negotiations with the Soviets was confirmed when the foreign ministers' conference in Moscow broke down June 21, 1947, over the question of how to solve the German problem.

So much thinking had already been done in the U.S. about helping Europe to help itself that the American public was not taken by surprise when Secretary of State George C. Marshall delivered his historic speech at the Harvard University commencement on June 5, 1947. He spoke of the terrible visible destruction in Europe, and this was probably less serious than the destruction of the entire fabric of European economy. He proposed a European Recovery Program (ERP), better known as the "Marshall Plan," whose purpose "should be the revivification of a working economy in the world that is the condition of political and social conditions in which the national institutions can exist." This was very much in America's own interest. "It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Such generosity would not only help stabilize democracy in Europe and peace in the world, but all trading nations, including the U.S., would obviously benefit economically.

The scope was to be broad. One policy is directed not against any country or doctrine but against hunger, poverty, desperation, and chaos. Thus, the offer was extended also to the Soviet Union and Eastern Europe. It was based on a grand design. Such assistance must not be on a piecemeal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative. The U.S. had doled out almost $15 billion in stopgap and since the end of the war, but this was not the kind of help which allowed Europeans to plan their own recovery.

Most important of all, although the Americans could provide a spark, the initiative and the responsibility for the recovery was to come from the Europeans themselves. Marshall recognized that the U.S. was a power in Europe, but it was not a European nation and could never be a European power. It could not lead the move toward European integration, but could only encourage and help it. Thus, Marshall said nothing about the form European cooperation should take. The only condition for and that European nations had to work together, a crucial point for Congress, which had to approve the funds. The impression in Europe had already been taken hold by the summer of 1947, that progress toward a more unified Europe was a key to congressional generosity (Kilgore, 1986, 5).

Jean Monnet, who since January 1946 headed the French Planning Commission, realized the enormous opportunity which had been offered to Europe to take the present situation, to face the dangers that threaten us, and to match the American effort, the countries of Western Europe must turn their national efforts into a truly European effort. This will be possible only through a federation of the West (Monnet, 1975, 272-3). His fellow Europeans jumped at the idea. Meeting in Paris only three weeks after Marshall's speech, representatives of sixteen countries brainstorming the idea into action. They declared that the "German economy should be integrated into the economy of Europe in such a way as to contribute to a raising of the general standard of living." They clearly sought to ensure through economic measures that Germany could not become an aggressive enemy again. This was precisely in harmony with U.S. leaders, who were concerned about the economic recovery in the western zones of Germany, for which the Americans were primarily responsible. They did not believe that Europe in economic health could be restored if Germany's economy were permanently shunted. On July 11, 1947, ICES recalled: "An orderly and prosperous Europe requires the economic contribution of a productive and stable Germany" (Kilgore, 1986, 55).

The problem was that the rest of Europe was still afraid of Germany. The only way to appease these fears was to create a united Europe within which opposing interests could be reconciled. It took years for all Europeans to accept this, and it required a great deal of practice, but their leaders were ready in July 1947. In the next few years, West Germany received almost $1 billion in money and supplies through the Marshall Plan. For four years a total of $14 billion ($80 billion in 1990 dollars) in aid flowed to Europe after the U.S. Congress passed the Economic Cooperation Act of 1948.

On April 16, 1948, without the direct participation of the U.S., Europeans created the Organization for European Economic Cooperation (OEEC), whose basic job was to coordinate the distribution of Marshall Plan money. The State Department was divided over whether it would be good to include the Soviet Union and its new satellites, or satellites to be, in Eastern Europe. The view had been made to all of them, but Soviet Foreign Minister Vyacheslav Molotov made the debate moot when he rejected it in Paris on July 2, 1947. Sensing that the Marshall Plan and talk of European unity was aimed at undermining the prospects for communism in Europe and for direct Soviet domination of Eastern Europe, Molotov told all Eastern European countries from taking part, even though some had expressed great interest in doing so.

In binding together in the OEEC, Europeans had acknowledged that they were economically dependent upon each other and that it was in their joint interest to trade freely, establish a multilateral clearing system, and ultimately create a European Payments Union (EPU), which they did in 1950. They also began to see the positive results of their cooperation. Between 1948 and 1955 trade doubled across Western European borders. Many proponents of European federation, such as Monnet, were disappointed that the OEEC did not develop supranational powers. Britain and the Scandinavian countries were unwilling to relinquish even a morsel of sovereignty. Thus, the OEEC was never to reach an agreement for a supranational structure it could not meet its joint interest. But it gave them much practice in solving important problems together, convinced many doubters that one can work constructively with former enemies, and helped break down the resistance to European integration. In December 1960 it ceased being a purely European body when the United States and Canada became members, and it was renamed the Organization for Economic Cooperation and Development (OECD).

Soviet Threat as a Catalyst for Unity. Few things drive nations into each other's arms more effectively than an external enemy. OEEC had been created in a teetering atmosphere. The founding in October 1947 of the communist, the communist propaganda agency, signaled a renewal of organized Soviet hostility toward the West. fears were further heightened in February 1948 by the communist seizure of power in Czechoslovakia, a country
which had functioned since 1945 as a parliamentary democracy. Especially disturbing was the Soviet blockade of all road and rail routes to West Berlin from June 1948 until May 1949. This was the Kremlin’s response to increasing political and economic unity among the three Western zones in Germany, most visible in a currency reform.

The mounting sense of a threat emanating from the Soviet Union, rather than from Germany, was reflected in the changing military arrangements made by Western European nations. On March 4, 1947, France and Britain had signed the Dunkirk Treaty forming a bilateral military pact aimed at a potentially resurgent Germany. Washington was not pleased. On January 20, 1948, George Kennan observed that “the role of the German people in any European union will be in the end always be of primordial importance. The general adoption of a mutual assistance pact based strictly on a defense against Germany is a very mediocre means for paving the way toward an ultimate inclusion of the Germans in that concept” (Kolodin 1986, 33–36). American pressure for wider unity as an important factor behind the establishment of the Brussels Pact on March 17, 1948, linking the Benelux countries with Britain and France in a defensive partnership. This collective defense arrangement was still explicitly directed toward Germany, but it also revealed a reorientation toward the emerging Soviet threat.

Britain’s participation in the Brussels Pact showed that it was an intergovernmental organization that still wielded no supranational authority. Europeans had not still crossed that threshold, a fact which was trying the patience of some American officials. John Foster Dulles, who in 1941 had advocated a federal Europe including Germany and based on the American model, told the American Club in Paris on November 18, 1948, that the Americans were more European than the Europeans themselves (Naiden 1986, 25–49).

Soviet repression in Eastern Europe and increasingly clear indications that the U.S. was determined to create a West German state intensifies anxiety in Western Europe which, only a security commitment by the United States could quell. Therefore, on April 4, 1949, the North Atlantic Treaty was signed linking Western European nations with the U.S. and Canada in a collective security organization: the North Atlantic Treaty Organization (NATO). Like all international organizations hitherto created in Europe since the war, it was a means for cooperation among sovereign states, not a supranational body.

THE MARCH TOWARD EUROPE

The Council of Europe. The Council of Europe, created by ten Western European countries a few weeks later on May 5, 1949, with headquarters in Strasbourg, was also no supranational body. It had been inspired by a convention of the European Movement in the Hague in May 1948, whose most distinguished participant was Winston S. Churchill. The lines were sharply drawn. The British, Scandinavians, and Swiss insisted on nothing beyond cooperation, as Ernest Bevin remarked: “When you open Pandora’s box [of supranationality], you’ll find its full of Trojan horses” (Morgan 1973, 256). The French and Belgians wanted a more autonomous assembly which could point the way for the Council of Ministers, who represent the member governments. As usual, the final agreement was geared to the lowest common denominator, and an instrument was created that was too weak to be a spearhead for European unity. Monkett and many other ideologists were deeply disappointed. To this I paid little attention in the Hague conference and the fate of its enthusiasts, resolutions, which a year later led to the founding of the Council of Europe, confirmed my belief that this approach would lead nowhere. (Monkett 1983, 273–281)

The Council’s first president, Paul Henri Spaak, resigned in exasperation in 1951, charging that “it a quarter of the energy spent here in saying, no were used to say yes to something; positive, we should not be in the state we are in today! ” (Weg 1984, 140) It became a forum for consultation and advice, not for making decisions. However, with its broad membership (encompassing 32 European sovereign states in 1969), it has played a role in facilitating closer consultation and cooperation among governments. Perhaps its main contribution has been its various conventions, especially its Convention for the Protection of Human Rights and Fundamental Freedoms (known more familiarly as the European Convention on Human Rights - ECHR), adopted on November 4, 1950. ECHR requirements are obligatory for all institutions of the European Union (EU). A European Court of Human Rights was subsequently established to adjudicate complaints.

Germany Rejoins Europe. Three days after the birth of the Council of Europe, the event occurred which many Europeans had dreaded: On May 8, 1949, the Federal Republic of Germany (FRG) came into existence as a “transitional state” utilizing the Convention of France in 1946, at Nuremberg in 1947, and the Netherlands in 1953, the FRG’s Basic Law (constitution) contained provisions permitting the transfer of sovereignty to a united Europe. Although the Paris government had neglected West Germany, states like France were unwary. The Ruhr industries were returned to German hands, ending the French influence in the Ruhr it had just gained in April through the International Ruhr Authority. The French agreed to grant the Saarland political autonomy. But they refused to relinquish the economic unity between France and the Saar, which created friction between the two neighbors. For Monkett, Foreign Minister Robert Schuman, and many other Frenchmen, as well as to many thoughtful Germans, such as Konrad Adenauer, the situation evoked ominous memories of earlier tensions between France and Germany that ultimately led to war. How should these tensions be managed now? How could Germany’s economic and potential military power be contained, while making a dramatic step toward European unity?

Encouraged by the Americans, it was the French who stepped forward to provide a solution to this riddle. Secretary of State Dean Acheson wrote to Schuman on October 30, 1949: “Now is the time for French initiative and leadership of the type required to integrate the German Federal Republic promptly and decisively into Western Europe. Delay will seriously weaken the possibilities of success.” Following a meeting with Acheson in September 1949, Schuman spoke of a "mandate" entrusted to him by the United States. The American High Commissioner in Germany, John McCloy, suggested on October 17, 1949, a good place to begin control of the Ruhr should be integrated. At the same time, the Americans were trying to persuade a skeptical Konrad Adenauer that the generous spirit of the new French foreign policy was genuine (Kolodin 1986, 47–48, Schuetz 1986, 218–19).

One Frenchman needed no prodding. Monkett wrote in May 1950 that “at the present moment, Europe can be brought to birth only by France. Only France is in a position to speak and act.” In April he and his colleagues at the Planning Commission had produced a bombshell proposal to place Germany’s coal and steel industries under international control. Wise to the sinkholes of any bureaucracy, Monkett made an end-run around the “normal channels” and placed the proposal directly into the hands of his friend, Foreign Minister Schuman, as the latter was leaving for a weekend in his native Lorraine. Born in Luxemburg and educated in Germany, Schuman would not turn a deaf ear to any realistic recommendation for securing peace through Franco-German rapprochement. When he returned from the weekend, he announced to Monkett “I’ve read the proposal. I’ll use it” (Monkett 1983, 294, 295).

On the morning of May 9, 1950, Schuman sent a secret messenger to Bonn to inform Adenauer of his plan. The chancellor enthusiastically endorsed it. Equipped with French approval, Schuman stepped into a press conference in the Salon de l’Hortense at the Quai d’Orsay, France’s foreign ministry, and delivered his electrifying message.
The heart of the proposal was Franco-German reconciliation. Without it, there could be no progress toward European unity. In Schuman's words, the ECSC (European Coal and Steel Community) was designed "to end Franco-German hostility once and for all." The message was directed at a generation of European leaders who had experienced two world wars and the tumult of the interwar years. Because Europe was not united, there could be no progress toward European unity. The pernicious Franco-German rivalry had failed in 1919 because we introduced discrimination and a sense of superiority. This was the cue Adenauer had been waiting for. The immediate issues on the table were economic, but the more important questions were indirect. Like Aristide Briand two decades earlier, French leaders were inspired by the need for security against Germany, and they were willing to pay an economic price for it. "The proposal that France has just made to us is a genuine move. It is a decisive step forward in Franco-German relations. It is not a matter of vague generalizations, but of concrete suggestions based on equal rights." Monnet went to Bonn to discuss the plan with Adenauer, who had grasped its sweeping potential. The chancellor pledged: "We shall not let ourselves be caught up in details, I have decided to keep our way on a more like this: in accepting it, our Government and our country have no need to understate anything. History since 1913 has taught us the value of such ideas. Germany knows that it has found in us, and with Western Europe as a whole. (Monnet 1978: 3)"

Second, the march toward a united Europe would have to be made in small, practical steps; immediate action would focus on a "limited, but decisive target," to quote the declaration. The approach would be functional and sectoral integration. Monnet was convinced that, given the centuries of tradition supporting the idea of the nation-state, it would be futile to try to create a united Europe in one grandiose attempt, following a frontal attack on state sovereignty. "National sovereignty would have to be tackled more boldly and on a narrower front... Experience has taught me that one cannot act in general terms, starting from a vague concept..." (Monnet 1978: 3)

The European Coal and Steel Community (ECSC). On June 20, 1950, six nations responded to Schuman's call and sent representatives to the Intergovernmental Conference in Paris, under Monnet's chairmanship, to translate a dream into reality. The six—France, West Germany, Italy, and the Benelux countries—became known as the "Little Europe"; that core of nations was willing to enter the new terrain of unity. Although almost all democratic parties in the six countries favored the effort, it was a fortunate coincidence that all six at that moment were ruled by Christian Democratic parties. Thus, the various national leaders who had to approve the work of Monnet's committee were in fundamental agreement on political principles. Monnet opened the conference with the words: "We are here to undertake a common task—not to negotiate for our own national advantage, but to seek it in the advantage of all. Only if we eliminate from our debates any particularist feelings shall we reach a solution. In so far as we gathered here, can change our methods, the attitude of all Europeans will likewise gradually change" (Monnet 1978, 32).

It would be mistaken, however, to believe that the governments of "little Europe" had no national motives whatsoever for sending negotiators to Paris. What is important is that they had concluded that the national goals they sought could no longer be achieved within the framework of the single nation. The foundation for the ECSC and the later EU were sturdy precisely because it was perceived to be in the national interest of each member state to cooperate on a higher, international level. The support for ECSC was due to a mixture of idealism, sharp calculation of economic advantage, and an effort to obtain security. The immediate issues on the table were economic, but the more important questions were indirect. Like Aristide Briand two decades earlier, French leaders were inspired by the need for security against Germany, and they were willing to pay an economic price for it. Trade liberalization was not in the French economic tradition. There was, of course, economic benefit for France. Although the chronic postwar coal shortage was over by 1950, 70% of the coke needed by the French steel industries still had to be imported.
Composed of nine persons selected by but independent of their governments, with France and West Germany having two members each, the High Authority had the real power to enforce decisions. It could levy a tax on the turnover of coal and steel and disburse the proceeds as it saw fit. Such a tax had to be approved by a two-thirds vote of the Council of Ministers, which directly represented the interests of 12 member states. An ECSC parliament composed of members from the six national legislatures was set up. A Court of Justice interpreted the treaty and prescribed punishments for breaches of it. This novel institutional structure, blending national inputs and supranational decision-making, was basically retained for the later European Economic Community (EEC) and Euratom.

The most prominent of the new participants in this dramatic departure from national sovereignty was the United Kingdom. Unlike the ECSC's founding members, the UK had not been defeated and occupied during the war. It emerged from the conflict as a proud nation not at all disillusioned with nationalism. It had confidence in its ability to continue playing a world role, and it took pride in its special relationship with the United States, which had been strengthened during the long struggle. Idealists in Britain focused their aspirations on the United Nations, on the creation of a united Europe, and on the notion of a multinational Commonwealth, not on a multinational Europe. Further, British parliamentary democracy was among the world's most stable, and it had admirers around the globe. It had withstood the onslaught of depression and fascism, while many fledger democracies in Europe had not. Why should the stewards of such a successful democracy hand over some of their sovereignty to an alliance of Britain. The part of the ECSC that Britain, which had relinquished the lead in Europe, could offer the possibility of an integrated Community within the framework in which an independent German army could be avoided. Dean Acheson had told Schuman and British Foreign Minister Bevin on December 12, 1949, that the U.S. would send reinforcements to Europe only if the European countries themselves had armed 60 divisions, "ten of which might be German." Monnet remembers, "For the first time, the idea of a superpower had been voiced. Until then we had thought that the world's contribution to Europe would be made elsewhere. But France was suggesting a role for Europe in a world that was about to be divided up by the balance of power. . . .

There was an atmosphere pervasive by fear of the cold war in the heart of Europe, the Korean War in Asia, and the war led to contrasting reactions units on the continent, isolationism in Britain (Monnet 1978, 166). It was believed that a military counterpart to the ECSC had to be created. The French were being especially pressed by the Americans to find a way of making German rearmament politically acceptable, including possibly a framework in which an independent German army could be avoided. Dean Acheson had told Schuman and British Foreign Minister Bevin on December 12, 1949, that the U.S. would send reinforcements to Europe only if the European countries themselves had armed 60 divisions, "ten of which might be German." Monnet remembers, "For the first time, the idea of a superpower had been voiced. Until then we had thought that the world's contribution to Europe would be made elsewhere. But France was suggesting a role for Europe in a world that was about to be divided up by the balance of power. . . .

Failure of the European Defense Community (EDC). The EDC was not being set up as a permanent body but was just the first step in an overall plan. The intention was to bring about a multinational European military. The political goal was to create an armed force of the whole Community. The British did not want a Community army because of their distrust of the French. But the French insisted on their right to have a Community army as a counterbalance to the British and to the American military presence in Western Europe. Britain and France had never been able to agree on a solution to their differences in this matter. The French wanted a Community army, but the British insisted on their own army, which they regarded as necessary for their own interests. The French were being especially pressed by the Americans to find a way of making German rearmament politically acceptable, including possibly a framework in which an independent German army could be avoided. Dean Acheson had told Schuman and British Foreign Minister Bevin on December 12, 1949, that the U.S. would send reinforcements to Europe only if the European countries themselves had armed 60 divisions, "ten of which might be German." Monnet remembers, "For the first time, the idea of a superpower had been voiced. Until then we had thought that the world's contribution to Europe would be made elsewhere. But France was suggesting a role for Europe in a world that was about to be divided up by the balance of power. . . .

It cannot be said that all Europeans had been taken by surprise. After NATO had been created in April 1949, it had become apparent that the necessary forces could not be provided without a German contingent. This was especially true since the U.S. had no intention at that time of permanently maintaining large numbers of American troops in Europe. Adenauer listened carefully to the message which was coming from Western capitals: "No NATO without Germany, no Germany without NATO." He reflected on his country's goals of protection against Soviet domination, recovery from the moral and physical destruction of the war, full sovereignty for the EEC, and reunification of Germany. He decided to offer a deal. In an interview with the French newspaper, 11 le Monde, published on November 11, 1949, the 31st anniversary of the cease-fire ending the First World War, he announced that if a common Supreme Command could be created, the Federal Republic would be willing at an appropriate time to integrate itself into a European defense system. When the need for German troops became obvious in the fall of 1950, Monnet reflected on how fortunate it was that the chancellor of the new EEC made it so adamantly opposed to the reestablishment of an independent Wehrmacht. To help him in return, we could do no less than propose, in accordance with his own wishes, a European army which would include German military capacity, but without any ambition for conquest and deprived of any purely national initiative. There was no precedent or model for such a European army, and we had only a few days in which to invent it (Thompson 1978, 58-60; Monnet 1978, 340).

In a speech to the Council of Europe on August 11, 1950, Churchill had breached the idea of a fully integrated European army, and French Prime Minister Jean Monnet made a formal proposal on October 21, 1950. The Plan faced beyond the usual military alliance, it proposed a fully integrated European army commanded by a single political and military
authority in effect, by a "European" defense minister. This structure was undoubtedly influenced by the fact that the question came up, as it did, at the time when the details of the so-called Yalta plan were being discussed. A similar system seemed logical for defense. The U.K. and the U.S. supported the idea but did not join. The so-called "little Europe" countries began negotiations in February 1951 and signed the final treaty on May 27, 1952.

Discussion of this ill-fated plan dominated political life in the six signatory states for four years. West Germany and France were especially divided. It raised the highly emotional question of whether it was wise to rearm Germany at all. There were doubts that an integrated army could operate effectively. Many, such as de Gaulle, objected to the notion that the integrated force would be subordinated to NATO, which had an American supreme commander. The timing of the proposal was bad for the French army, whose best units were fighting a seemingly interminable war in Indochina. Its troops left in a European army might, under these circumstances, be dominated by Germans, a repugnant thought. After the debilitating French defeat in the battle of Dien Bien Phu in May 1954, the EDC could be yet another disgrace for French soldiers. Cold war tensions began to diminish following a cessation of Korean hostilities in 1952 and the death of Stalin in March 1953. Soviet policy toward Europe became more conciliatory, and many Europeans asked if there were still a need for a European force to stand up to a Soviet threat. The UK's continued refusal to join strengthened French fears that German soldiers would dominate the EDC. Finally, proponents in France were unable to convince opponents that German rearmament, which was the EDC's raison d'être, was really a threat, then how could that danger be met by restricting the freedom of the French forces? On August 30, 1954, after all five other parliamentary parties had ratified the EDC treaty, the French National Assembly rejected it. Following the vote the Gaullist proponents of European unity were discontented, inthence the ideas incarnated at this time soon resorted to in the UK's economic policies, the creation of a common market, the progressive harmonization of social policies, and the foundation of common decision-making institutions convened in Messina, Sicily, from June 1-3, 1955. The Benelux proposals were accepted with little opposition. The final joint resolution read that the participating governments "believe that the time has come to make a fresh advance toward the building of Europe... Such a policy seems to them indispensable if Europe is to maintain its position in the world, regain its influence and prestige and achieve a continuing increase in the standard of living of her population. An invitation was issued to the U.K., which declined, and then adopted, then being made from the sidelines of efforts being made from now on. The move toward greater European integration was so important for American long-term interests of stability and free trade that it strongly supported it and was willing to accept short-term economic disadvantage to see it come about.

The Benelux countries provided the catalyst for the new European initiative. Belgian Foreign Minister Spaak succeeded in blending the disparate ideas of an atomic energy community and a customs union in a joint memorandum dated May 18, 1955. A meeting of all ECSC countries to discuss the gradual merger of national economies, the creation of a common market, the progressive harmonization of social policies, and the foundation of common decision-making institutions convened in Messina, Sicily, from June 1-3, 1955. The Benelux proposals were accepted with little opposition. The final joint resolution read that the participating governments "believe that the time has come to make a fresh advance toward the building of Europe... Such a policy seems to them indispensable if Europe is to maintain its position in the world, regain its influence and prestige and achieve a continuing increase in the standard of living of its population. An invitation was issued to the U.K., which declined, and then adopted, then being made from the sidelines of efforts being made from now on. The move toward greater European integration was so important for American long-term interests of stability and free trade that it strongly supported it and was willing to accept short-term economic disadvantage to see it come about.

Indeed, the Alliance survived, and France renamed in NATO. Shortly after the EDC's defeat, the Brussels Treaty Organization was broadened to include the EEC and Italy, and was rechristened the Western European Union (WEU). It became the umbrella for German rearmament until the EEC entered NATO on January 1, 1958, thereby securing Allied occupation.

The most positive consequence of the EDC debate was that it prompted Europeans to think further about political union. This was when the federalists' political influence within the six national governments was at its high point with five parliaments ratifying the EDC. Not since it seemed as if to have a European army without an overall political community to direct it, the EDC proposal had sparked the European Political Community (EPC) project. The membership and authority of the EEC Assembly had been enlarged to work out an institutional structure for the EEC. Paul-Henri Spaak dared to propose that the EEC and EDC be fused into one political community, and a draft constitution was written calling for close consultation on all aspects of political and economic decisions. The Assembly accepted this draft in principle in the summer of 1953. The EEC died with the EDC, but many of the ideas generated at this time soon resorted to in the EEC.

"The Relaunching of Europe." The defeat of the EDC and the visible economic recovery in Western Europe seemed to indicate that functional cooperation in European institutions was no longer as urgent as it once had been. This attitude was strengthened by the noticeable relaxation of Soviet pressure on Europe. These developments distressed proponents of European unity and actually sparked renewed effort on the part of dedicated federalists not to lose what had already been achieved. The burst of progress which lay immediately ahead was actually aided by the fact that Europeans were feeling less of an outside power and more of a constructive examination of their own needs and interests. Unity was increasingly seen to be good in itself, and not as an instrument of protection against outsiders. Germans. This resurgence showed how resilient the idea of unit had become.

What took shape was a "Relaunching of Europe," as it came to be called. The emotional issue of how to integrate Germany and its army into Europe had been solved when the Treaties of Paris, which established the EEC and integrated the FRG into NATO, went into force on May 5, 1955. Because America's immediate objective for European integration had been achieved, it returned on the sidelines of efforts being made from now on. The move toward greater European integration was so important for American long-term interests of stability and free trade that it strongly supported it and was willing to accept short-term economic disadvantage to see it come about.

The Benelux countries provided the catalyst for the new European initiative. Belgian Foreign Minister Spaak succeeded in blending the disparate ideas of an atomic energy community and a customs union in a joint memorandum dated May 18, 1955. A meeting of all EEC countries to discuss the gradual merger of national economies, the creation of a common market, the progressive harmonization of social policies, and the foundation of common decision-making institutions convened in Messina, Sicily, from June 1-3, 1955. The Benelux proposals were accepted with little opposition. The final joint resolution read that the participating governments "believe that the time has come to make a fresh advance toward the building of Europe... Such a policy seems to them indispensable if Europe is to maintain its position in the world, regain its influence and prestige and achieve a continuing increase in the standard of living of her population. An invitation was issued to the U.K., which declined, then being made from the sidelines of efforts being made from now on. The move toward greater European integration was so important for American long-term interests of stability and free trade that it strongly supported it and was willing to accept short-term economic disadvantage to see it come about.

Indeed, the Alliance survived, and France renamed in NATO. Shortly after the EDC's defeat, the Brussels Treaty Organization was broadened to include the EEC and Italy, and was rechristened the Western European Union (WEU). It became the umbrella for German rearmament until the EEC entered NATO on January 1, 1958, thereby securing Allied occupation.

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arguments were strengthened by the fact that the ECSC's economic successes had become undeniable. International cooperation and coordination had worked, and economic advantages could be reaped from applying the ECSC approach to other sectors as well.

**European Economic Community (EEC) and Euratom.** The three ministers assembled at Messine had divergent views on questions of detail. Therefore, they charged Speck to head a committee that would prepare a report on ways toward questions of detail. A committee was instructed to put pressure on individual delegations to make compromises as keys to the success of the talks leading to Euratom and the EEC. The committee produced a sweeping proposal that was defeated in the EEC assembly: only one vote was cast against it.

It contained little abstract thinking on integration and concentrated on practical steps. Wider economic integration would lead to further political integration, with the EEC as the model. It called for a full customs union leading to a "common market," freedom of movement for capital and workers, and further cooperation on such things as agriculture and atomic energy. The latter subjects were of particular interest to the French. Monnet recalled that the atom was more of a problem for Europe than an object of study. The French wanted to approach the atom "with an equal passion, as if there were no other resources that had generated it," and his committee went to Brussels to see if the French were interested in such things as agriculture and atomic energy. The latter subjects were of particular interest to the French.

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With the exception of Rome and Belgium, none of the ECSC countries exchanged nuclear information. France was interested in sharing financial and technical responsibility for the research and use of atomic energy. It would not have joined, bargaining without the inclusion of a treaty dealing with it. At the same time, the other five would not negotiate without the establishment of an economic community. Thus, the two treaties had been put on hold in tandem, then neither would have survived.

The committee's proposals were presented to a second conference of the six foreign ministers in Venice May 29-30, 1956, who gave Speck the go-ahead to assemble technical experts from all six countries to draft the two treaties. These technical talks began June 26, 1956, in Brussels and saw hard bargaining and compromises. Every problem bristled with technical difficulties, but by the beginning of 1957, all that was lacking was the political will to succeed (Monnet 1958, 421). What emerged finally satisfied all the parties: the outcomes for a common agriculture policy and the promise of development aid for their overseas colonies pleased the French. The Germans welcomed another step toward their own international respectability and liked the promise of an expanded mutual free market for its industrial exports. The Italians were promised development assistance for their relatively poor south they hoped that greater political stability would result. The international influence of the highly industrialized Benelux nations would be enhanced by being a part of such a union, and their experts would bolster European union satisfied the national interests of the six members.

A series of international events influenced the pace of European unification. On June 26, 1956, Egypt seized control of the Suez Canal. France and Britain responded by sending troops to occupy it, only to be forced to withdraw by a combined U.S.-Soviet threat. The decline of individual European nations' influence had been made clear. They reexamined their dependence upon the U.S. and concluded that they could no longer act alone or even in pairs in the new superpower world. They needed to combine their strength. Monnet's words:

> From that moment on, the whole world trading system was at the mercy of one of its vital arteries being cut off, and oil exports were under constant threat. I was led to decide Europe too small to bear alone humiliation of a critical economic and political situation. The era of anarchy was over. Self-preoccupation could no longer be countenanced. Soviet Russia would know no prestige, independence or progress unless these were united in a collective effort (Monnet 1975, 424).

This point was again driven home in October 1956 when the Soviet Union invaded Hungary to suppress a revolution against comminism. Confronted by the superpowers, individual countries seemed helpless if they did not band together; this feeling strengthened Western European solidarity.

The negotiations were also favored by rapidly changing electoral politics in member states, most crucially in France. In early 1956 a small group of Europe-minded politicians occupied key posts in France. Charles de Gaulle, whose hostility toward a truly unified Europe would dominate much of the political debate in the 1960s, did not assume command of France until 1958. If he had been at the helm while the EEC was being shaped, its form would have been very different.

In February 1957 the premiers of the six met in Paris to iron out the final details, and on March 25, 1957, they met in Rome to sign the two treaties. They committed themselves to achieve full economic integration within twelve years. The EEC treaty contained a mix of firm positions, such as a customs union, and general commitments to be worked out and implemented by the Commission. Its first president was Walter Hallstein, a German who was "a man of action as well as a scholar, and a true European." The EEC was a framework treaty whereby somewhat weaker powers were granted over a much broader area. This time the French National Assembly was the first parliament to ratify the treaties. The most eloquent defense was made by Alain Savary: "The choice is not between the Community and the "solitis qua, but between the Community and solitude" (Monnet 1978, 320, 424). In December 1957 the Dutch parliament became the last to approve. The EEC and Euratom began their existence on March 19, 1958, only four years after the defeat of the EEC and EcC. The EEC went on to change the nature of European politics. By contrast, Euratom failed to develop as its creators had hoped. During the 1960s the six national governments increasingly hesitated to relinquish control of their own atomic research programs.

The institutional structures of each of the two new organizations were modeled after the successful ones of ECSC, with some shifts of power. They were less explicitly supranational than the ECSC's High Authority. The independence of the Commissions was less pronounced. The Councils of Ministers, which represent the national interests of the member states, were given a stronger legal role. The Commissions were granted the right to initiate measures, and the Councils were given the right of decision on most matters. The structure included both intergovernmental and supranational elements, and both static and dynamic qualities; static in that no progress toward integration could be made against the political will of the individual member states and dynamic in that the members were free to tighten their integration as much as they want. Monnet commented: "The work they did may have disappointed the hopes of the federalists, but its balanced structure has withstood all subsequent trials. Its keystone is the common Assembly, it establishes between national institutions and common institutions, whose objectives are linked" (Monnet 1958, 424). In 1967 it was decided to end the confusion of parallel commissions, councils of ministers, parliaments, and high courts for the ECSC, EEC, and Euratom. They were melded together, and thereafter the three organizations, though still technically separate, were referred to as the European Communities (EC) with one European Commission, one Council of Ministers (now called "European Council").
The term "EC" went out of general use when the Maastricht Treaty came into force on November 1, 1993, leaving terminological confusion in its wake. It created a European Union (EU), which added common foreign and security policy and cooperation in justice and police matters to the EC. But unlike the EC, the EU has neither a single decision-making process nor a legal person; it cannot conclude international agreements. Although the EC and EU are technically not exactly the same entities, most scholars, including the authors of this book, now employ the term EU instead of EC (See the "Editor's Notes" in the Foreword).

In 1958 with Britain taking the lead, seven Western European countries that had not joined the EEC because of its supranationalism formed the European Free Trade Association (EFTA) on the periphery of Europe, with headquarters in Geneva. EFTA never developed elaborate structures and operates on the basis of voluntary inter-governmental cooperation. With limited objectives and without even the slightest shred of sovereignty, EFTA never became a significant organization. Its importance declined even further when the UK left it in 1972 to join the EC, followed by a host of other members.

THE ENLARGEMENT OF THE EU

De Gaulle Blocks the UK. Since 1958 the EC has been confronted with challenges involving deepening of the cooperation and broadening of the membership. The two aims are in tension with one another because any intensification of cooperation within the community is threatened by the need to satisfy the demands of additional sovereign and equal member states. Nevertheless, the EC has done both. As examples of deepening, the customs union came into effect on July 1, 1968, which totally eliminated the customs between member states and established a common external tariff toward the outside. In March 1970 members established a European Monetary System (EMS) and have attempted, not always successfully, to coordinate their monetary affairs by linking their currencies. They also fix values of a basket of their currencies and affix a non-dollar value to what is known as a European Currency Unit (ECU), which can be used to settle accounts with each other and with some non-member countries.

The EC was never intended to be closed to other European countries, and by 1980 the number of member states had doubled to twelve. But the admission of new members has never been easy, and in some cases the debates over this matter have been stormy and have deeply divided the members themselves. In no case has this been more obvious than with the United Kingdom. No doubt, the British assumed that the EC would warmly receive them anytime they decided to cast their lot with Europe. But at the same time he was not willing to permit an outsider to rewrite the rules for an on-going game. He was also suspicious of the UK's "special relationship" with the US and feared that the admission of British membership would be a "Trojan horse" in Europe.

On January 14, 1963, before the Commission had a chance to decide on the application, the UK announced that the French representative would veto Britain's entry:

"Engaged in action to restore the maxim: the united, the middle and often the most distant countries. She lives in all her domestic mark and as original a polite way of seeing popular Holstien traditions. But the question, to know whether great Britain can now place herself like the continent and with it in a tariff which is somehow common, to recognize all Commonwealth preferences to ease our present that the agrarian and privileged and, to treat her communications with other countries of the free trade area is null and void. The question is the whole question."

He did leave the door open for a changed Britain to enter the EC at a later time: "It is very possible that Britain's own evolution, and the evolution of the universe, might bring the English little by little towards the Continent" (Harwit 1967, 43-44). Because of their close economic ties with the UK, the Irish, Danish and Norwegian governments promptly withdrew their applications.

De Gaulle's Challenge to European Integration. De Gaulle's reaction was notable for its brusqueness and for the fact that he issued it without warning and without consulting with the other members. The EC had been founded on a dual legitimacy, that of the states and that of the EC's supranational institutions. Nothing constructive can be accomplished without consultation, cooperation, and collaboration. His veto slammed the door shut on expansion, while his challenge to the Commission and its chairman, Walter Hallstein, threatened the very experiment of integration. He plunged the community into an institutional crisis by attempting to change the majority voting procedure. The crisis began with the veto of the British entry in 1963 and ended with a "gentleman's agreement" in January 1966 in Luxembourg. It involved serious differences between France and the remaining five members concerning the nature of European integration and how it should develop further. De Gaulle crystallized those differences, which had simmered since 1958, "It was a time for patience, but not for inaction," in Monnet's opinion (Monnet 1978, 461).

In 1965 de Gaulle refused to send a French representative to the European Council for seven months when the other five declared to accept his demands concerning CAP. The real issue was not CAP, but de Gaulle's vision of Europe as an Europe des Patries, a league of "fatherlands," which reserve ultimate sovereignty for themselves; that is why he had opposed the ECSC and EDC. Monnet recalled the fundamental difference between his and the General's views: "De Gaulle's whole argument was based on the premise that nothing European could be undertaken so long as Europe was not a political reality. But at the same time he affirmed that the only political reality was the nation-state." This nationalistic view, which was popular with the British, contrasted sharply with the integrationist approach of Monnet and Schuman and was expressed in de Gaulle's frontal attack on the system the EC operated. "We know - and we know well - that there is a different conception of a European federation in which, according to the dreams of those who have conceived it, the member countries would lose their national identities, and which...would be ruled by some technocratic body of elders, stateless and irresponsible." (Monnet 1975, 366; Urwin 1981, 342-43).

The "Luxembourg Compromise" pushed the controversy underground again and enabled the EC to survive. This was an agreement to disagree: "The six delegations note that there is a divergence of views on what should be done in the event of a failure to reach complete agreement" (Morgan 1973, 208-9). It stipulated that the European Commission consults the individual states before advancing important proposals and that the European Council could not override any member nation. In
 threaten the country's sovereignty to Europe widened the chasm between the UK and its continental partners. Thatcher's cabinet was rocked by high-level resignations stemming from disagreements over Europe: in 1980 Michael Heseltine stormed out because he wanted a European consortium, not one from the US, to purchase a British helicopter company. In 1989 Nigel Lawson left because he wanted to include the pound in EMU. The total resignation and the catalyst for her downfall was Sir Geoffrey Howe, the last surviving member of her original 1979 cabinet and an architect of "Thatcherism" in early November 1990. He charged in Parliament that her obstruction in Europe carried "serious risks for our nation." Within days this devastating speech led to a successful challenge to her leadership. She resigned after a historic eleven-year rule, the longest prime ministership since the Victorian era and the longest consecutive one since the Napoleonic age. It is a milestone in the history of European unity that a legendary British leader could be brought down largely by domestic political controversies relating to Europe. Nevertheless, she and her following of Euroskeptics within the Conservative Party continued to plague their successors, John Major (Thompson 1994, 217, 115-41). In the 1990s the EC opened its door to Greece, Portugal, and Spain. Since these southern European countries had only recently, "..from military or fascist rule, they saw membership primarily as a means for stabilizing, and strengthening democracy, as well as for improving the standards of living of their citizens. Greece, which had experienced military rule from 1967 to 1974, entered in 1981; Portugal and Spain, which had emerged from fascist rule in 1974 and 1975 respectively, joined in 1986; Spain had been the only country in Western Europe not to
belong to EU, the EC, or NATO; in 1982 it became the first state to join NATO after the UK had done so in 1955. With the inclusion of these nations, the EC had doubled its size to become an organization of 12 states and 320 million people. On January 1, 1985, Austria, Finland, and Sweden became members after a majority of their voters supported entry in referenda. This raised the EC's size to fifteen states and 370 million citizens. Finland's entry expanded the EC to the Russian frontier. By 1985, the line of formal applicants had grown to include Malta, Cyprus, Switzerland, Turkey, Poland, and Hungary. The irresistible logic of European unity affects countries all over the continent.

THE MARCH TOWARD EUROPE CONTINUES

The Single European Act, "1992," and the European Economic Area. In 1986, the same year it broadened itself to include Spain and Portugal, the EC also took a dramatic step toward deepening itself. Under the dynamic leadership of former French Finance Minister Jacques Delors, who was succeeded in January 1995 as EC president by Jacques Santer of Luxembourg, it launched a Single European Act (SEA) which aimed to complete the "single market." Delors followed in a line of Frenchmen who had helped shape the institutional development of European integration: supranationalism was the brainchild of Monnet; de Gaulle tried to replace this with intergovernmentalism; and Delors presided over a Renaissance of the European Commission. The Commission made the proposals, the European Council made the decisions on them, and the European Parliament commented and offered amendments but could not override Brussels. SEA, which went into effect in 1987, was a catalyst to get the European train moving again. It supplemented the Treaty of Rome by setting a series of precise targets with a timetable toward the goal of one large, frontier-free market, without hidden protectionism in the form of non-tariff barriers, such as differing tax, policing procedures, and standards which hampered trade within the EC. Its objectives included the free movement of people, goods, services and money within the EC (known as the "four freedoms"), technological development, economic and monetary union, improvement of the environment and working conditions, creation of more effective and democratic European institutions, and institutionalization of cooperation among the member states in the field of foreign policy. The target year for completion of this ambitious project was 1992, a date selected primarily for its symbolism, five centuries after the discovery of the New World.

SEA changed the way EC institutions work. To get things done, most decisions were taken by majority vote, not unanimity. As a sign of momentum, members reached an agreement in 1988 fixing spending limits for five years, thereby quieting Britain's fears of spendthriftiness. The European Commission drafted 282 community directives to replace national laws on a wide range of subjects; they began their way through various agencies and went to the twelve national governments for approval. On January 1, 1993, SEA was largely completed, and most of Europe's internal barriers fell.

In 1991 the EC and EFTA countries agreed to form a European Economic Area (EEA), which creates a market of 380 million consumers, between the Mediterranean and the Arctic and accounting for over 40% of world trade. Only Norway, Iceland, Liechtenstein, and Switzerland remain in EFTA. Within the EEA, participating EFTA members enjoy the EU's "four freedoms": of goods, services, capital, and people, but EEA does not include agriculture, fish, energy, coal and steel. EFTA members live under most EU rules although they have no voice in their writing. EEA became fully operational on January 1, 1994, and by 1995 more than two-thirds of the eighteen countries' foreign trade was being conducted with each other.

The SEA had stimulated fears in Switzerland that it could be isolated, and in 1992 its Federal Council formally applied for EC membership. But Swiss voters decided in December 1992 not to join the single market. German-speakers in the large cities said yes, but they were outnumbered by rural and small-town German-speakers, whose traditional security about Switzerland's future was revived by the Maastricht Treaty. By contrast, French-speaking Swiss, who have no fear of France, said yes. The Swiss rejection of the EEA put the country's application to the EC, for which there was no parliamentary or popular majority in 1995, temporarily on ice.

Maastricht and the Treaty on European Union. In April 1990, the European Council called for "further, decisive steps...towards European unity as envisaged in the Single European Act." At their December 1991 summit meeting in Maastricht, a Dutch town on the German border, 12 leaders agreed to create a single European currency and central bank, to establish close cooperation on justice and home affairs, and to move toward common defense, foreign, and economic policies. By the end of the century it was decided that the EC would be revived to serve as Europe's own defense system, albeit "linked" to NATO. On February 7, 1992, the Treaty on European Union was signed. It aimed at fulfilling the dream of political union to parallel the economic union developed in the Single European Act.

The treaty was highly controversial in some member states. In France it was accepted in a referendum by the narrowest majority. Danish voters rejected it once. Only after Denmark negotiated an exemption from the single currency and the provisions on defense, foreign and judicial policies, and European citizenship, did the Danish government sign the treaty. Extremely heated debate in the United Kingdom forced the British government to negotiate the right to "opt out" both from a single currency and from the common defense, foreign, and economic policies. Danish and some French leaders were criticized in this "ad-carte" approach for allowing members to sign up only for the policies they like, but compromise was essential. The treaty became effective on November 1, 1993, following ratification by Germany, the last of the twelve member states to adopt the new union.

EU Response to the Collapse of Communism in Eastern Europe. The decade of the eighties ended with some of the most profound changes in European history. In the wake of dramatic changes in the Soviet Union made possible by a reform-minded Mikhail Gorbatchev, who took the reins of power in March 1985, one after the other Eastern European nations threw off the shackles of communism, had at least partially free elections, and pledged to abandon their planned command economies for free market systems. In December 1991 the Soviet Union collapsed, and its fifteen republics became independent. The failures of communism led Eastern Europeans to look toward Western Europe for inspiration, where a magnetic power of freedom and prosperity emanates from the peoples. Their diverse experiences and experiments are useful and instructive, such as Spain's and Portugal's rapid development of democracy after decades of dictatorship. Western Europeans steer their own destinies and are poised to create the world's largest market, which can protect and expand their prosperity in the twenty-first century.

The EC had no contingency plans for such a sudden collapse of the Soviet Union and its empire. As a result, the member countries were divided about how to respond, just as when the SEA and the Maastricht Treaty sought to deepen the EC's community's integration. Some opponents "deepening" the supranational institution of the EC instead of remaining open to the fledgling democracies in Eastern Europe. They argued that it is no time to create new institutions and to weaken national parliaments just when Eastern European nations are digging themselves out from under their stultifying bureaucracies and breathing new life into their legislatures. Others argued that the EC
should not be induced to compensate for low birth rates. In log FL countries consulted many practical problems that were not in the current budget arrangements. All would object to constituting, particularly farmers and small countries. The comparative advantages of former cornish economies are often in industries, such as iron and steel, in which the EU is already trying to prop up its own uncompetitive firms. Enlargement to include weak Eastern economies would also threaten the main recipients of EU development funds, especially Spain, Portugal, Greece and Ireland, as well as constituencies, particularly farmers in all EU countries, who benefit from the current budget arrangements. All would object to any new members claiming a slice of the pie at their expense. Since the EU accepts new countries only by unanimity, delay is certain.

The only instant new members of the EU were 10 million East Germans. Upon the EC's insistence, they had already enjoyed the privilege of selling their products in the Common Market on the same terms as West Germans. The downfall of the German Democratic Republic (GDR) made German unification possible on October 3, 1990. This was an event that had always been one of the principal aims of European integration. Mitterand's Action Committee had noted on June 1, 1984: 'The participation of the German Federal Republic in the European Community and in the West has already given the Germans a future shared with the other peoples of Europe. The reunification of the Germans in the European Community is one of the most important German reassurances to the West. The German Community is an essential condition for peace' (Fontaine 1990, 57). Nevertheless, old fears of combined German power had not been stifled by the 1990s. To be unification, a united Germany had to be of something larger than itself. The most important German reassurance was to press hard for further European unity and to create, as novelist Thomas Mann put it, 'not a German Europe, but a European Germany.' The French were especially determined to dilute German power by binding it more tightly into Europe, and the government of Helmut Kohl was a willing partner in this.

The Eastward expansion would endanger EU efforts to dismantle its internal borders. In 1985 representatives of a group of EU countries met in the Luxembourg village of Schengen to launch a movement to do away with border checks along their common borders. By 1995 this Schengen agreement applied to all EU countries except the UK, Ireland, and Denmark. The problem is that people flee from collapsing empires and economies. The peace settlement after the First World War had left a quarter of Eastern Europeans as minorities under alien rule, and each of the fifteen former Soviet republics is a patchwork of ethnic groups. Communism's released grip, the breakup of the Soviet Union and its Eastern European empire, and the splintering of multinational states such as Yugoslavia, unleashed a westward migration which could become a flood. Economic distress and population explosions in northern and western Africa also sent millions of Arabs and Africans northward. Such a massive influx threatens to overwhelm welfare systems, exacerbate social unrest in Western Europe, and endanger the EU's free flow of goods, capital, and people. In this century massive migrations in Europe have sparked ethnic massacres and pogroms. It is causing divisions and clashes and fueling the rise of xenophobic right-wing parties, despite the fact that foreigners are needed in many prosperous countries to do dirty and dangerous work and to compensate for low birth rates. In 1993 EU countries consulted with each other before introducing stricter controls along their external frontiers to stem the entry of illegal immigrants and refugees.

The dramatic changes in the East reminded the EU how it needed to take the lead in European cooperation and assistance. It assumed the task in June 1990 of coordinating Western aid to Eastern Europe. It proceeded to conclude trade agreements with many former Soviet block countries, in June 1993 it recognized that the "European Agreements" signed with Poland, Hungary, the Czech Republic, Slovakia, Romania and Bulgaria would be viewed as a step toward the ultimate goal of full membership. It offered these six partners free trade with the EU in industrial goods in 1995 and promised to extend this to steel in 1996 and textiles in 1997. In June 1994 the EU signed a "Partnership and Cooperation Agreement" with Russia establishing a framework for creating a free-trade zone after 1998. Former EU President Jacques Delors called this "the most important agreement that Russia has ever signed with the West" (Washington Post, June 25, 1994, A10). The EU signed a similar agreement with the Ukraine in 1994.

Despite many challenges and difficulties, the dream of European unity is still intact. No member wants to leave the EU, and many countries are lining up to join. Prosperity in the world's largest market is envied throughout the globe, and the chances of war among its members are nonexistent. This continued success and progress would give great satisfaction to Jean Monnet, who had always kept on his desk a photo of the rialto, which had crossed the Pacific Ocean. He explained that 'this adventure had thrilled the dark world, and... we are awa of our own. Those young men chose their course, and then they set out. They knew that they could not turn back. Whatever the losses, they had only one option: to go on. We too are heading for our objective, the United States of Europe, and so we too are going back' (Monnet 1975, 57).

Bibliography

The longest and most important source on the background of European unity after 1945 is a three-volume study by the European Community Liaison Committee of Historians, published by Bruylant in Brussels, Giunti in Milan, L.G.D.J. in Paris, and Nomos Verlag in Baden-Baden. Only a part of the chapters in these volumes is written in English; others appear in French, Dutch, and Italian. The English titles of the individual volumes are:


Other sources used in this chapter are:


Essays by contemporaries on Monnet's personality, ideas and methods.


A good introductory description of the EU.

CHAPTER 1  
History of European Integration

Written by Jean Monnet's last assistant from 1973-7 and author of a book-length study, Jean Monnet: L'inspirateur (Paris: Grancher, 1988), this booklet is a good introduction to the birth and consequences of the Schuman Plan. It also contains the text of the declaration.

Reexamines Jean Monnet's thematic ideas and applies them to the Europe of the 1980s.

This is a comprehensive scholarly study of the history, institutional framework, and objectives of the EC.

A good analysis of the EU's history, institutions and policies.

Examines German thinking on a union of Central European states.

This is the closest look into the subject, written by one of the fathers of European unity.

Of particular interest are three chapters on European institutions.

Insiders' description by former British Director General of the EU's Council Secretariat and by a Scottish scholar on how the new EU has evolved from the old EC.

A good history on the formation and evolution of the EU.

Of special interest is Chapter 10 on political integration.

Traces the roots of European unity in the competing wartime visions of transformation and reconstruction.

Revealing insight into the mind of the most prominent British Euroskeptic.

Essays and speeches explaining the roots of Thatcher's skepticism toward European unity. Of particular interest are the chapter by Sir William Nicoll and her 1988 Bruges speech on Britain and Europe.

This is a political biography about an adviser to the German chancellor after 1909. Of interest on the subject of European unity are chapters 3 on the outbreak of the First World War, 4 on new conceptions of Europe, 6 on the German revolution of 1918-1919, and 7 on the crises of the Weimar Republic.

This is an in-depth up-to-date description of the history, politics, economy, and culture of each sovereign state in Western Europe.

A good survey which includes five chapters on European integration.

An intelligent and lucid elaboration of EC history.

Of special interest is chapter 9 on the unification of Western Europe.

A good general survey.
Chapter 2

HISTORICAL PERSPECTIVES ON EUROPEAN UNIFICATION

Michael D. Gordon
Chapter 2

Historical Perspectives on European Unification
Michael D. Gordon

INTRODUCTION

The purpose of this book is to clarify the significance of the economic, political, and cultural developments that are often described as "1992 and the Unification of Europe." Such a description is somewhat misleading, the process is not really one of unification, and the arena is not Europe; nevertheless, the term has gained popular currency and efforts to replace it with something more precise are probably futile. But, if the term is to be used, it is important to be aware of its inaccuracies. 

Surrender of Sovereignty. Since the beginnings of the modern state system centuries ago, one of the cardinal rules of statecraft has been the retention of sovereignty. Thomas Hobbes' classic description in the seventeenth century of the state as Leviathan, "that at which nothing is greater," reflects the concept of the state as a sovereign entity, a power that has ultimate political and legal authority. Sovereignty can be viewed in both its external and internal dimensions. Externally, in its relations with other states, both international law and modern diplomacy assume that each state is, at least on a legal basis, equal and independent. Internally, in its relations with its citizens and subsidiary jurisdictions, both law and politics are based on the premises that the state is the highest power and that both legal appeals and political demands cannot go outside and beyond the state.

In reality, of course, not all states have been true sovereign entities. Weaker powers have deferred to and been dominated by more powerful ones. Instances of greater states dictating to lesser states in both external (diplomatic) and internal (political and economic) matters are common in the history of the law several centuries. Nevertheless, such instances are seen as exceptions (though they may not be exceptional) in the general scheme of a world community composed of states that are essentially independent and sovereign entities.

The surrender of sovereignty, therefore, is something that a state does only under exceptional circumstances. The most common example, of a war as a result of war. From the partitions of Poland in the eighteenth century to the partition of Germany in the twentieth century, states have relinquished sovereignty only when they are defeated or otherwise forced to do so. Are there any examples of states voluntarily abandoning their sovereignty? Are there any examples of states doing so from a position of strength and not weakness? If any, they are rare.

Yet such a surrender of sovereignty is precisely what this book describes and analyzes. The states of the European Union have chosen to relinquish a number of their sovereign powers. This decision and the processes that have evolved from it are without parallel in modern history. Yet, it is important to realize that the processes to be discussed in this book are not necessarily, in themselves, aimed at creating some kind of European "super-state."

The central "event" that occurred in 1992 was neither political nor economic; rather it was legal. Each member country of the then-European Community had agreed that, by the end of 1992, it would ratify a number of directives and regulations that had been approved by the European Community institutions. While the national political process might vary somewhat from state to state, each of the member states committed itself to transpose these regulations into its own national legislation. These 290 directives cover a wide range of subjects that were to be implemented by December 31, 1992. As described in greater detail in Chapter 6, the implementation is essentially irreversible and exceptions are subject to the approval of European Union-level institutions.

Economic and/or Political. Unlike the Maastricht Treaty, the primary scope of the "1992" directives was economic. The specific goal to be achieved was the completion of the European Community's internal market. The objectives that were articulated in the mid-1980s proposed removing all obstacles to the free movement of persons, goods, services, and capital. While there certainly are political, cultural, and social implications in the development of the internal market, and these are discussed throughout the following chapters, it is important to note that the initial agreement to implement the directives was conceived in a context that emphasized these economic goals. There was a widespread consensus within the European Community on the economic dimension, but in other areas there is much less agreement.

Unification vs. Integration. It is misleading to speak of European unification. Rather it is more accurate to speak of European integration. The completion of the internal market is a step toward the economic integration of a significant part—though certainly not all—of Europe. Whether this integration will lead to some kind of unification is not at all clear. While the Treaty of Rome, which established the European Community in the mid-1950s, assumed that economic, social, and political unification would eventually develop, it was only by focusing on economic integration that the processes that culminated in 1992 began. The degree to which countries can have a shared economy without a shared policy is not clear, nor is it clear how desirable such a goal would be. Insofar as the term unification carries with it the implication of the formation of a large political state, it may be inappropriate to either avoid using the term or to do so only with an awareness of its ambiguity. It seems certain that economic integration will occur, it is much less clear that unification will follow, despite the Treaty on European Union.

What will be the significance of European unification? Obviously, this question cannot be definitively answered. Nevertheless, some tentative assessments can be offered. The picture that emerges, however, will vary depending on the perspective employed. There are at least three separate perspectives from which European unification can be viewed.

A NATIONAL PERSPECTIVE

The national perspective is the most familiar of the three. In the United States, European history is traditionally taught and thus seen as the cumulative history of individual nation-states. In Europe, where the concept of European history is a recent innovation, what is usually taught is the particular history of individual nation-states. Even those phenomena that transcended national units are seen in a national perspective: thus, one speaks of the Italian Renaissance and the German Reformation, the French Revolution and the English Industrial Revolution. The emphasis is consistently on national units. The emphasis on national units is, in part, an acknowledgment that a lack of political unity is one of the distinguishing characteristics of European civilization.
Culture. There has always been a cultural unity to the history of Europe (or at least to the history of Central and Western Europe). Initially based on Western Christianity, with the adoption of the Roman Rite in the Early Middle Ages and the growth of a Latin high culture in the High Middle Ages, this cultural unity was well established by the end of the Medieval Period. Artistic models and intellectual formulations moved back and forth across Europe as easily as did churchmen, scholars, and students. The early modern period saw this cultural unity become more secular, as it moved away from a Latin-based, church-oriented foundation toward one based on vernacular languages without an ecclesiastical foundation. It was during this period that the concept of Christendom was replaced by that of Europe, but - with the notable and partial exception of religion - the unity persisted. The nineteenth and twentieth centuries are also marked by a cultural unity. While some cultural areas did become fragmented for example, legal studies, artistic movements such as Impressionism and literary genres such as Romanticism - were European-wide. In 1900, just as in 1400, science and philosophy were modes of inquiry that transcended national borders. The unity of European high culture has persisted until today.

Economic. The economic dimension of European history has, at various times, resembled the cultural dimension. The completion of the internal market and the integration of national economies are phenomena of the future, not the past. Nevertheless, the economic dimension has not been marked by the fragmentation that characterizes the political dimension. At first, in the Early Middle Ages, long-distance and inter-regional trade were primarily characterized by caravan goods; only later did it have an impact on the highest elites of society. Later, however, the High Middle Ages saw the formation of regional trading areas (e.g., the Hanseatic League), which moved commodities as well as luxury goods. The inclusion of commodities such as timber and metals served to draw larger segments of society into an economic world. By the end of the Medieval Period, the regional trading areas had been incorporated into a larger one encompassing all of Europe (indeed, it extended to neighboring continents as well), and the diffusion of commercial practices had been extended throughout society, even to the level of peasants living in Alpine regions.

At the beginning of the Modern Era, few Europeans lived by barter and even fewer communities were economically self-sufficient. The protectionism that sporadically characterized the Early Modern and Modern Eras, i.e., from the seventeenth century through the nineteenth, did not produce autarchic communities, rather all it did was attempt to control trade between various regions and to regulate, but not eliminate, economic interdependence. Just as European history has been characterized by cultural unity, so too it has been characterized by economic interdependence.

Political. A prize is periodically awarded in Brussels honoring individuals, such as Jean Monnet, who have contributed to European integration. The name of this award, the Prix Charlemagne, honors the role of the great Frankish emperor, Charlemagne, as the Father of Europe (pater Europae). While it is certainly appropriate to acknowledge Charlemagne's role as the first individual to rule over a united Europe, it is even more important to realize that he was also the last to do so. While the temporary success of the Carolingian Empire in the eighth century bequeathed the ideal of a united Europe, the collapse of that empire in the ninth century ensured that such an ideal would not be realized. There have been periods when it looked as if some kind of European unification would be possible, for example in the sixteenth century with Charles V, and occasional attempts to conquer Europe have arisen, such as Napoleon in the nineteenth century and Hitler in the twentieth. None has succeeded. The cultural unity and economic interdependence that distinguishes European history have not had a political counterpart. Rather, a fundamental quality of European civilization is the lack of political unity.

Uniqueness of Nation-State. The emphasis on national unity is also an acknowledgment of the intrinsic nature of many civilizations seem to follow one of two patterns: the city-state or the territorial empire. Western Civilization experienced both of these patterns with the city-states of Classical Greece giving way to the Roman Empire. But other civilizations have seen a similar process, e.g., the Sumerian city-states being replaced by the Babylonian Empire in the Middle East.

These two varieties of political organization can be seen as having complementary strengths and weaknesses. On the one hand, the city-state offered its citizens an extraordinary degree of participation and involvement, but did so at the price of internal instability and external vulnerability. On the other hand, territorial empires offered internal stability and external protection, but did so at the price of individual alienation and lack of involvement. The territorial nation-states that began to form in the High Middle Ages combined the strengths of both city state and empire, while avoiding their weaknesses. Countries such as England and France were strong enough to provide internal stability and external protection. At the same time, they developed institutions that provided participation and involvement to many of their inhabitants. From this perspective, the nation-state seems to be a unique political entity in Western history, and perhaps in World History as well.

European History: A Process of National Unification. The awareness that European history is characterized by political diversity and that the nation-state is a unique entity has led historians to focus on the developments in France and that gave birth to it. As European history is conventionally viewed, one of the primary historical forces at work is the process of national unification.

France and England (and to a lesser extent Spain) are often viewed as exemplars of this process. England seems to have achieved national unity early, in the High Middle Ages, and this precocious accomplishment can be used to explain much that is distinctive in English history. France also achieved a kind of national unity by the end of the Medieval Period, and much of its subsequent history, particularly leading up to the Revolution of 1789, is seen as one that involved the completion of this process of state building. The formation of a Spanish state, with the alliance of Castile and Aragon in the fifteenth century, was less thoroughgoing and developments in France, and that gave birth to it. As European history is conventionally viewed, one of the primary historical forces at work is the process of national unification.

It Western Europe was marked by the process of national unification, then Central Europe was marked by the failure of this process. Both Germany and Italy are seen as departing from the French model, as neither formed national states in the medieval or early modern periods. The lack of national unity becomes a primary explanation for much that is distinctive in Italian history, for example, the Renaissance. Much of the discussion of medieval German history is devoted to explaining why it did not achieve national unity, while the story of modern Germany is that of the belated realization of a German state. Many of the ways of the nineteenth century can be understood here, e.g., this process of German unification, and the two world wars of the twentieth century can be viewed as resulting from its success.

Insular as Europe east of Germany and Italy is given much attention in American history courses, what is acknowledged is the absence of the drive towards national unity until relatively modern times. While some attention is given to those countries that seem to have a distinguishable national identity, such as Poland and Greece, Eastern Europe is seen as being characterized by multi national states such as the Russian and Austro Hungarian Empires. Little attention is given to the history of
these states until the nineteenth century, when their history becomes one of collapse under the pressure of political nationalism.

Significance of European Unification. It European history is a process of national unification, then the formation of the European Community becomes an event of extraordinary significance. As described previously in Chapter 1, the first moves toward the formation of a European Community were taken soon after the end of World War II with the goal of eliminating the possibility of such a war occurring again. The wars that have characterized the history of Europe for the past two centuries are customarily seen as the result of national conflicts, either as part of the very process of national unification, as in those of the nineteenth century, or as a result of tensions and conflicts between national states, as in those of the twentieth century and those of the Napoleonic period. If European wars have been the result of the coexistence of sovereign nation-states, then it logically follows that a development that reduces the force of political nationalism and minimizes the tension between sovereign nation-states will serve to lessen the historical causes of conflict in Europe.

The history of Europe since at least the seventeenth century is a history of nation-states. Concepts such as sovereignty, citizenship, and patriotism are ones that arose in the context of nation-states. What will citizenship mean when legal systems are determined by extra-national bodies? What will patriotism mean when national identity becomes less significant? Is it possible for states to retain sovereignty in some areas, such as defense, and relinquish it in others? While the answers to these questions are far from clear, it does seem clear that European unification will change the very way states view themselves and each other. If European history has been the process of national unification, then the events of 1992 and the Maastricht Treaty surely mark a new direction for a new era in the history of Europe.

A EUROPEAN PERSPECTIVE

State and/or Nation. While the national perspective described above is the most familiar to Americans, it is not the only way to view European history and, hence, not the only perspective from which to view European unification. Another perspective is called a European perspective because it places the process of national unification described above in a somewhat different context. It does not deny the importance of the nation-state to the modern history of Europe, but its focus is both broader and deeper.

Both nationalism and the nation-state rest on the assertion that states and nations should be coextensive, i.e., that the entirety of a nation be included within one state and that a nation not be governed by a state with a different national identity. In short, political nationalism asserts that there should be an identity between nation and state, and the result of this identity is the nation-state. Many characteristics can define a national group and give it an identity. This identity, then, can be used internally to identify those individuals to include and externally to identify those individuals to exclude. In Western Europe, an area marked originally by ethnic heterogeneity and religious homogeneity, the primary characteristic that defined national identity was language. But it nationality was defined by language, what then defined language? Before the mass communication and standardized language of modern society Europe was marked by ranges of spoken languages or dialects that varied from region to region. The process that elevated one such dialect to a language and hence to the identifying characteristic of a nation was itself the result of historical happenstance. The European perspective recognizes the problematic aspects in the identification of nation and state; it realizes that nations may not be distinct and easily identifiable entities and, hence, that the identification of nation and state may not be applicable to all of Europe.

Western Europe. Even in Western Europe, where the nation-state was born, the process of national unification can be viewed as less universal and more problematic than the previous view would suggest. It is important to realize that both the ideology of political nationalism and the establishment of the nation-state are creations of Western Europe. The very first states to construct states with boundaries coextensive with national borders were those bordering the English Channel and political nationalism was born in and spread by Revolutionary and Napoleonie France. The question then can be asked whether these ideologies and institutions have the same meaning and significance when translated to different environments. National unification may look very different when viewed in these contrasting contexts.

What distinguishes a language from a dialect is historical development. Because the French state and the French language grew from Paris—the first French kings were the Counts of Paris and their language was the Parisian dialect—both state and nation grew together. Paris became the royal capital and the Parisian dialect became standard, literary French. Thus, it was relatively easy to define nationality with language; indeed, the identification of state with nation was itself a result of this historical coincidence of state with language. Thus, it was the political predominance of Paris that defined Parisian as the French language and the languages spoken in other parts of France as dialects. From the perspective of many of these other regions, the growth of the French state was less as a process of national unification and more as one of political and cultural domination.

The Romance dialects based on vulgar Latin that were spread around the Western and Northern Mediterranean in the Early Middle Ages were not reflections of national divisions. The Pyrenees Mountains, which separate France and Spain, were two territories that shared a language and the languages spoken in other parts of France as dialects. From the perspective of many of these other regions, the growth of the French state was less as a process of national unification and more as one of political and cultural domination.

Central and Eastern Europe. When one looks at other parts of Europe, areas that did not share the historical experiences that created the identification of nation and state in Western Europe, the theme of European history as national unification becomes even more problematic. National identities have of course emerged in the modern history of countries such as Germany and Italy, though their development was not a smooth path toward national self-determination. The Holy Roman Empire, though not a vehicle in the Middle Ages for Germany unification, provided enough political and cultural structure in the Early Modern Period that it still was a Germany for Bismarck to unify in the nineteenth century. In a sharp contrast to the situation in France, Italy formed a national identity based on cultural, not political, dominance, and the Italian language of Dante and Petrarch became the basis for a conscious awareness of national unity (at least among the educated) many centuries before it was institutionalized politically. The existence of Switzerland, a state that shares several national identities and languages, and Austria, a German state that has never really
been part of Germany, are clear reminders that nation-states did not grow naturally in Central Europe.

As one moves farther East, the applicability of the nation-state as a viable method of political organization becomes even more problematic. While there are countries that have a continuous national identity historically, they are the exception rather than the rule. Poland is the best example here of an historic nation, though its history as an independent state has been of relatively sporadic intervals. Hungary is perhaps another, though it too has rarely been independent, and its national consciousness was based on economic class factors as much as ethnic ones. In the rest of Eastern Europe, the nations that form the basis for nation-states are difficult to find. The Serbian nationalism, which provoked World War I and is now a key ingredient in the war in the former Yugoslavia, had to be deliberately invented in the nineteenth century. The question of what now constitutes the national borders of Romania is no clearer now than it was after World War I or throughout the nineteenth century.

The efforts of Woodrow Wilson after World War I to implement national self-determination are now seen by historians as an attempt, based either on naivete or cynicism, to provide the impossible. The short-lived and unstable regimes that were established in Eastern Europe in the inter-war period seem to demonstrate the futility of national self-determination in an area without a history of national identities. From this perspective, the growth of Soviet power in Eastern Europe after World War II can be seen as a reincarnation of the multi-national empires that existed in that area before World War I. Furthermore, the implosion, first of Soviet power in Eastern Europe and then of the Soviet Union itself, can be seen as another step in the process that destroyed Austria-Hungary and the Ottoman Empire in the last century.

From the European perspective, the significance of European unification becomes more problematic. Awareness of the historical happenstance that created nation-states makes us aware of the fragility of the nation-state in Western Europe. Contemporary developments in Eastern Europe remind us that European unification is a phenomenon of only part of Europe.

Destabilization. As described above, the growth of the European Union necessarily involves a weakening of the power of each of the component members. What will be the internal effects of such a lessening of national power? Will there be a resurgence of regional separatism? Will separatist movements that have long advocated political independence, such as the Basques in Southern France and Northern Spain, renew their energies? Will separatist movements that have emphasized cultural more than political factors, such as the Welsh in England, become more politically focused? What will be the policies of the European Union towards these "sub-national" regions? Was the recent decision by the then-European Community to recognize Catalan as an official community language a unique event, not to be repeated? Or will other minority languages, e.g., Breton in France, get similar status? Will the diminution in the power of states such as France and Spain lead to regional rivalries, ethnic tensions, and general instability? Such a scenario is certainly a possibility.

When one looks outside the European Union, to the countries of Central and Eastern Europe, the possibility of instability and strife becomes even more probable. The collapse of the Soviet-oriented Eastern Bloc nations presents three distinct problems to the European Union. First, the future of countries-such as the former Yugoslavia-is not at all certain and the possibility of ethnic strife in Eastern Europe has become vastly greater. Violence becomes common in these areas, will it be localized? Or will it spread throughout Europe and draw in the European Union? Will individual members of the European Union become more interested in developments on their Eastern borders and less committed to the task of European integration? Has such a development already occurred in Germany?

Second, the prospect of widespread immigration into the European Union from Eastern Europe has greatly increased. Given the policy of free movement, legal entry into just one EU member country allows free movement within all members. What will be the economic and social consequences of such massive immigration?

Third, a major issue facing the European Union will be that of "widening." That it can and should expand beyond its current membership is a formal goal of the Union. But at what speed? And with what priorities? And with what consequences? The issues of immigration and widening will be discussed in the following chapters, but it is useful to keep in mind that developments in Central and Eastern Europe are the contexts in which these issues arose and have to be confronted.

A GLOBAL PERSPECTIVE

Rise or Decline? This perspective looks at European integration not from the national or even the European viewpoint, but rather from an even larger one. It acknowledges the global environment in which both the history of Europe and the history of the European Union itself developed.

European history is, of course, only a part of a larger history. From the perspective of global history, European integration may be the beginning of a new era in global history. According to the most formulations of world history, the period from the fifteenth and sixteenth centuries through the nineteenth century was characterized as one of European domination of other parts of the globe. Beginning with the voyages of discovery, Europe began to conquer, colonize, and exploit native cultures and civilizations. The culmination of this domination was the transfer of European civilization abroad, to countries such as the United States, and finally the spread of imperialism throughout the twentieth century.

The twentieth century has seen two developments that reversed this pattern. On the one hand, movements for independence from colonial status have characterized much of the current century as the imperial states constructed in previous centuries finally disappeared in the years following World War II. On the other hand, the rise of the "great powers" of the United States and the Soviet Union seemed to relegate the European countries to a lesser status. Both developments reinforce the perception that the twentieth century has seen a weakening of Europe's role in a global society. Will European unification continue this role, albeit under a different institutional formulation? Or will the European Union play a new and different role in global history and politics?

Two Dynamics. Global politics in the years since World War II have been characterized by two dynamics. Both of these have shaped the role Europe has played in world history.

The first is that of the Cold War that provides the context within which European history since 1945 has developed. It is important to acknowledge that the movement for European unification arose in a context that was shaped by external events. American hegemony, both military and monetary, was the "umbrella" under which European unification was conceived and implemented. The existence of a great-power duality between the United States and the Soviet Union was a given in European views of both present and future. It, as seems likely now, America's military and financial umbrella is removed and the Soviet Union no longer plays the role of great power, what then will happen to the European Union and its member countries? In particular, what will be the implications for matters involving military and national security?

The other dynamic is that between the industrialized and non-industrialized countries of the world. For the countries of Western and Central Europe that comprise the European Union, their legacies as the birthplaces of both industrialism and imperialism continue to form a "special relationship" between Europe
and its former colonies. While individual countries, such as England and France, have taken very different routes in defining and maintaining this relationship, the future of it is necessarily problematic. Will the cultural and economic ties that have characterized many of these relationships, including those between Spain and Latin America, survive? What will be the policies of the European Union itself towards Europe's former colonies?

EUROPE AS SUPERPOWER

Economic. What will Europe's role be in the twenty-first century? Even if European integration goes no further than the completion of the common internal market, it seems clear that the European Union will emerge as an economic superpower. As discussed more fully in later chapters, the Union's economic potential, even at its present size, rivals that of Japan and the United States. Will the twenty-first century see a tri-polar global economy centered in New York, Tokyo, and London/Berlin? What will be the relationships among these three economic superpowers? What will be the relationships between them and the rest of the world?

Political. Will European integration stop with the completion of the common internal market and the Treaty on European Union? Or will economic power transform itself into political and military power? Until the post-1945 world, there are few if any examples of states that had economic, but not political power. Contemporary Japan is, of course, the one exception. Will its pattern be repeated? Or was it a unique result of the bi-polar distribution of power between the United States and the Soviet Union? Will the twenty-first century be one in which economic power is shared among three states, while political and military power is not shared? Or will more conventional patterns emerge as Japan, or Europe or both fill the gap left by the implosion of Soviet power and transform their economic capabilities into political and military power?

CONCLUSION

There is an inherent difficulty in assessing the significance of contemporary events. Significance often has an historical connotation. Historians discuss the significance of particular events and/or developments from the vantage point of knowing what followed these events and developments. Hence, it is often said that only history, i.e., the future, can assess the true significance of contemporary events. For these reasons, the "significance" of a contemporary event such as European unification cannot be accurately predicted and thus not precisely known. From whatever perspective European unification is approached, the ambiguities and uncertainties that emerge make precise assessment impossible. But one conclusion can be stated confidently, and it is one that emerges equally strongly from the National, from the European, and from the Global perspectives: something very important is happening in Europe.

Bibliography


Chapter 3

THE EUROPEAN UNION: GEOGRAPHIC PERSPECTIVES ON UNIFICATION

Howell C. Lloyd
INTRODUCTION

Progress toward European integration must be recognized in the context of the considerable spatial variations inherent in the geographic environment. Europe, for its relative area, is extremely complex in terms of both human and physical patterns. Significant variation within relatively short distances, whether it be measured in terms of ethnicity, physiography, levels of economic development, or political jurisdictions, is a hallmark of the European scene. This variety is what makes study and travel in Europe so fascinating for Americans, yet has contributed to Europe's turbulent history of human misunderstanding and conflict. Simultaneously it renders the post-World War II accomplishments and progress toward unity in Western Europe the more remarkable. Attaining a truly integrated European community means transcending diversity and difference while strengthening unity and cooperation.

The influences of geography together with the legacy of history impact upon this process in a myriad of ways. As modern Western Europe has grown together through the efforts of sovereign governments, organizations, and individuals, overcoming historical and regional differences, there has evolved a simultaneous consciousness that increasing homogeneity may well accelerate the decline of local and/or regional individuality. Thus, the goal of European integration is being accompanied by efforts designed not to impede this progress, but yet to assure the preservation and even enhancement of traditional regional identities.

An understanding of the challenge of European integration, therefore, must initially incorporate knowledge and recognition of fundamental geographic characteristics. One must grasp the basic framework in order to comprehend the individual elements and their interrelationships as parts of the whole. The "European stage" can be perceived as a series of interrelated elements: the physical setting, demographic, cultural and political patterns, and the distribution of major economic activities.

DIVERSITY WITHIN UNITY:
FUNDAMENTAL GEOGRAPHIC PATTERNS

Physical Geography: Physiography. (See Figure 1) As the "stage" upon which human activities through time are played, physiography, i.e.: the major landform character, together with its underlying geology, strongly influence the nature and development of such activities. Fundamental characteristics of the physical landscapes impact directly upon regional differences in agriculture, industry, transportation, population distributions and densities, and settlement patterns. In turn, meeting the challenges inherent in bringing unity and relative equality to any broad area such as the European Union involves transcending such spatial variations.

Europe, for clarity, may be described as possessing four principal and distinctive physiographic (landform) regions, each displaying basic similarities. In geologic age, the most ancient of these regions is Caledonian Europe, encompassing the highlands of the British Isles (Scotland, northern England, Ireland, Wales), Norway, central and northern Sweden, and Finland. Largely underlain by ancient metamorphic crystalline bedrock, its geology precludes the presence of fossil fuels, so that in Caledonian rock strata coal, oil, and natural gas are essentially absent. Additionally, much of the region is mountainous and soil formation upon such resistant bedrock is very slow, minimizing the availability of level fertile agricultural land. Most of this portion of northern Europe was glaciated, so that the region is characterized by considerable areas of thin soil cover, exposed bedrock, and surface water. Its northerly location simultaneously means a cooler climate contributing to the slow process of soil formation. Since much of Caledonian Europe is exposed to the year-round influx of cool, damp air masses brought by the prevailing westerly winds from the Atlantic Ocean, the soils are relatively acidic.

Harking back both the coal resource essential for heavy/basic industry and any significant areas of fertile soils, the Caledonian highlands experienced little traditional 19th-century industrialization or urbanization, nor has it been able to sustain dense rural agricultural populations. Its relative isolation from mainland Europe and interior physical barriers to easy land communications have combined with the other attributes to mark this as part of Europe with a history of significant population outmigration, and limited and gradual industrial development. Most of Caledonian Europe is sparsely populated today and attracting economic development and diversity is exceedingly difficult.

The Great North European Plain constitutes that physiographic region south of Caledonian Europe, extending from the Atlantic seaboard eastward into the plains of Russia. In extreme contrast to Caledonian Europe, this area is geologically the youngest of the major landform regions of Europe and is underlain primarily by sedimentary bedrock (limestones, sandstones, shales). It encompasses a broad sweep of territory in a continuum from southwestern France across central and northern France, Belgium (except for the southeastern Ardennes forest region), the Netherlands, northern Germany, Poland, and into Russia. Also included are the lowlands of England, Denmark, and portions of southern Sweden. Essentially void of any significant physical barriers to movement, the North European Plain has long provided the major east-west routeway across continental Europe. Traversing this plains region toward the Atlantic, English Channel, North and Baltic Seas flow several of Europe's most important navigable rivers which further enhanced commerce. These include the Seine, Scheldt, Maas/Meuse, Weser, Elbe, Oder, and most importantly the Rhine and its major tributaries. Simultaneously the North European Plain possesses some of the most fertile soils and, therefore, a history of relatively intensive agricultural pursuit.

This plain being sedimentary, not only has soil formation been facilitated, but carboniferous formations occur in the sedimentary strata providing Europe's most extensive fossil fuel reserves. Among the examples are the coal mining areas of northeastern and Midland England, West Yorkshire, South Wales, southern Belgium, the German Ruhr, and Silesia in southern Poland. These locations became the centers of heavy industrial development in the 19th century. More recent have been the discoveries and exploitation of large natural gas deposits (e.g. Groningen Province in the Netherlands) and oil from the North Sea. The bed of the North Sea is physiographically merely an extension of the European Plain below sea level. With the assets of relatively level and fertile land, reliable and plentiful rainfall,
FIGURE 1
Physiographic Regions

- Alpine
- Caledonian
- European Plains
- Hercynian
good harbors and navigable rivers, and mineral wealth, it is the North European Plain which exhibits the greatest clustering of population, industry, and urban centers, and highest density of transportation networks.

Although not contiguous to the North European Plain, other more isolated fertile plains areas occur on the European landscape and support outlying centers of development and population concentration. The most significant of these within the context of the European Union is the plain of the River Po and its tributaries, a productive and populous basin which dominates northern Italy, south of the Alps. The other large fertile plains regions are in East-Central Europe, the middle Danube River Basin centered on Hungary, and the lower Danube and Moldavian plains of Romania.

The third major physiographic region is less contiguous in its location and thus displays a fragmented pattern when mapped. Hermitian Europe, sometimes referred to as the central plateaus and hills, is composed of more ancient crystalline blocks or "horsts," uplifted by tectonic activity in geologic history. Interspersed between these uplands are the geologic fault valleys or "grabens." The latter have long been critical for they provide the primary overland routeways from the North European Plains inland. Among the most prominent of the upland blocks are the Spanish Meseta, the Massif Central of south-central France, the Vosges Mountains in Alsace, and the Black Forest area of southwestern Germany, the Middle Rhine Highlands of west-central Germany and its extensions, the Ardennes of Belgium and Luxembourg, the scattered hill lands of east central Germany including the Harz Mountains and Thuringian Forest, and the Ore and Sudeten Mountains on the perimeter of Bohemia. With a few exceptions these ancient blocks are the more negative areas, with lower population densities, mainly pastoral agriculture and forestry, and little industry or urban development. The intervening valleys, however, channel movement, trade, and development and constitute strategic corridors. The most prominent example is the upper Rhine and Saone-Rhone Valleys from western Germany south to Lyon and continuing to Marseilles. This route way and others have repeatedly played significant roles in economic, political, and military history.

Finally, the fourth major physiographic region is Alpine Europe consisting of young, often glaciated mountains of which the Swiss, French, Italian, and Austrian Alps are but the core of the system. The Pyrenees, the Apennines of the Italian Peninsula, and in East-Central and Southeastern Europe the Carpathians, Transylvanian Alps, Balkan Mountains, Dinaric Alps of Yugoslavia, and Pindus Mountains of Greece are all of Alpine origin. Clearly these mountain chains pose barriers not only to human settlement, movement, and activity, but to climatic influences as well. Modern technology has managed to penetrate these mountain barriers, most notably through the central Swiss Alps via rail and highway tunnels, though other segments, particularly the Pyrenees, have yet to be so effectively pierced. Nevertheless Alpine Europe must not be viewed as essentially negative; as the source of water and hydro-electric developments, the locus of scientific forestry and intensive tourism, many Alpine areas are exceptionally prosperous, if not densely populated. Very significant in agricultural and economic terms, the central Alps and Pyrenees also delimit the northern margin of the Mediterranean climate region in Western Europe.

Physical Geography: Climate Regions. Europe's relative location at the north-western extremity of the Eurasian continent, penetrated by seas, exposes it fully to the influences of the Atlantic Ocean. This maritime situation, combined with latitude and topography, are the dominant elements influencing climates. Northwestern Europe, from western France through the British Isles, the Benelux, western Germany, and southern Scandinavia exhibit a West Coast Marine climate. The twin factors of the relatively warm offshore ocean current (Gulfs Stream North Atlantic Drift) and prevailing westerly winds provide this broad area with a climate characterized by moderate average annual temperature ranges and year round precipitation. Thus, in spite of the latitude, conditions for agriculture and living are ameliorated. Across the North European Plain no physical barriers exist to block the moderating maritime influences from penetrating inland, and only gradually does the maritime climate give way to the more continental as one moves toward east-central Europe. A favorable climate thus contributes significantly to the positive qualities of the North European Plain and helps account for its development and prosperity. Only when one reaches East-Central Europe, in Poland or the interior Danube Basin, does distance from the moderating maritime Atlantic influences diminish and average annual temperature ranges increase to the point that a Humid Continental climate type occurs.

The second major climate type affecting Western Europe is the Mediterranean. Here, located in the latitude which witnesses a seasonal shift in atmospheric pressure cells between summer highs and winter lows, the climate is typified by distinctly dry, hot summers and mild, damp winters. This climate characterizes the Iberian Peninsula, southeastern France, Italy, Yugoslavia, and Greece. When the attributes of the land (sloping and subject to historic overgrazing and extensive erosion) are added, the limitations to agriculture in Mediterranean Europe are realized. Combining these climatic/environmental factors with the lack of significant mineral resources for basic industry, one gains understanding of the historic priority of heavy industrial development in the North European Plain in the 19th and early 20th centuries.

Within higher Alpine areas elevation radically modifies climates so that these restricted locations are designated as having an Undifferentiated Highland climate. The only other climatically distinctive region is limited to that portion of Nordic Europe in the lee of the Scandinavian Mountains, e.g. central and northern Sweden and Finland. Here a cool summer Continental climate merges northward into a Sub-Arctic region with greater seasonal temperature variations and extremely cold winters.

Climate characteristics are clearly major components in comprehending the spatial patterns of demography and economic activity in Western Europe. The prosperity and development of the densely populated industrial and productive agricultural heartland across the plains of northern Europe closely coincides with the West Coast Marine climate zone, whereas the peripheries, especially the Mediterranean south and the far north, are regions with more limited economic possibilities.

THE CULTURAL/POLITICAL MATRIX

Ethnic and cultural differences inevitably lead to difficulties in understanding and communications between peoples and societies. Integration must transcend these barriers, while simultaneously more regionalized efforts are exerted to retain and preserve cultural distinctions, as recognized in minority languages, customs, and traditions. Europe displays a wealth of variety in its historic cultural patterns and practices. Whereas modern technology — especially as it is reflected in communications and transportation, enhanced mobility of populations and employment, and growing economic affluence — combine to increasingly blur regional distinctions, one must grasp the spatial patterns of culture which exist. To a significant extent these patterns, particularly of language, but to a degree religion, display a relationship to the political map of European states and provinces. However several multi-national states with internal cultural divisions occur and these countries, together with the major zones of cultural transition, deserve focused attention.

The Cultural/Political Matrix: Language. (See Figure 2) The language map clearly portrays a basis for describing European cultural differences. Approximately 80 percent of all Europeans speak a language which belongs to one or three major linguistic families: the Romance, Germanic, and Slavic. Principal languages, cultural zones of transition and, thus, potential misunderstanding and conflict occur in the frontiers where
FIGURE 2
Languages

Language Family
- ROMANCE
- GERMANIC
- SLAVIC
- (ENGLISH)
- CELTIC
- BASQUE
- URAL-ALTAIC
- HELLENIC
- THRACO-ILLYRIAN

[Map of Europe showing language families]
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these groups merge. The remaining 10 percent of Europeans speak languages from other families, namely the Celtic, Basque, Ural-Altaic, Hellenic, and Thraco-Ilyrian groups. These peoples comprise both the most culturally and regionally distinctive of the European minorities.

The Latin based Romance languages dominate much of western and the western Mediterranean portions of Europe. The primary languages encompass are Italian, French, Spanish and Portuguese in Western Europe, as well as Romanian in Eastern Europe. Distinctive regional variants occur within countries. Most prominent are Catalan (Catalonian Spanish) in northeastern Spain, which is distinctive from Castilian Spanish, and Galician in northwestern Spain, derived from a mix of Portuguese, Spanish, and Celtic roots. Extending beyond the individual countries represented, the Romance-speaking area is continued into southeastern Europe where the Walloons are French speaking. Luxembourg where French is one of the three principal and legal languages, and Switzerland, where the western cantons are predominantly French and the southwestern Ticino Canton, Italian. A minor grouping of Romance languages are the Romansch, whose speakers dwell in southeastern Switzerland (Rhaeto-Romance) and northeastern Italy (Ladin and Friulian).

The Germanic languages incorporate German (with regional variations), Dutch, and all Nordic (Scandinavian) languages, except Finnish and Lapp. Though normally classified as Germanic, English contains a substantial amount of the Germanic and Romance, based upon its origins and evolution as an intermixture of Anglo-Saxon and Norman French. The area of Western Europe, in which German or other Germanic languages occur, extends somewhat beyond these bounds. Frisian, the distinctive regional tongue manifested in the Friesland Province of the northern Netherlands, is perhaps most closely related to English of all purely Germanic languages. Flemish, a variant of Dutch, is the language of northern Belgium, and Lotzeburgish (Luxembourgish) is a derivative of ancient Mosel German. A German dialect forms the basis of Alsatian culture in the Alsace region of northeastern France, and Swiss German (Schweizer Deutsch) is the mother tongue of some 60 percent of the Swiss population. Additionally Austria is predominantly German-speaking. Until the Second World War very significant areas and geographical nodes of German peoples occurred in Eastern Europe, and German is still prevalent in the South Tirol (Alto Adige) region of Alpine Italy; but the impacts of war and population migrations have markedly reduced the scale and importance of these extensions and enclaves.

The notable Romance-Germanic linguistic frontier may be traced across continental Western Europe from the English Channel at the Belgian-French border, eastward through Belgium passing just south of Brussels, encompassing Luxembourg, Alsace, and thence into Switzerland where it courses eastward approximating the crest of the Swiss Alps. One is struck immediately by the location, especially of the more northerly portion of this transition, coinciding so markedly with that band of territory which has been the focus of repeated military conflict in the 19th and 20th centuries. If English is accepted as a "bridge language," then England can be viewed as a part of this same transition. South of it is across this language-based cultural frontier zone that communications and understanding have been rendered especially difficult throughout history.

Europe's indigenous minority language families are located, for the most part, on the geographical periphery. Increasingly those in Western Europe have become locations of regional demands for autonomy, independence, and/or separate representation within the European Community. The Celtic family incorporates Irish and Scots Gaelic, Welsh, and Breton. The latter two languages derive from the Brythonic branch of the Celtic family and, though Wales and Brittany are separated by the English Channel, are mutually intelligible for native speakers. The Gaelic languages of Scotland and Ireland have suffered the most attrition as measured by numbers of speakers and contraction in area, whereas Welsh is arguably the most viable as measured both by numbers of native speakers and proportional area of the country affected. Nevertheless the Celtic languages, both of the British Isles and France, are endangered. As a consequence, strong regional nationalist movements have evolved in Ireland, Scotland, Wales, and Brittany. These nationalists, as well as other residents less motivated toward separatism, cannot be viewed as antagonistic to European unification. Rather they strive to gain for their respective "countries" their own representation and voice in European affairs. Only the independent Irish Republic among the Celtic lands now enjoys such a position. The most strident and consistent efforts toward regional separatism in recent years have occurred in the Basque country straddling the French-Spanish border. The majority of Basques, whose language roots are unknown and unrelated to any other European language family, dwell within Spain, with a much smaller number in the adjacent southwestern French Pyrenees. Today the Spanish Basque region enjoys autonomous status within the political territorial organization of the Spanish state.

The remaining minority linguistic groups are located in eastern and northern Europe. Finnish (together with Lapp and Estonian) and Magyar (Hungarian) are Ural-Altaic languages as is, though more distantly related, Turkish. Standing alone are Greek (Hellenic) and Albanian, the sole Thracio-Ilyrian language in Europe.

One can now recognize the basic linguistic pattern, with a significant cultural zone of division between the Romance and Germanic regions of Western Europe coursing through the heart of the European Union, and more isolated peripheral minorities posing largely local problems within the context of larger states. Many of the Union member countries, however, must contend with regional problems related to language. The most serious is the cleavage of Belgium which has created domestic political instability and repeated international crises. As a result Belgium is gravitating toward a more federal political structure. Spain must continue to work with the problems posed by the Basques and with pressures for Catalan cultural recognition. Of less critical or immediate concern, but still divisive, are the demands emanating from the Celtic lands of the United Kingdom and France. Occasional recurrent resentments appear in the Germanic South Tirolean area of Italy, which does have regional political autonomous status. The multi-lingual character of Luxembourg, on the other hand, with her small size and central location, is recognized, promoted, and most successfully exploited as a valuable asset, especially in the worlds of international business, finance, and tourism.

The Cultural/Political Matrix: Religion. (See Figure 3)

Though today not the significant barrier to cooperation and understanding that was historically the case within Europe, religious traditions have left imprints on societies and continue to contribute to the sense of nationhood. As with language, mobility of peoples and enhanced international interactions have masked regional distinctions. A comprehension of the general pattern of religions remains of value in understanding elements of regional attitudes and differences.

Western Europe includes a majority of states whose populations are dominantly of a single religious tradition and others where division exists in significant proportions. When mapped the areal extent of continental Western Europe dominated by Roman Catholicism coincides remarkably with that of the ancient Roman Empire and can be seen as reaching northward to approximately the line of the Rhine and upper Danube Rivers. Catholicism prevails in Italy, Spain, Portugal, France, Belgium, Luxembourg, Austria, and the Republic of Ireland. Excluding consideration of Eastern Europe, the area in which Catholicism is dominant extends beyond these states into the southern provinces of the Netherlands, the middle Rhine valley and southern Germany and the primarily Romance-speaking regions of western and Alpine Switzerland.
FIGURE 3
Major Religions
Western Europe

Religion
- GREEK ORTHODOX
- PROTESTANT
- ROMAN CATHOLIC
- ROMAN CATHOLIC-PROTESTANT
The legacy of the Protestant Reformation may be seen in much of northern Europe including the predominance of Lutheran tradition in all the Nordic states as well as northern Germany (including all of former East Germany), and Calvinism in the northern Netherlands. In the Swiss Confederation, mainly the Swiss Germans, have a Protestant/Calvinistic heritage. Since the reign of Henry VIII the Anglican (Episcopal) Church has remained the state religion of England. Although Anglicanism is prevalent throughout Scotland and Wales, the great majority of Scots and Welsh adhered to Congregational, Wesleyan Methodists in the eighteenth century, inspired partly by their perception of Anglican Church as a manifestation of English domination. However, in part through Irish immigration, Roman Catholicism is present today throughout the United Kingdom; it is the large urban centers. Only in Northern Ireland, a constituent part of the United Kingdom, does the Catholic-Protestant ratio approximate 50:50.

In the southern Netherlands, Roman Catholicism has preserved a culturally contrasting role particularly in France, Iberia, and Italy, as has the Greek Orthodox faith in Greece. The Lutheran tradition has been a unifying influence throughout Scandinavia. Importantly, only three sovereign West European countries, the Netherlands, Germany and Switzerland, exhibit demographic patterns based upon patterns of religion. Though not significantly divisive today, religion has traditionally been a basic factor for some political parties in these countries. Only in Northern Ireland does discrimination based upon religion constitute a current and serious divisive influence.

The Cultural/Political Matrix: The European Nation-State and Regional Minorities. (See Figure 4) Western Europe is commonly cited as the birthplace of the modern nation-state, but one must be cautious in its use of terms. Strictly adhering to the concepts of nation and state, Europe exhibits a range from the cultural-linguistic traditions, and other characteristics who either inhabit a state or associate themselves with a given territory. The state is a political entity within a territory, recognized boundaries, a resident population, political organization (government), and sovereignty. The true nation-state is a state inhabited by one nation exhibiting no major historic or permanent minorities, whereas the multinational state is a state with two or more regionally identifiable indigenous culture groups. The most apparent attributes defining a nation are common language, religion, customs, traditions, and habits combined with emotional or other ties to a distinct region or area. Among the European Union countries, Austria, Portugal, Greece, Ireland, Denmark, Sweden, Finland and somewhat less so the Netherlands could be argued as closely resembling the strict definition of a homogeneous nation-state. Finland does contain a Swedish minority in the Åland Islands and southwest Finland, and the apps occupy areas crossing the northern borders of Sweden and Finland. Considering its sizable population, Germany is as well, accepting that the non-ethnic German residents of the Federal Republic are principally foreign guest workers, neither are there indigenous minorities nor located within distinct regions. Similarly, but at the opposite end of the area scale, the German-speaking minority residents of the Saarland, the Moselle valley, and the Rhineland, though not a true nation-state, are relatively homogeneous cultural groups, albeit with distinctive peripheral minorities included within their boundaries. In France these are the Bretons and Basques, but also Corsicans and even German speaking Alsations. During the post World War II era large numbers of North Africans have come to France, whose presence is related to domestic social friction and discrimination. However this in-migration of labor does not constitute an indigenous minority; it is located primarily in the larger urban areas, and therefore, does not place France in the category of a true multi-national state. Italy has granted limited regional autonomy to the Trentino Alto-Adige (South Tirol), the small French-speaking Val d’Aosta, as well as to Sicily, Sardinia, and the culturally traditional Italian-speaking Girithia region adjacent to Slovenia and Austria in the northeast. Still, in both France and Italy, the historic traditional linguistic minorities constitute small proportions of the total populations and are peripheral in location to the main body of the respective states.

The United Kingdom, Spain, and most dramatically Belgium, cannot be defined as nation-states, but rather are more clear examples of the multi-national state concept. In Britain, the Scots, Welsh, and, more complex, the Northern Irish, are distinctive minorities with cultures pre-dating the English and long associations with their own defined territories. Spain contends with not only the Basques, but strong regional and cultural identities expressed by the Catalans, Galicians, and, less so, the Andalucians. In recognition of these regional differences, post-Franco Spain has moved toward a semblance of federation with limited autonomy to its various provinces. Belgium, sharply divided by the language line between the northern Flemish and southern French (Wallonia), also includes a small German speaking region on its eastern frontier. Whereas the United Kingdom and Spain face periodic pressures for separation of cultural/religious bases, as have France and Italy with less vigor, Belgium is literally split in half on the language issue with Brussels the official bilingual capital region.

Among the non-members states of the Union in Western Europe, the majority conform closely to the concept of the true nation-state. This applies to Norway and Iceland, but Switzerland is fully multi-national within its confederation recognizing four official languages.

In this matrix of sovereign states, relatively minor political boundary changes have occurred in Western Europe in this century, excepting those of Germany and the attainment in 1921 of Irish Republican independence. Thus, in spite of regional demands for autonomy in certain states, stability in geopolitical form has characterized the most recent period of history of most Union countries. The conclusion of World War I did witness minor adjustments to the German-Danish and German-Belgian boundaries, the return of Alsace-Lorraine to France and the annexation of the South Tyrol and Trieste/Istria to Italy. In Central Europe the collapse of the Austro-Hungarian Empire resulted in the creation of landlocked Austria, Hungary, and Czecho-Slovakia. Poland and Yugoslavia are examples of sovereign states and Finland was enlarged with the annexation of the region of Transylvania. Finland had gained its independence from Russian control in 1917. Even fewer territorial changes followed the Second World War, with Italy eventually deprived of the Istrian Peninsula. Nevertheless it must be recognized that, excluding Germany and Austria, the current member states have existed in essential political-geographic continuity so that their respective positions as nation-states or multi-national states has not altered significantly. The reunification of Germany in 1990 did not incorporate the Federal Republic significant ethnic minorities, although eastern Germany does include a small (approximately 65,000) regionally identifiable rural population of Slavic (Lusatian/Worib) heritage in the area of the Saxton town of Bautzen.

It is true that the numbers of ethnic minority residents in many of the member states increased over the last forty years, largely the result of the arrival of foreign guest workers seeking economic opportunity. This has created situations more closely related to the definition of plural societies, but in these circumstances geographically restricted mainly to the larger urban centers. It has reduced proportionally the "homogeneity" of the individual receiving state, lessening its narrowly defined "nation-state" status, but the presence in a country of sizable numbers of foreign workers does not create a "multi-national" state.
FIGURE 4
Principal Ethnic Minority Regions
Western Europe
REGIONAL ECONOMIC VARIATIONS

Agriculture. The ability of any region to sustain a significant population is influenced by the productivity of its agricultural base. Forms of agricultural practice and levels of agricultural productivity, in turn, are dependent upon soils, water, climate, and man’s level of technology. In European history an “agricultural revolution” was a necessary predecessor to the industrial revolution so that a “surplus” urban-industrial population could be supported. Not only were the locations of the natural resources, especially timber, reliable water supply, and coal, primary factors in early concentrations of European industry, but also the accessibility to fertile agricultural soils. The most productive and intensive arable agriculture evolved and remains today in those regions of relatively level land, highest soil fertility, and reliable water supplies. One must realize, simultaneously, that in regions devoid of the fundamental bases for industry, agriculture remains a major economic endeavor for a sizable proportion of the resident population. In most areas of Europe some form of agricultural pursuit is followed; only in the northern extremities of the continent or at high elevations is it severely diminished. Within the market orbits of most large urban areas agricultural land use tends to be at its most intense. In such locations market gardening, producing fresh vegetables and fruits, and dairying are common.

In three of the four major physiographic regions of Europe, namely, the Iberian, Balkanian, and Alpine, the natural environment restricts both the range and intensity of agricultural practice. Therefore the plains areas are those that accommodate the most varied and higher levels of production. From western and northern France across Belgium, southern England, the Netherlands, and central Germany, that area coincident with much of the Great North European Plain physiographic region, occurs the most continuous zone of high agricultural fertility in Western Europe. Only the plain of the Po River in northern Italy exhibits comparable productivity and significant areas here are dependent upon irrigation. Grain production, livestock, and dairying, fruit and vegetable production prevail throughout much of these plains regions. In contrast, arable agriculture diminishes with increasing latitude, cooler and damper climates, and less fertile land. In highland Britain, northern Germany, and much of the settled areas of the Nordic realm cultivation gives way to the dominance of grazing and forestry. Here populations must rely upon imports of wheat, maize, and other crops which require warm, dry periods for ripening.

Throughout most of the Mediterranean climate zone a very different set of influences prevail. Except on the limited areas of coastal and river plains or where extensive irrigation is present, agriculture is restricted to the production of those crops which can sustain periods of summer heat and drought. Thus much of rural southern Europe is dominated by the olive, citrus fruits, vineyards, and dry crop farming. Here the prevalence of sloping land, a history of over-grazing, especially by sheep and goats, combined with the climate regime result in extensive soil erosion. Yet the people have adopted agricultural practices, still very labor intensive, which have allowed them to continue on the land in very considerable densities. Southern Italy including Sicily, portions of Spain, northern Portugal, and central Greece exemplify these characteristics.

Industrial Activity. (See Figure 5) The major pattern of industry reflects still today the influences on location that have been inherited from the Industrial Revolution of the late 18th and 19th centuries. The conversion from primarily agricultural to industrial economies was first experienced in Britain and Belgium, somewhat later in Germany, and northern France. The initial stage of the Industrial Revolution was based principally upon textiles and shipbuilding, endeavors closely linked to the major maritime and colonial trading states of northwestern Europe. Leeds and Manchester in England witnessed the mass production of wool and cotton textiles, respectively. Towns in Belgian Flanders, as well as Lille, France, and Wuppertal, Germany followed as centers of mass production of cloth. Only in northern Italy were comparable pursuits on a large scale contemporary. The several early shipbuilding port cities which attained supremacy included Glasgow, Liverpool-Birkenhead, Belfast, and Newcastle upon Tyne in Britain and Antwerp, Rotterdam, Amsterdam, and Hamburg in the continent. This first stage stimulated a drift of labor from the rural areas to the cities, a trend which would magnify with time.

The second and more familiar stage of the Industrial Revolution was that based upon coal, so that those European regions which possessed accessible coal gained the advantage. In most cases at least modest deposits of iron ore were located proximate to the coal resources. Once again, Britain, Belgium, and Germany gained the advantage. Not only did they possess Western Europe’s major coal deposits, but they had begun the urban-industrial experience, were cognizant of the need for improved transportation and had accumulated investment capital. Admittedly intensive German heavy industrialization lagged behind that of Britain and Belgium in the early decades, but, after German political unification in 1870-71, the Rhine-Ruhr region rapidly evolved as the single largest concentration of heavy industry in Europe. France, on the other hand, was slow to adapt to these changes. Her only significant resources of coal were secondary, the primary producing region being a westward extension of the southern Belgian coal field located near Lille on the Belgian border. Though in possession of the largest iron ore reserves of Europe, in Lorraine, two factors minimized its value for France. First, the ore is high in phosphorus, an impurity that renders the iron or steel brittle and of less value or use for many products. Until the development in Britain of the Gilchrist-Melville open hearth process in steel making, such impure “bosh” ores were less valuable. Only in the 1880s were the patents for this process acquired on the continent, initially by Luxembourg. Second, as the result of the Franco-Prussian War (1870-71), the French Lorraine iron region was politically incorporated into Germany, so that the French were deprived of control until after World War I.

Certainly at the beginning of the 20th century the dominant states in basic industrial development and wealth were the United Kingdom and Germany, with Belgium and Luxembourg, though small states, also in this vanguard. Only the north and northeastern regions of France exhibited similar activity. These states gained the historic momentum or impetus in industrialization and would continue this relative dominance well into the 20th century. Northern Sweden was firmly established.

Little comparable heavy industry emerged elsewhere in Europe. The Nordic realm, as has been noted, lacks the fossil fuel energy resources, but also the capital and large populations needed for basic industry on a major scale. Northern Sweden does possess a high quality reserve of iron ore, used as the basis for the limited scale domestic steel industry and for export to other European countries. Few sources for coal or iron ore exist in Mediterranean Europe. Only Spain possesses both, in modest quantities, along her north coast. The Spanish had failed to develop an economy which could provide the capital or incentives for significant early industry. A geographic dichotomy had been established that would impact on the character and policies of European integration in the second half of the century. The northwestern European industrial heartland had emerged as the “economic engine,” whereas the northern, western, and southern margins of Europe remained more agricultural. Although the original coal field industrial regions would suffer stagnation and decline, requiring special concern and attention, the impetus for an industrial and urban focus would remain. Industrialization of the outlying regions, almost in direct relationship to distance
FIGURE 5
Coal Fields and Industrial Regions
European Union
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Market factors and labor costs, therefore, become predominant as locational determinants. Such growth sectors include electronics and electrical engineering, vehicles and components, synthetics, and other science-based industries. Western Europe's huge size and industry has located in industrial parks or in near major urban metropolitan areas. Other situations reveal the influence of national government incentives to attract new industry and thus employment to needed regions. With common frequency these sites are selected to disperse economic activity within a country to where additional employment is needed and to diversify the economic bases of declining heavy industrial areas or traditional agricultural regions.

As the modern industrial economy of Western Europe evolves, greater geographical dispersion is a certain component. This dispersion is gradually reducing some of the regional economic disparity. Increasingly, the locational siting of industry is motivated to address just this goal, whether strictly as a single-state national policy or within the broader aims of European Union cooperation in regional development. However, these aims face the reality of a considerable "historic impetus"; that is, those locations where much industrial activity originated continue to be the more favorable. The largest and most affluent markets, the most efficient transportation systems, the greater sources of investment capital, the most educated and skilled populations are disproportionately still to be found or proximate to the heart of the North European plains—the Benelux region, northern France, the German Rhineland, and southeastern England, plus the Upper Po (Milan-Turin) region of Italy.

Surface Transportation Networks. The patterns of major land transportation networks continue to reflect both the influence of physiography and the legacy of systems developed largely for individual national purposes. Directed efforts toward trans-national integration of rail and road links to overcome fragmentation have occurred principally since World War II. Historic routeways, following the more easily negotiated paths as related to physical constraints, dominate. The most prominent of these are the east-west corridor across the North European Plain (Paris-Benelux-Middle Rhine-Berlin) and the north to south Seine-Paris-lower Rhone and Rhine-Rhone corridors from France and western Germany to the Mediterranean. Rail and road as well as water routes were opened to interconnect regions of major resources development and associated industry with urban centers and sea ports. Within states, networks evolved with capital cities often as principal hubs, and major ports and industrial centers as other nodal points. Often, access-express highways and international rail services are transcending the prior nationally focused systems and reflect the progress toward transportation integration that is a major Union goal. The movement of liquid fuels by pipeline from ports to interior European markets across state boundaries as well as the increased importance of air traffic contribute to this cooperative and mutually beneficial endeavor.

Road and rail network densities clearly show the disparity in the relative scale of development between broad regions. Northwestern Europe, particularly Belgium, the Netherlands, western Germany, northeast France, and the London Basin possess the highest transportation densities in both modes. Only the densely populated and highly urbanized Po Valley of northern Italy has developed road and rail networks to compete with northwestern Europe in its reach. Most heavily utilized inland water transportation facilities, both navigable rivers and canals, are concentrated within an even more restricted portion of the northwest European Plain, principally in the Netherlands, central Belgium, and the Rhine region of Germany. By contrast, highland Britain, western and southern France, Iberia, southern Italy, Greece, and Scandinavia are less well served by rail and road and have few significant navigable inland waterways.

Surface Networks: Railways. (See Figure 6) Though the basic railway networks reflect the late 19th century national transportation needs of the respective states, principal systems except that in Iberia were constructed to the standard 4' 8 1/2"...
FIGURE 6
Electrified Mainline Railways
European Community 1995

Source: Thomas Cook, Rail Map of Europe
gauge. Therefore track gauge is not a barrier to international rail movement. With mainline electrification in the present century, often with incompatible voltages, through traffic between countries was hindered. It is precisely this issue of incompatibility that is being addressed and overcome through international cooperation in our era.

Nearly all European railways are state-owned and operated, with national subsidies, and are viewed as necessary public services similar to highways and telecommunications. Following the physical destruction of World War II there was massive rebuilding and modernization of the trunk rail systems with electrification of main lines common in most states. These improvements have facilitated international connections and services, both passenger and freight. It is common to see a single international long distance passenger train on the continent composed of cars from two or three different countries.

The rail systems of Belgium, the Netherlands, West Germany and France, even with network rationalization, are the most complete and dense. British Rail has experienced relatively greater contraction since 1963, enhancing the primary radial services focused on London, and reduced or eliminated services to the more rural communities and peripheral regions of Britain. The systems of the Mediterranean countries are less dense, though individual main lines, especially in Italy, are operated at high standards. Spain, Portugal, Greece, and Ireland exhibit more skeletal rail networks. Though their importance as freight carriers has declined relative to alternate transportation modes, particularly highway and pipeline, the rail systems continue to play very significant roles in both cargo and passenger movements. The intermediate to longer distance services, for example the "intercity" passenger trains, have gained traffic.

With the increasing concerns for the environment and with road traffic nearing or at saturation levels in congested areas, rail transport is witnessing a moderate revival. This is exemplified by the initial high speed links in France, Italy, Spain, and Germany, now in service, as well as upgraded lines in these countries, the United Kingdom, and elsewhere. The Channel Tunnel should contribute substantially to increasing the direct flow of people and goods by rail between the continent and Britain by the late 1990s.

Surface Networks: Highways. (See Figure 7) As with the West European railway network, highways, as measured by limited access motorway development, are most closely integrated on the North European Plain in that area from the Paris Basin across the Low Countries and throughout Western Germany. Highest densities are reached in the Netherlands and Belgium, contrasting with the few limited access roads available in Spain, Portugal, and Italy. The highland portions of the British Isles or Scandinavia. Similar to the railway pattern, northern Italy also benefits from a well developed super highway grid focusing upon Milan, Turin, Genoa, and Bologna. With considerable Common Market financial assistance since the 1960s supplementing national investments, southern Italy has benefited with the construction of the Autostrade del Sol (Rome-Naples-Reggio di Calabria) and connectors.

Whereas the best balance between road, rail, and water transportation for internal freight is attained in Belgium and Germany, the United Kingdom and Italy are most dependent upon road haulage (78% and 75% respectively). Unique to the Netherlands is the high percentage of bulk cargo transported via inland waterways (51%), with only 35% by road and but 6% by rail. The interconnected motorways of the United Kingdom have captured an increasing percentage of international freight movements, now raising serious concerns about energy use and environmental impacts.

Patterns of Urbanization. (See Figure 8) Relative degrees of urbanization are correlated with the influences of industrial and transportation developments through time and, therefore, reflect regional advantage or disadvantage. The major concentration of urban centers is attained in that area of Western Europe coincident with highest overall population densities, most intensive transportation networks, and greatest economic productivity, namely the northwestern plains and tributary river basins adjacent to the North Sea and English Channel. The four most populous city regions or "conurbations" are London (12,750,000), Rhine-Ruhr-Cologne (12,000,000), Paris (9,900,000), and Randstad - Holland (5,200,000). The last area includes the region bounded by Rotterdam, The Hague, Amsterdam, and Utrecht in the western Netherlands.

At least eight additional significant urban agglomerations exist in relatively close proximity to these: the West Midlands (Birmingham), Manchester-Liverpool, and West Yorkshire areas of England, the Antwerp-Brussels-Gent triangle in northern Belgium, and the Rhine-Main (Frankfurt), Rhine-Neckar (Mannheim-Ludwigshaven), Stuttgart, and Hamburg conurbations of Germany. These metropolitan regions all lie within a 300 mile radius of the mouth of the Rhine River. Beyond this radius the most urbanized multi-city region of note is that centered in the upper Po Valley of Italy, dominated by Milan and Turin.

Elsewhere in Western Europe urban development tends to occur in more isolated pockets, most frequently centered upon capital cities and/or sea or river ports. The primary list includes Madrid, Barcelona, Lisbon, Rome, Naples, Athens, Glasgow, Copenhagen, Lyons, Marseilles, Berlin, Munich, Vienna, and Stockholm. This compilation coincides with the most populous city regions and includes all west European cities or conurbations in excess of one million population.

When mapped the pattern displays a clear axis of urban development extending from north-central England southeast-ly to London, across the Channel to encompass Belgium, The Netherlands, northeastern France, the German Rhine Valley, and the upper Po plain of Italy. Beyond this axis major cities exist in relative isolation surrounded by much less densely populated and more agricultural territory. Rural to urban population movement continues, proportionately greater in those regions outside the axis of city concentration. Since fewer large cities exist here and these are more widely spaced, the steady influx of new residents poses the more severe pressures for housing, transportation infrastructure, and other public services. Such impacts are most apparent in the typical city of Mediterranean Europe.

WESTERN EUROPEAN REGIONAL DICHTOMIES

Core Versus Periphery. (See Figure 9) As the European Union has evolved, commencing with the predecessor European Coal and Steel Community (ECSC-"Schuman Plan" of 1952) to the original European Economic Community of 1958, and continuing through expansion to the present fifteen EU member states one region has remained the dominant and prosperous "core area." This economic heart of the Union is characterized by the most dense population, greatest concentrations of industrial and urban development, and most complete transportation and communications networks. It also possesses some of the most fertile agricultural land and contains or is proximate to the major producing areas of basic resources for heavy industry, particularly the fossil fuels. Here data reveal the highest per capita incomes and CNIs, industrial productivity, and the lowest proportions of the labor force in agriculture. Generally the populations of the region display the higher levels of educational attainment, proportion of skilled labor, and percentages of the labor force in the tertiary (service) economic sector. From the periods of world colonial exploration and the agricultural and industrial revolutions, this core area has provided much of the economic leadership as Europe progressed into modernity. With economic power and prestige came political strength and influence.

The Western European "core area" may be delineated in different ways by different individuals for differing purposes, as it is only loosely defined and overlaps international political
FIGURE 7
Principal Motorways
European Union
FIGURE 8
Population Density

Persons / Sq. Mile

- < 50
- 50 - 250
- > 250
boundaries. Nevertheless, whatever measures are used, the heart of the region encompasses the Benelux states, the Paris Basin, and northeastern France, central and south-eastern England, and the Rhineland of Germany. This core region is, therefore, largely a part of the Great North European Plain and within the area of Marine West Coast climate. A population density map of Europe clearly depicts this core as that relatively compact area with most continuous high densities. See Figure 8.

Stretching from the core are linear zones of population and urban-industrial concentration, most notably those 1) south along the upper Rhine and continuing down the Rhine Valley to the Mediterranean, and 2) east (the "Border") from the Rhine-Ruhr complex of Germany across north-central Germany into Silesia in southern Poland. Both of these extensions parallel historic corridors of movement. In addition to the transportation advantages, these extensions reflect locations of better agricultural soils and, for the Border, the sites of coal fields and consequent heavy industrial activities.

Once beyond the core and its contiguous extensions, the pattern is one of more isolated nodes of development. Among the more important of these developed outliers are northwestern Italy focused upon Milan, Turin and Genoa, the Barcelona and Basque areas of Spain, the Alsatian-Pirineous node in France, the old industrial centers of northern and western Britain, i.e., Lancashire (Liverpool, Manchester, Yorkshire), the Scottish Lowlands (Glasgow), and South Wales, the German urban centers of Munich, Nuremberg, Bremen, and Hamburg, and the Copenhagen-Malmö region bridging the straits separating Denmark and Sweden.

With increasing distance from the core area, peripheral characteristics and problems become more pronounced. A most significant disadvantage for these areas is simply that of sheer distance from the core. Traditionally, most developed economic activities were concentrated along the coasts and in the river basins of the core area. The outlying regions have suffered both from distance from markets and from ready access to major sources of industrial and manufactured products. Beyond the great plains, the landscape of much of the periphery is bereft of significant amounts of level fertile agricultural land. With few exceptions, the Western European periphery also lacks the abundance of and accessibility to the major mineral resources for industry. Considerable portions of the periphery are limited in the range or even the feasibility of economic pursuits by aspects of climate, whether it be too cold and wet, as in northern and northwestern areas, or subject to drought and problems of water reliability as in the Mediterranean region.

Characteristics of the "Core Area." Within the northwestern European core area are located several of Europe's most important port cities and navigable rivers. The major include Rotterdam, Amsterdam, Antwerp, Lille, Havre, London, and Brussels. Not far beyond the defined core are the major German port cities of Bremen and Hamburg. The Rhine and its tributaries provide access for commerce and from and to the North Sea at the Rotterdam-Utrecht port for the productive hinterlands of western and southern Germany, northeastern France, Luxembourg, and Switzerland. Other rivers are also crucial including the Saone, serving the Paris Basin; the Scheldt and Maas, Meeuse, linking central and eastern Belgium to the sea; and lower Thames from the London Basin. Connecting these principal rivers are heavily trafficked canals, especially those in Belgium, the Netherlands, and northwestern Germany.

Intense urbanization is another major characteristic. As has been noted with a radius of 300 miles of the mouth of the Rhine River, many of Europe's largest metropolitan areas. This urbanized core is interconnected by efficient rail and road networks as well as by transportation facilities. For example, possession of the world's most dense railway network, with those of the Netherlands, southeastern England, and northwestern Germany, and that level in similar this one faced with a mesh of limited access highways, the Netherlands having the most dense development in relation to area. With the completion of the Channel Tunnel (rail) between northern France near Calais and the English coast at Folkestone, Kent, service, as the historic links between the continent and Britain has been further improved. New high-speed limited-stop rail lines from the Tunnel are to serve London, Paris, Brussels-Rotterdam-Amsterdam, and Brussels-Cologne and the Ruhr. Brussels, headquarters of the European Union executive and thus "capital" of the EU, will be no more than three hours by rail from any of these cities. With such highly developed transportation systems, the existing advantages of the core will be further enhanced.

The physical geography of the core area determined the location of the primary resource base enabling this region to emerge as the historic focus of heavy industry. Most prominent is the presence of Western Europe's most valuable coal fields, situated in restricted locales from central Britain to southern Belgium and across north-central Germany including the dominant Ruhr district. Associated with immediate access to coal have been the plentiful supplies of water and relative ease of both surface and water transportation. Also the largest of Western Europe's iron ore reserves occurs in the Lorraine area of northeastern France extending into immediately adjacent portions of Belgium and Luxemburg.

The combination of coal and iron ore within a single state, or the ease of import of both, influenced the levels of industrialization among European countries. The centers of the coal/iron and steel industry and associated heavy manufacturing therefore evolved in or near the British, Belgian, and German coal fields and the Lorraine iron ore region. Accompanying this development and investment were the necessary transportation infrastructure, primarily marine and rail. Consequently urbanization followed, as excess agricultural labor migrated to the sources of new employment. With this impetus and that of relatively international trade, a pattern of economic supremacy for the region defined as the West European "core" was established. No other region of Europe would compete or compete with this economic heartland.

For such intensive urban industrial development to occur the affected states needed to either supply or gain access to imports of additional foodstuffs to feed growing urban populations. The natural fertility of the Great North European Plain provided much of the agricultural need supplemented by imports, especially from colonial domains and North America. Only Germany, among the principal countries of the industrial core, lacked a colonial empire. The unified Germany of Bismarck then faced this dilemma by both acquiring a belated "empire" and by establishing the Zollverein ("custom union") with central European neighbors guaranteeing an additional source of food grains. France, possessed of only minor coal resources and deprived between 1871 and 1919 of Lorraine ore, industrialized more slowly. Her economy continued to be based strongly on agriculture, as much of the country, located beyond the defined "core area," is endowed with both fertile soils and an amenable climate. Thus the economic priorities and related political attitudes taken by France have long been influenced by her role as Western Europe's most agriculturally productive state. This relative status continues to affect the positions taken by France in European and particularly Common Market negotiations. The French perceive themselves as the primary purveyors of the basic range of food and other agricultural products to the Union. In France the rural constituency continues to have significant political influence.

The Paich I states, though possessed of small but rich and intensively developed agricultural bases, emerged as trading societies increasingly dependent upon imports for human sustenance. Their longer term interests would gravitate toward support of open and free trade, placing them in the forefront of states eager to witness and participate in the lowering of trade barriers and consequent economic integration.
FIGURE 9
West European Core-Periphery
A gradual change in population dynamics also characterized the emergent urban industrial core. Whereas traditional rural agricultural societies large families are the norm, in the United Kingdom, Belgium, the Netherlands, and Germany experienced the demographic transition relatively early. This involved the lowering of birth rates due to medical advances and generated rapid population growth associated with industrial and urban development. As the perceived need for large numbers of children gradually diminished in urban societies and the economic advantages of smaller families were realized, birth rates began to decline. Also, among most British, Dutch, and north Germans, there was not the cultural barrier posed by Roman Catholic doctrine to preventive population family planning. Therefore, the core area, generally, was the first to attain the 'modern' stage in the demographic cycle with relatively low birth and death rates, and slower average annual rates of population growth. In the mainly rural periphery of Western Europe these changes would only emerge later.

The West European Periphery. With increasing distance from the northwestern European core area, fundamental contrasts as compared to the core are noted. The differences are both demographic and economic, impacting on the European Union in a myriad of ways. Although exceptions to the rule always exist, the European periphery tends to be less urban and industrial, more rural and agricultural, and less densely populated. If one major goal of the European Union is to work towards reduction in regional economic differences, the significance of the "core-periphery" dichotomy is manifest. In an integrated Union the states and peoples of the more prosperous core will be allocated to financially and politically support those changes which are designed to improve the economic and living standards of less-developed peripheral regions.

The periphery generally constitutes those countries or portions of countries beyond the orbit of concentrated 19th century industrialization. It includes most of Mediterranean Europe, that is Iberia, central and southern Italy and Greece, plus large areas of southern and western France, and the highlands of the British Isles. The more remote Caledonian sections of Scandinavia are also peripheral. Not all of this very extensive area can be termed "backward" or deprived, but significant portions do exhibit aspects of comparatively less intensive development. Within the confines of the Union, it is these peripheral areas that receive the greater percentages of economic assistance, largely through agricultural, social, or regional development grants and subsidies.

In addition to the basic disadvantage of distance from the core, these regions are lacking in the resources for industrial development. Little coal or other fossil fuels occur either in the Mediterranean countries or western France, and none in the Nordic states. Indeed, with the exception of the relatively minor quantities of mineral resources in Spain, the periphery is essentially lacking in an industrial resource base. Accessibility constitutes another disadvantage, both within individual peripheral regions, and to and from the core. One need only recognize the barrier effects of the Alps and especially the Pyrenees to perceive the historic isolation of Mediterranean Europe. On a lesser scale, but present, is the physical barrier effect of the North Sea from the northern and western lowland England into the highlands of Scotland and Wales, and the insularity of Iceland. Indeed much of the once more developed railway not serving highland Britain and Iceland has been abandoned since World War II, with few new or improved roads to compensate.

With the inherent limitation of the peripheral regions, economic development has generally been slower paced. Agriculture, fishing, forestry, and related pursuits continued to play a more dominant role. Often these regions were seen as primarily source areas of foodstuffs, including fish, building materials, and labor for the more industrialized urban centers. In more recent times many of these same peripheral locations have emphasized and developed facilities for the growing tourism industry. This pattern is represented, for example, in the economic relationship of the Scottish highlands, Welsh mountains, much of Ireland, and even Devon and Cornwall in urban England. Western and southwestern France have continued to perform a primarily agricultural role. With relatively compact and isolated regional exceptions, these same economic characteristics may be applied to Spain, Portugal, southern Italy, and Greece.

Many of the peripheral regions of Western Europe have also experienced decades of out-migration of population. In this century the higher percentage of this migration has been for reasons of economic betterment. Ireland is perhaps the most familiar case, for the island lost more than half its resident population between the mid-19th and mid-20th centuries. Though still overpopulated, emigration has been an enduring factor for southern Italy. Since the early large numbers of Portuguese, Spanish, and Greeks, in addition somewhat later Irish birth rate less than the national average in search of employment, especially in the urban centers of the core area. Simultaneously the narrow eastern frontier of West Germany, that area adjacent to the former "Iron Curtain," was viewed as negative in the minds of people and potential investors because of its proximity to the Soviet bloc. Government incentives had to be created for this border zone merely to stabilize its population and economy. Since the founding of the European Community the highest percentages of out-migration have persisted in Italy south of Rome, Sicily and Sardinia, northern and central Greece, much of interior western Spain, adjacent portions of Portugal, and western Ireland.

Yet, for the West European periphery as a whole, most areas continued to exhibit relatively low birth and population growth than the industrial urban core. The traditional influences, both cultural and economic, in rural agricultural societies tended to prevail, although the demographic variations between core and periphery in this regard are today less pronounced that in the relatively recent past. With greater distances from the core and less developed infrastructures, with few sources of needed raw materials, and with less affluent local markets, the prospects of attracting investment to the more remote regions was reduced. Other incentives must overcome these problems, and these incentives must be promoted and sustained by both national governments and the European Union.

One of the most valued assets of the periphery in the attempt to attract economic investment, create local employment opportunities, and reduce the spatial disparities of relative lower cost and potentially skilled labor. Such an attraction is of particular interest and benefit to investors or firms in economic endeavors which are labor intensive, not those requiring local mineral resources or which produce bulk commodities subject to high transportation costs. As labor costs have risen in the northwestern core region of Europe, French, German, Dutch, and other firms, including foreign multi-nationals, have opted to establish new or branch facilities in Spain, Portugal, southern Italy, and Ireland. Within individual member states significant efforts have been exerted through national regional planning measures and grants to attract development to less prosperous areas. Western and southwestern France, and the highland regions of the United Kingdom are exemplary. Such investments, both from private capital and directly by national governments, have often been accompanied and enhanced by tax incentives and subsidies provided by both national governments and the Union. As these regional economic changes occur, some disparities are being slowly reduced.

Between the core and periphery are transitional areas which, though not exhibiting the complete characteristics of the core, are relatively stable and diversified regions, accessible to the core. For the most part these areas have balanced economies, strong agricultural bases together with moderate urban growth, and have increasingly attracted light industry and service activities. Within this intermediate zone are sited several urban growth nodes, acting as development poles for their hinterlands. Examples include Hanover, Stuttgart, and Mannheim in western
Germany; the upper Po Valley and Bologna in Italy; Dijon and Lyon in France; and Norwich (East Anglia) in the United Kingdom. However, in this same relative location between the core and periphery occur several older industrial and port areas, frequently with problems related to industrial and urban transformation/modernization. While the urban/industrial/transportation growth nodes have emerged in a matrix of relatively underdeveloped and often overpopulated rural hinterlands.

Economic and demographic contrasts between the urban centers and rural landscapes within the Mediterranean states have been exaggerated. This pattern is more typical of Eastern Europe and areas in less-developed countries of the world than it is of Northwestern Europe. The impact is to further stimulate the drift of population away from the poorer and more remote rural districts and toward these urban nodes. Rural infrastructures and community social and economic life deteriorates, rendering the prospects of any significant improvement or investment increasingly difficult in the future.

In few areas of the Mediterranean states, isolated mineral sources have attracted industrial development, principally the iron ore of the Bilbao/Basque region in northern Spain and the coal field to the west in the Asturias Province (Avilés/Gijón). Spain also produces modest quantities of lead, zinc, manganese, copper, and mercury, and has expended considerable sums on hydro-electric developments. Among the 1980s additions to the EC, Spain has exhibited the most rapid transformation from an agricultural to an industrial state.

Regional Variation in Gross Domestic Product. One means of perceiving the disparity that distinguishes the Mediterranean region from most of the remainder of the European Union is difference in average wealth as measured by Gross Domestic Product. Even when weighted, using the Purchasing Power Standard (PPS) to eliminate distortions due to price levels and to give GDP in real value, the gap in relative prosperity between Portugal, Spain, southern Italy and Greece, on the one hand, and the core area plus northern Italy on the other, is notable. Few regions within this peripheral South attain 80 percent of the Community average GDP. All of Greece, Italy south of Rome, and Iberia with the exception of the Madrid, Barcelona, and Valencia districts and rural landscapes within the Mediterranean states have been exaggerated. This pattern is more typical of Eastern Europe and areas in less-developed countries of the world than it is of Northwestern Europe. The impact is to further stimulate the drift of population away from the poorer and more remote rural districts and toward these urban nodes. Rural infrastructures and community social and economic life deteriorates, rendering the prospects of any significant improvement or investment increasingly difficult in the future.

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In the early 1970s Spain and Portugal emerged from the rule of dictatorial governments under Franco and Salazar, respectively. Thus a major barrier to acceptability in democratic Western Europe and the Community was eliminated. Greece gained a democratic regime after a period of military/authoritarian rule ended in 1974. Although still seriously concerned with the economic burdens which would be assumed by the accession of these three states, the Community felt that it had an obligation to support and strengthen the new fragile democracies. Exclusion would be resented by the Mediterranean peoples and their governments. Membership in the EC would act as a strong stabilizing influence politically as well as linking these states economically to the Community. Benefits in several forms were also perceived by the existing Community. Expanded markets for manufactured items would gradually accrue. Also manufacturers especially in the labor intensive industries based in the north, would view favorably the possibility of establishing subsidiary or branch factories in the Mediterranean region, taking advantage of less expensive labor. In turn, the creation of new employment opportunities in Greece, Spain, and Portugal would hopefully reduce the influx of Mediterranean guest workers, especially to northern cities in an era of diminished labor need. Gradually small, inefficient, and high cost producers in the Mediterranean states would be eliminated, ultimately giving the average European consumer the benefit of lower cost, better quality products.

The enlargement of the Mediterranean dimension has brought with it numerous problems typical of this part of Europe. Prior to 1981 and the accession of Greece, southern Italy (the "Mezzogiorno") constituted the only large EC region characterized by rural overpopulation, high dependence upon agriculture, very limited energy sources and industrialization, and the disadvantages of extreme remoteness from the prosperous EC core. Until the 1970s southern Italy received by far the greatest proportion of Community development assistance such as agricultural support. European Investment Bank credits for infrastructural improvements, and Social Fund benefits. After 1973 the highland regions of the United Kingdom and the Republic of Ireland added to the geographic area of the Community eligible for such assistance. At this stage, with the urging of the United Kingdom, the Regional Development Fund became functional. However, with the inclusion of Greece, Spain, and Portugal, the dichotomies was widened and the proportion of peripheral regions in the aid-eligible category increased substantially.

One important spatial attribute of these Mediterranean lands is the distinct differential between the extensive underdeveloped, largely rural areas and the focused concentrations of urban and industrial growth within each country. As economic transformation/modernization has come to the region, considerable investment and growth has centered in a few favorable locations. Common among these are port cities, e.g. Naples, Bari, Brindisi, Athens, Piraeus, Barcelona, Valencia, and Oporto; or capital cities, e.g. Athens, Madrid, and Lisbon. Thus, urban/industrial/transportation growth nodes have emerged in a matrix of relatively underdeveloped and often overpopulated rural hinterlands.

Regional Unemployment. Another measure which demonstrates both the "North-South" as well as "Core-Periphery" dichotomies is regional unemployment. Following the energy crises of the 1970s and the subsequent slowing of the economies of the member states, unemployment in the Community reached approximately 11% in 1980. By 1989 the overall rate improved to 8%. However, in the core countries, unemployment rates fell below 5%, while in southeastern Europe, the rate varied between 25% and 45%. Within individual states regional variations in GDP are frequently equal to or greater than differences between states as a whole. This is certainly true in the case of prosperous urban centers in northern Italy and the Italian Mezzogiorno region south of Rome (Statistical Office of the European Communities 1989, part 14).

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England and southern Germany, with Luxembourg exhibiting only 1.8%.

Both the more remote peripheral areas and smaller economically depressed districts in or near the core display the highest rates. Examples of the latter, including the French Nord (lille) industrial section (11.3%), and the southeastern Belgian coal fields (13.1% in Hainaut Province), reflect conditions brought about by the decline of mining and traditional heavy industry. Long term unemployment has become an almost endemic problem in some regions with a third or more of the unemployed in the Union being without work for more than two years.

Probably masked by these statistics, especially in the agricultural Mediterranean areas, is the factor of under-employment, both part-time and seasonal. In the late 1980s the Community faced these problems by increasing the resources made available to the European Social Fund to promote job training and focus on the creation of opportunities for the unemployed young (See Eurostat Rapid Reports: Regions 1990, No. 3).

Regional Economic Development Areas. While emphasis on the disparities between the core and periphery and the “North” and “South” are fundamental to understanding regional diversity within the Union and the challenges to integration, it must be realized that the North, including the core, possesses problem regions. Similarly the periphery and the South incorporate areas of distinctly modern development and prosperity. Regional exceptions abound, though these are generally much more restricted in area scale. Such localized differences are the result of both unequal distributions of economic activity (agriculture, industry, and services) and changing economic demands, markets, and production.

Numerous zones of northwestern Europe, including some within the narrowly defined core, receive assistance. This reflects individual circumstances, usually of relative location, changing economic conditions, and/or environmental impacts. Some of these “problem areas” may be classed as older industrial districts where the traditional economic bases, such as coal mining, steel or textile mills, and shipbuilding, have declined, and economic diversification and revitalization are necessary. Examples in this category are Glasgow in Scotland, Northern Ireland, South Wales, the Franco-Belgian frontier including the lille district and the southern Belgian coal fields, the Lorraine iron mining region, and the German Saarland.

Rural regions, often with declining populations, although in the more prosperous North, are also designated as development areas. These tend to be areas of infertile soils, often accompanied by difficult terrain, where pastoral agriculture or forestry have predominated. The Northwestern, the Rhineland, southwestern France and the eastern Eifel, eastern France, Hesse and the border area, south-eastern Belgium and northern Luxembourg, and the adjacent Eifel and Hunsrück of western Germany are examples. Likewise the infertile heathlands, with their acid and frequently sandy soils, such as the Kempenland of the Belgian-Dutch frontier and the North Sea coastal plains of the northern Netherlands and Germany, qualify for aid as designated assisted areas.

The narrow zone of German territory adjacent to the border with the Czech Republic and former East Germany, on the other side, the “Iron Curtain” is a barrier against investment and movement. Where this barrier exists, either the Dutch and Belgium border or Poland, the region is characterized by negative psychological impact. Not only were prospects for new investment or development minimized, but the communities within this sensitive frontier experienced out-migration. Today this region no longer qualifies for development aid, but many of the former East Germany is eligible for Union benefits supplemental to massive assistance from the German Federal Republic.

The areas of the European Union eligible for assistance qualify on the basis of several criteria. These receiving maximum aid are the underdeveloped regions, where low income levels, high unemployment, and poorly developed transportation and communication infrastructures are prevalent. These, for the greater part, are the agriculturally dependent regions of the periphery. Other aid-eligible areas are those undergoing redevelopment, principally more limited in size and whose traditional economies were based on heavy industry now in decline. Outmoded physical plants, aging infrastructures, unhealthy working conditions, but particularly declines in market demand characterize such areas. High and sustained unemployment contribute to qualifying them for Community assistance. A majority of the redevelopment regions, such as those cited above, are situated in or proximate to the “Core.” Other “redevelopment areas” are those which have remained overwhelmingly rural and agricultural.

The gap between the regions of prosperity and those in decline or relative underdevelopment continues in spite of both EC and national forms of assistance. In part these disparities have been exacerbated by the general slowing of Europe’s economy and rising costs of energy and labor, as well as increased foreign competition. An increase in the attention and available financial assistance to qualified regions is part of the Single European Act. According to the SEA, the regionally focused programs will be designed to “promote the development and structural adjustment of underdeveloped regions,” “to redevelop regions, frontier regions, or areas within regions, including local labor markets and urban communities seriously affected by the decline of industry,” and “to speed up the modernization of agricultural structures” as part of a reform of the Common Agricultural Policy.

Sizable portions of the EU periphery and particularly the South will qualify for very significant attention from these assistance and regional development efforts. However the reunification of Germany in 1991 brings into the Community another “peripheral area,” the former German Democratic Republic (East Germany), which is in need of massive redevelopment aid and investment. Although the German government will assume the major share of this burden, the European Community will play a significant role. With available assistance limited, though increased, this added geographical dimension will mean further geographic dissemination of such aid. (Statistical Office of the European Communities 1989, part 6).

**EUROPEAN COMMUNITY MEMBER STATES AND NON-MEMBERS**

Geographical Contiguity of the Founding EEC States. Commencing with the establishment of the European Coal and Steel Community in 1952 followed by the creation of the full European Economic Community in 1958, the six founding member states created a geographic entity with several advantages. Although all democratic western European countries were initially invited to participate in the planning and to accede to these organizations, only France, West Germany, Italy, Belgium, The Netherlands, and Luxembourg signed the final agreements. These six states, importantly, formed a contiguous area avoiding the problems of both political-geographic and physical fragmentation. Only peninsular Italy, particularly the less developed Mezzogiorno (southern) region, was seriously disadvantaged by relative geographic isolation. Also these six countries possessed a considerable degree of economic and trade complementarity. Whereas this original Community was composed of three large and populous states and three very much smaller, an important geographic and political balance was achieved. The small Benelux countries possess high levels of prosperity and are critically dependent upon international trade. The Netherlands and Belgium also occupy a most strategic relative location for Western Europe, controlling some of the most heavily trafficked arteries of movement, not the least being the lower Rhine and the ports of Rotterdam and Antwerp. Additionally, being situated in small countries, yet with very central locations, Luxembourg City and Brussels were selected to be the administrative seats for the EEC and EEC, respectively. This avoided placing the sites of
power and decision making in any one of the larger states, particularly in either of the ancient enemies, France or Germany. Therefore it was crucial that these three small countries be among the founding members.

The initial full decade of the Community's existence, the 1960s, coincided with a time of unparalleled growth and development. This also was fortunate in providing a successful beginning to an integrative approach never before attempted on such a geographic scale. All previous major attempts to unify Europe among the founding members. Therefore it was crucial that these three small countries be power and decision making in any one of the larger states, particularly in either of the ancient enemies, France or Germany. Therefore it was crucial that these three small countries be among the founding members.

CHAPTER 3

approach. This meant incremental integration, commencing with the ECSC, and the consent of each member-state at every stage of the process.

Community Expansion from Six to Nine.

For many reasons the United Kingdom opted to remain apart at the outset of serious negotiations. The British Isles are not only physically separate from the continent, but it has always been difficult for the British people to view themselves as true Europeans. Still today many speak of "going to Europe" when they intend to cross the English Channel! Psychologically the water separation has always meant protection, merely reinforced by the events of World War II. Also assimilation of the two islands into the larger state was the fundamental issue of their trade ties and commitments, together with the "special relationship" with the United States. They were reluctant to join any organization which would inevitably place trade barriers between the United Kingdom and both the Commonwealth and America. Other reasons for the British reluctance included the fear of losing any of their autonomy in decision making and of the probability of rising prices in the market place, especially of foodstuffs, which would ensue. These European states which depended heavily upon the British market for their exports, Ireland, Denmark, and Portugal being most representative, followed the British lead at this early stage and remained outside the new "Common Market."

However the first move toward expansion of the European Community came in 1961, when the United Kingdom did submit its initial bid for membership. Vetoed by France (and Charles DeGaulle), Britain would wait another twelve years and two additional applications before gaining admission. Following the departure of DeGaulle from the Presidency of the French Republic in 1968, the United Kingdom, Ireland, Denmark, and Norway proceeded in negotiations with the six EEC member states. At last Norway acceded to the Community on January 1, 1973. Although the application from Norway was accepted and all negotiations had been completed, a popular referendum on the issue in the autumn of 1972 was defeated by the Norwegian electorate (an event repeated in the rejection of accession to the EU in 1994). The issues which prompted the negative vote in Norway included the imminent realization of North Sea oil wealth, apprehension of the impacts of foreign labor in-migration, and the prospect of loss of high national subsidies especially in agriculture. The accession of Denmark at this time broke, in a sense, the perception of a Nordic regional unity and separation from the remainder of Europe. A less compact, more geographically fragmented European Community resulted with its expansion from six to nine. Simultaneously considerable territory that qualified for various forms of economic assistance was added, namely most of the highland Britain (much of Scotland and Wales) and the whole of Ireland, as well as parts of the rural Jutland peninsula of Denmark. Unfortunately this enlargement of the Community coincided in time with the first major world energy crisis and the rapid rise in fuel costs.

From Twelve to Ten.

The early years of the decade of the 1970s also witnessed the political change in Spain, Portugal, and Greece which would eliminate that barrier to potential acceptance into the EC. With the demise of the fascist regimes in the former two states and the ending of military rule in Greece, the Community members faced the realization and fundamental obligation to seriously consider a Mediterranean enlargement. Greece, though most geographically remote, was the first to gain admission. There was a sense that bringing Greece into the fold would strengthen and help stabilize a strategically located young democracy and member of the Western defense community. Also this accession brought into the EC a smaller and more easily "digested," though relatively backward, economy. Still major concessions had to be granted to Italy in order for the Italian government to vote its approval. With similar physical environments and exports, especially in the Mediterranean agricultural sector, Italy naturally saw Greece as a rival and direct competitor. Nevertheless political and strategic considerations prevailed and, in 1981, Greece, the most isolated state, joined the Community as its tenth member.

In the case of the Iberian peninsula the prospect of enhancing further the Mediterranean dimension involved a far larger area and population, though with geographic and economic characteristics and problems analogous to those of southern Italy and Greece. Spain, however, had experienced significant growth and modernization from the 1960s as well as political change from dictatorship to democracy in the early 1970s. Portugal remained less developed, but it, too, shed its dictatorship in the mid-1970s and eliminated the barrier to potential acceptance into the EC. With the passing of the Salazar regime in 1974, with a vast of mineral resources, very modest industrialization, and the economic and human drain on Portugal which resulted from her attempt to maintain colonial control especially in Angola and Mozambique, this state had not made major progress toward modernization.

Nevertheless, the European Community had come to fully realize by the early 1980s that the positive reasons for admitting the Iberian countries outweighed the adjustments and costs entailed. As with Greece, there was the necessity to protect the Spanish and Portuguese from feeling alienated from the Western European community of nations. EC membership would support and help stabilize their young democracies. Iberia forms a contiguous geographic part of Europe and completes the natural Mediterranean limits. Spain possesses considerable economic potential, with mineral resources and a rapidly developing industrial sector. Also the addition of these states strengthens links to North Africa. Of obvious importance was the enlargement of the market for EC products with the accession of a region containing some 50 million inhabitants. Simultaneously the protected industries, both traditional and newly emergent, especially in Spain, faced severe competition within the Community. The accession of Spain and Portugal, together with Greece, has exaggerated the "North-South" dichotomy in the Union, and there will be a period of gradual integration at continuing major cost to the EC budget, especially for the more prosperous member states. The necessity for and the pace of this integration has affected the imminent decisions facing the EU in light of the most recent political and economic changes transpiring in Eastern Europe. The reunification of Germany has already extended the limits of the Community further east, incorporating into the Federal Republic five new "lander" or provinces, an area in critical need of redevelopment assistance.

From Twelve to Fifteen.

Entering the decade of the 90s, Western Europe was composed of the European Community of twelve, with six principal states remaining outside. Of these six, four are Nordic countries—Norway, Sweden, Finland, and Iceland, and two are landlocked neutral states—Switzerland and Austria. All were member states of the European Free Trade Association, which by definition lacked the Common External Tariff that characterizes the much more integrated "Common Market." However these six EFTA states lacked both spatial geographic contiguity and any major elements of significant economic or trade complementarity. In most instances their respective trade and markets were more with the EC than amongst
themselves. Ultimately, three of these, Austria, Sweden, and
Finland, applied for and ratified accession into the new
European Union.

Sweden overcome a long-held, self-imposed policy of neutrality on the international scene. Finland, following World War II, survived in precarious proximity to the U.S.S.R. by following a practice of compromise and political neutrality. Austria's position is somewhat different, in that her post-independence (State Treaty of 1955) existence has been governed by an enforced neutral- neutrality. She was precluded from joining any organization which is of a political nature and from any body in which Germany is a member. These restrictions were mandated as parts of the agreement which relieved Austria of post World War II occupation and established her independence. On the other hand her economy, though relatively affluent, has not been as strong as that of Switzerland. Austria's principal trade is with the EC, compensating for a negative balance by revenues derived from her lucrative tourism industry. With the demise of the Iron Curtain, Austria's relative geographic location has become a major asset and Vienna stands to regain some of her lost importance. Accession to the European Community was viewed not only as desirable, but a necessity, by most Austrians.

The West European and Other Non-Member States. Much speculation and considerable discussion is occurring about the possibilities of future EC expansion (See Hurwit in this volume). The governments of Turkey, Cyprus, and Malta have applied for Union membership. Poland, Hungary, the Czech Republic, Slovakia, Bulgaria, and Romania already have 'association agreements' with the EC, which Estonia, Latvia, Lithuania, and Slovenia hope also to achieve. The Union faces a dilemma. There is the more urgent necessity for completing the integration process of the most recent Mediterranean members and the three new member states prior to assuming any additional burdens from further expansion. There is also the final effort to complete harmonization under the Single European Act (1992) and monetary union, and the unresolved questions regarding the extent to which the Union should proceed toward more political unity under the Maastricht Treaty. Yet there are perceived benefits and responsibilities facing the organization that auger for serious consideration of dealing with the remaining EFTA states, as well as for acquiring a potential 'Eastern' or 'East-Central' European dimension.

The remaining West European non-members have remained apart for several major reasons. Norway and Iceland are now alone as non-members among the Nordic nations, which had long valued their distinct political and national isolation, and had seemed bound by cultural attributes, similar economic characteristics, and linkages. All are of relatively small population and exhibit the benefits that derive from quite homogeneous societies. There had been a natural reluctance to risk change in such a limited and homogeneous society. Norway rejected Union membership in 1972. Similarly Switzerland's affluence and stature have emanated from her neutral position in the heart of Europe, her unique economic character, as reflected in tertiary activities including banking, finance, and tourism, her high value specialized manufactures and exports, and the international diplomatic roles she plays.

With the changes occurring in Eastern Europe as well as the former U.S.S.R. and the stability and prosperity that has come from Common Market success, neutrality may no longer be viewed as the safeguard or necessity that it long has been. Thus, the neutral European states reviewed their positions. The prospect of remaining outside the Community is being perceived as more and more a potential economic and possibly even political risk. Perhaps even Switzerland may enter talks for some form of linkage in the future. The reality of the situation is not lost on the remaining non-member states; for each their trade positions in Europe, and futures will be more and more inextricably bound to that of the Union bloc.

Endnote

1 Although beyond the scope of this volume which focuses upon the European Union, the Slavic languages do prevail in much of Eastern Europe, though the general region is far from being a Slavic monolith, as it is often perceived. Those languages which are Slavic include Polish, Czech and Slovak (Western Slavic); the principal languages of Yugoslavia (Serbo-Croatian, Slovene, Macedonian), and Bulgarian (Southern Slavic); and Great Russian, Ukrainian, Byelo-Russian (Eastern Slavic). The language pattern of Central and Eastern Europe, therefore, displays a broad wedge of non-Slavic peoples and areas extending from Austria (Germanic) through Hungary (Ural-Altaic) and Romania (Romanic), separating the Western and Southern Slavs.

Bibliography


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CHAPTER 3

The European Union: Geographic Perspectives on Unification


Chapter 4

THE POLITICAL INSTITUTIONS OF THE EUROPEAN UNION

Richard Gunther
Chapter 4
The Political Institutions of the European Union
Richard Gunther

INTRODUCTION

As described in a European Community document, "The Community is a political structure unique in the world. Its legal and institutional framework is unlike that of any other grouping" (Hay 1989, 47). Most Americans find it difficult to understand the type of political relationships that govern the European Union's key political institutions and their interactions with the governments of the member states themselves. The new European Union (EU) is neither fish nor fowl: it is not a federal system like the United States, but neither is it comparable to any other international organization to which the United States belongs, such as the United Nations. The EU is a political structure unique in the world. Its legal systems like the United States, but neither fish nor fowl: it is not a federal structure. Federal forms of government share certain common features. First, autonomy to formulate and execute some policies (within usually well-defined sectors of activity) remains in the hands of the member states, but a strong central government is created that is the ultimate repository of sovereignty. A formal constitutional document is written that attempts to demarcate the separate responsibilities of the central government and the central government. Accordingly, foreign relations, national defense, and many other key functions are reserved exclusively for the central government. Disputes will inevitably arise, since the jurisdictions of the two levels of government often overlap or were never clearly spelled out in the constitution, but the central government and its courts will usually be the ultimate arbiters of these disagreements.

Second, decisions will be made at the federal level by a simple majority vote among the elected representatives of the states. No state has a veto over the enactment of legislation. Thus, no state can independently block the enactment of laws that will be binding within its territory.

Third, the central government will create a standing bureaucracy with authority to initiate new policies (subject, of course, to approval by the legislature) and to issue regulations concerning the implementation of established policies that are binding throughout the entire country. The central government also reserves for itself the right to interpret federal law and apply it to specific cases. In some cases (e.g., the United States of America), many policies are carried out directly by employees of the central government (e.g., by its own federal bureaucracy); in other cases (e.g., Germany) most policies established by the federal government are carried out by the individual states' bureaucracies. In both instances, however, federal government law is the law of the land.

Fourth, since the central government has a great deal of legislative, executive, and regulatory authority, interest groups from throughout the country develop close relationships with the various organs of the central government; they establish ties to bureaucratic agencies whose activities are relevant to their interests; they intervene directly in the legislative process by pressing their views on legislators, testifying before legislative committees, etc., and they cultivate close personal relationships with key central government decision makers.

Finally, once a formerly independent state enters into a federal union, it gives up its sovereignty. It is not free to refuse to...
recognize federal laws, and it is not free to leave. The American Civil War, the Nigerian Civil War, the violent dissolution of Yugoslavia, and several other dramatic events have made it clear that attempts at secession by states are usually opposed by military force.

We can regard a federal union as lying at the extreme end of a continuum of political integration (although, theoretically, a unitary government without autonomous regional governments, as in Great Britain, could be regarded as even more extreme). This was and still is the ultimate goal of many European supporters of political integration. The European Union is not now, and may never become, a fully federal system.

One reason why attempts at federalism failed in the immediate aftermath of the Second World War is inherent in the basic decision-making process itself. The only way in which negotiations over creation of a federal system can succeed is if each and every state participating in those talks is willing to give up its sovereignty and subordinate itself to a higher level of government. That is, there must be complete unanimity on the ultimate goal of establishing a federal system. If the leaders representing even one single state oppose the ultimate objective of creating such a system—or if they simply oppose the idea of giving up their own independence—they can stop a federalist attempt at integration completely. Because federalism forces the leaders of independent states to confront immediately and directly the most difficult political decision a politician can make: to abolish his or her nation-state as an independent political entity. It is easy to understand why such efforts are usually doomed to failure. The appearance of a single influential national leader such as Charles de Gaulle, Winston Churchill, or Margaret Thatcher who wishes to preserve sovereignty of his or her nation is sufficient to block a federalist integration process.

Functionalism. If federalism is not a viable means of bringing about greater political, economic, and social integration among citizens of initially sovereign states, what alternatives are there to a continuation of the status quo? Let us turn our attention to two related approaches dealing with gradual, incremental processes that can progressively transfer government authority to regional government institutions and erode away the sovereignty of member states: functionalism and neofunctionalism.

These differ from federalism in one important respect: they do not force political leaders to directly address the most difficult decision (outright abandonment of sovereignty) at the beginning of the process. Instead, they acknowledge that there is no consensus in support of this ultimate objective, and they devise strategies to secure the leaders of nation-states into handing over governmental authority to the international organization in a step-by-step fashion.

Participants in the integration process, therefore, can be motivated by differing goals. While they may disagree fundamentally about what will be the ultimate outcome of the process, they can still reach pragmatic agreements about the next incremental step. They may not agree on the ultimate goal of full federal union, for example, but they can all agree that expanding the markets for their countries' products by eliminating internal tariffs is desirable. But in the process of establishing a customs union, they surrender some of their sovereignty and transfer governmental authority within certain limits to the regional government body. According to these two approaches, integration is a long-term cumulative product of a series of small, incremental decisions over which broad agreement is more easily achieved.

The first of these approaches is known as functionalism, and was initially set forth by David Mitrany in 1946. Mitrany argued that it is impossible to see a state without entering into collaboration with others—other governments, international organizations, and private businesses—on an equal footing. The states would gradually grow and adapt to the changing nature of relations between states.

Everyone would agree that the eradication of potentially deadly communicable diseases, for example, may require international cooperation: bacteria and viruses do not recognize international boundaries, so why should efforts to control the spread of certain diseases stop at national borders? And if the governments of participating states recognize the benefits of cooperation in this domain, would not success in this endeavor teach them a broader lesson? That international cooperation is inherently better than conflict? If so, then the scope of international cooperation might spread to include other areas of government activity as well. In short, this called upon governments to work for cooperative solutions to social and economic problems, and to promote establishment of increasingly intensive patterns of social interaction across national boundaries. (Indeborg and Scheingold 1970, 7). This "functionalist" approach required only that participating states cooperate with each other under some form of international organization.

Intergovernmental Organizations. This kind of international body should be most familiar to Americans, because it is the only form of organization that the United States has chosen to join. In sharp contrast with a federal organization, member states retain full sovereignty. They give up none of their ultimate independence, and are free to leave the organization. Delegates from member states function as representatives of their respective countries, and they take orders from their national governments. They can be dismissed as their countries' representatives by their national governments at any time, for any reason. Since member states are fully sovereign, important decisions taken by intergovernmental organizations must be unanimous. A single country can veto the adoption of a new policy, and each state may claim the right to interpret unilaterally the policies adopted by the organization. Intergovernmental cooperation and coordination are carried out by a professional staff, but the organization's bureaucrats have little or no power to formulate and implement policies for the organization. Finally, there are few, if any, direct contacts between the international organization and the citizens of its member states. Since the organization's standing secretariat has little decision-making authority and controls few, if any, valued resources, interest groups are generally uninterested in establishing close ties, choosing, instead, to channel their efforts towards the member states (Harp 1971, 9).

The United Nations and its affiliated bodies, the World Health Organization, UNESCO, etc. are good examples of intergovernmental organizations. Through the cooperative efforts of many member states, they have provided many useful services to the international community and have made their kind of contribution to the quality of life of many individuals. But it is painfully obvious that the functionalists' prediction of the long-term consequences of such cooperation has failed to materialize: the scope of intergovernmental activities has not broadened appreciably to other sectors of social and economic life, and the level of political authority granted to the intergovernmental bodies has not significantly increased. What began as a purely intergovernmental form of cooperation has remained at the intergovernmental level, without any of the progressive political integration that the functionalists expected.

Neofunctionalism. Neofunctionalists added two important ingredients to the process described above. First, they pointed out that the societies and economies included within the community must be relatively homogeneous in certain important respects, must have complex, developed, and complementary economies, as well as pluralistic politics, and must be located within a relatively compact region among generally contiguous states. (see Hah 1958, Indeborg and Scheingold 1970, and Schneider 1972). In short, attempts at integration between Britain and Nongola is unlikely to progress, while integrated efforts would have much greater prospects for success among the advanced industrialized societies and democratic political regimes of Western Europe.
Second, they argued that an expansion in the scope of the activities falling within the jurisdiction of the international body would not occur by itself. Individual political leaders, wishing to advance the integration process because it is in their institutional self-interest to do so, must serve as facilitators, and must perform a key role as strategists and tacticians to induce the member states to give up their autonomy. In short, at the outset of the process, a supranational bureaucracy must be established and entrusted with performance of important functions.

**Supranational Organizations.** If we can regard federal systems as lying at one extreme of a continuum (involving the complete loss of sovereignty by once independent member states), with intergovernmental organizations at the other end (where members retain full sovereignty), then supranational organizations should be regarded as falling somewhere between the two extremes. Membership in these bodies represents a partial loss of sovereignty by the member states.

First, it entails establishment of an influential and (within certain limits) authoritative regional bureaucracy that is not accountable to the member states. As we will see, the Commission of the European Community is a supranational body. While its twenty Commissioners are initially selected from among the ranks of prominent politicians of the member states (two each from the larger states of Britain, France, Germany, Italy and Spain, and one each from the smaller Union countries), once they take their posts in Brussels they are explicitly forbidden to regard themselves as representatives of their states of origin: they are expected to represent the Community as a whole, or at least the Community-wide set of interests affected by their respective bureaucratic agencies. In short, an Italian serving as Commissioner for Agriculture is to represent farmers all over Western Europe, not Italians or Italian farmers. In actual practice, Commissioners have effectively represented the Community, often clashing with their own home governments. Commissioners, moreover, cannot be removed from office by their home governments, or by the intergovernmental Council of Ministers—they are responsible only to the European Parliament, another supranational body.

A second key characteristic of bureaucracies in supranational organizations is that they play important roles in initiating new policies. In contrast with the U.N. (where important matters are brought before the intergovernmental U.N. Security Council by individual member states, not by the U.N.—s state), the Commission of the European Community has extensive authority to propose new policies for consideration by the decision-making EC Council of Ministers. In addition, even though the Commission does not in fact supervise the member states scrupulously monitors the implementation of Union policies by the bureaucracies of the member states. When it encounters violations, it has full authority to bring the offending member state, or private sector group or individual before the EC Court of Justice, whose verdict is binding. Moreover, unlike in intergovernmental organizations (where interpretation of the international organization's policies is at the discretion of each member state), the supranational Commission and the Court of Justice have the exclusive right to rule upon member states' compliance with Union law.

Since the bureaucracy in a supranational organization plays important policy-making and implementation roles, interest groups gravitate toward it. As we shall see, this is an important asset in advancing the integration process, according to neofunctionalists.

Finally, even though the principal policy-making body in a supranational organization may structurally resemble an intergovernmental organization (i.e., its members explicitly represent the governments of the states belonging to the organization, and they are usually high-ranking politicians in those governments), decisions are made by votes that are not unanimous. Most commonly, they are approved by a qualified majority, well in excess of a simple majority. Nonetheless, abandonment of the unanimity principle represents a considerable loss of sovereignty, since no single state can block a piece of legislation that will be binding within its territory.

Insofar as the voting rules followed by the Council of Ministers have shifted awkwardly between the unanimity and qualified majority principles, it may be regarded as in compliance with this important feature of supranationalism only at certain times and with regard to certain issues. For the most part, the Council must be regarded as an intergovernmental body. Table 1 summarizes the differences among intergovernmental, supranational, and federal forms of government.

**THE NEOFUNCTIONALIST DYNAMICS OF INTEGRATION**

According to neofunctionalist theory, by what process does integration proceed, i.e. what pushes a regional organization closer to the ‘federal’ end of the continuum, recognizing that it may never become a full-fledged federal system? In two respects, neofunctionalists resemble functionalists in describing this dynamic process, while neofunctionalists go well beyond functionalists by setting forth additional integrative mechanisms.

**Functional Spill-Over.** One mechanism that is shared by both approaches is functional spill-over. This is the simple notion that, in a complex society, the performance of one set of tasks overlaps with other tasks. Hence, if an international organization is given responsibility for implementing policies in one sector of society or economy, it may find that it is dragged into closely related sectors as well.

A classic example from the early days of West European integration involves the close relationship between the steel industry and the scrap-iron market. The European Coal and Steel Community (ECSC) which was absorbed within the European Communities in 1957 was entrusted in 1952 with responsibilities for coordinating the production and marketing of coal and steel within the six member states. One factor affecting the ability to produce a certain volume of steel within a specific price range is the supply and cost of scrap metal. Taking advantage of the unanticipated spill-over between steel production and management of the scrap iron market, the High Authority of the ECSC effectively expanded the scope of its jurisdiction to include the latter sector as well.

Another important and more recent example of an expansion in the scope of the then European Community activities is the product of the spill-over of the single European Act of 1958. In order to complete the task of creating a free market for the flow of goods it became clear that, in addition to abolishing internal tariffs as promised in 1958, it was necessary to eliminate all non-tariff barriers to trade as well. This implied that the Union’s scope of action had to be greatly extended into areas previously outside of its jurisdiction. Accordingly, as explained in other chapters in this book, this has led to the formulation and imposition of Community-wide policies concerning an enormous number of previously unregulated matters such as quality standards for the production of many types of goods and the full array of indirect taxes imposed by member states governments.

The most dramatic example of spill-over lies concern monetary policy which has a significant impact on prospects for achievement of a number of economic integration objectives. Creation of a free market for the flow of capital across member states borders, for example, would be greatly facilitated by a uniform European interest rate policy and the monetary policies of all the member states. Without such coordination changes in interest rates charged on loans to banks in the various member states could undermine potentially destabilizing flows of capital from one economy to another. Similarly, stable exchange rates of creation of a single currency would facilitate performance of a number...
# TABLE 1
Characteristics of Intergovernmental, Supranational and Federal Forms of Government

<table>
<thead>
<tr>
<th>Who sets new policies?</th>
<th>Intergovernment</th>
<th>Supranational</th>
<th>Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minsters/heads of government of member states</td>
<td>Ministers/heads of government set some policies; ratify others</td>
<td>Central and state governments set policies in own jurisdictions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How are new policies established?</th>
<th>Unanimous vote</th>
<th>Qualified majority vote</th>
<th>Majority vote</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Does central bureaucracy initiate new policies?</th>
<th>No</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Are central bureaucracy's decisions binding?</th>
<th>No</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Is there direct interest group participation?</th>
<th>No</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Does central bureaucracy execute policy?</th>
<th>No</th>
<th>Yes</th>
<th>Yes (but not always)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Does the central authority have sovereign control?</th>
<th>No</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
</table>
number of community functions, such as maintenance of the Common Agricultural Policy.

Regulating monetary policies of the member states, however, requires EU intervention in a number of highly controversial areas, and would greatly restrict member states' abilities to formulate state budgets and manage their economies. Indeed, the intense fight over this issue was one factor that led to the fall of Margaret Thatcher in late 1990. Completion of a monetary union, as envisaged under the terms of the Maastricht Treaty, commits the European Union to establishing a single currency by 1999, is the ultimate example of spill-over at work, and represents an extremely important loss of sovereignty for the member states.

Actor Socialization. A second mechanism for progress towards higher levels of integration that is shared by both functionalism and neofunctionalism involves learning by representatives of member states of the good that can result from cooperation. Government policies are made by human beings whose attitudes evolve in response to salient experiences and interactions with other political leaders. Successful completion of joint tasks through intergovernmental cooperation can lead not only to the general belief that cooperation can pay handsom dividends, but also to closer personal relations with counterparts from other countries. A product of such collaboration may be a sharp reduction in suspicions and an increase in interpersonal confidence among governmental officials that can at least remove some of the barriers to closer cooperation in the future. A recent study of the intergovernmental negotiations that culminated in the Single European Act, for example, alluded to this confidence-building process.

A tacit role has emerged some cooperation. The so-called nodal point in the relatively supported processes always involves the formulation of a proposal to transfer additional authority to the regional level. In some respects, then, the process of functional conflict has been defused and transferred to another level in such a manner that the interests of German industrialists and French farmers might have reversed under certain circumstances, when powerful political elites with a "dramatic-political" aims intervene in the process. They may try to overcome the incremental-bureaucratic process described above (Haas 1967). Under what circumstances would they intervene? First, if they are successful in persuading the regional government to surrender even greater levels of governmental authority to the local level. In some respects, then, neofunctionalism integration theories can be regarded as "a strategy for attacking the case of national sovereignty by stealth, with lines between "mercenaries" and officials as agents within the walls who open the gates quietly" (Nye 1971).

Supranational officials can also serve as brokers between member states whose interests are not inherently compatible. They can propose creative deals that can convert potential conflicts of interest between member states into positive assets for the integration process. "Log-rolling" involves the formulation of a set of payoffs to different interests within the same economic sector. "Pacification" involves the linking of payoffs in entirely unrelated sectors in such a manner as to induce member states to go along with a proposal to transfer additional authority to the regional level. In one of the most important examples of "pacification," the Commission induced the French to go along with an acceleration of the timetable of establishing a customs union for industrial products (which would mainly benefit the Germans) by promising generous benefits to French farmers through the Common Agricultural Policy. The result was a simultaneous expansion of Community involvement in both the agricultural and industrial sectors of Europe's economies. In the absence of a supranational organization independent of national governments, the differing interests of German industrialists and French farmers might have served as an obstacle to integration.

In short, neofunctionalism stresses the importance of creative leadership by officials of the supranational government body in collusion with national interest groups having the ability to exert political influence over their respective governments. It is an incremental process in which no individual step is perceived as gravely threatening the sovereignty of the member states themselves, but which, in the end, locks them ever more tightly into integrated relationships with each other, and which progressively transfers governmental functions to the supranational body. As described by Lindberg and Scheingold, 'Each step taken forward has tended to increase both the costs of going back and the incentives for going on' (1970, 157). It shares the advantages of independent states in a web of interdependencies that makes departure from the national level unthinkable. While it is a process that may never culminate in a full federation, it nonetheless profoundly and irrevocably transforms the domestic and international relationships that had initially led to the integration process.

The Failures of Neofunctionalism. The neofunctional dynamics of regional integration, then, are gradual, incremental, and driven primarily by utilitarian calculations of economic advantage. The principal actors in this process are supranational bureaucrats in collusion with private sector interest groups, who push member states' governments to surrender ever greater levels of governmental authority to the regional institution. This process can be seriously disrupted, halted, or even reversed under certain circumstances. When powerful political elites with "dramatic-political" aims intervene in the process, they can overpower the incremental-bureaucratic process described above (Haas 1967). Under what circumstances would they intervene? First, if they are successful in persuading the regional government to surrender even greater levels of governmental authority to the local level. In some respects, then, neofunctionalism integration theories can be regarded as "a strategy for attacking the case of national sovereignty by stealth, with lines between "mercenaries" and officials as agents within the walls who open the gates quietly" (Nye 1971).

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and more radical process described above. Completion of the internal market was aimed at considerably ahead of schedule.

The key breakthroughs with dramatic political importance involved the use of the IoA organs which they did for a profound reason: to obtain a demand for the supranational Community legislation. In effect, they set the constitutional economic locomotive in play to a greater extent. Politically, correctly understood the logic and purposes of a policy that it produced an integration process which is hitherto to the functional unity which, as constitutional legitimacy, was hitherto about the promise of crisis in the Community.

This progressive strategy for its part involved a scheme to structure the Community Union, as the result of which, it was within the Council was to be a formally granted majority decision making. This would have important constitutional advantages in the integration process as well as a variety of the results of the Community integration. In practice, after the entry into force of the Luxembourg compromise, this new procedure in the Council changed the state of affairs concerning majority voting on major economic issues and that boundaries very important economic issues in areas of national policy, the Council should try to adopt legislation. Thus, it is only thus, that every voting majority was to be adopted by a single member state.

The Luxembourg compromise, which is the single-center of decision making, as the result of the Community's economic power, was decided by the Luxembourg compromise. This new procedure in the Council changed the state of affairs concerning majority voting on major economic issues and that boundaries rather important economic issues in areas of national policy, the Council should try to adopt legislation. Thus, it is only thus, that every voting majority was to be adopted by a single member state.

If this is an important issue that set back the integration of the member states.

In short, this period is characterized by a general economic and political coordination... In short, this period is characterized by a general economic and political coordination... In short, this period is characterized by a general economic and political coordination...

By what process did this important move take place? The recency of this event and, as a result, the relative lack of scholarly publications on this matter make it impossible to reach a definitive conclusion. One study (Sandholz and Zeman 1989) claims that the old miscalculations of private sector interests (in this case, business organizations) and prominent members of the Community Commission were the key actors. Another study (Moravcsik 1991) rejects this claim and asserts, instead, that the leading role was played by national political leaders acting intergovernmentally through the Council and international negotiations behind the scenes.

The theoretical framework set forth by Moravcsik, "international institutionalism," stresses the importance of national political leaders and their personal values and policy commitments as the decisive elements in this step toward further integration. Accordingly, calculations of national costs and benefits...
EU INSTITUTIONS AND POLICY-MAKING PROCESSES

Having explored some of the dynamics that have driven the regional integration process in Europe over the past four decades, let us examine in some detail the most important institutions of the European Union, the Commission, the Council of Ministers, the European Council, the Economic and Social Committee, the European Parliament, the Court of Justice, and the Court of Auditors. In this discussion we shall also explore the processes through which these institutions interact with each other to formulate, execute, and adjudicate Community decisions.

The European Commission. The Commission is a supranational body that plays key roles in initiating new policy proposals and in overseeing implementation of EC law by the governments of the member states. It consists of twenty members appointed for four-year terms (five-year terms, starting in 1995) by agreement among member states within the Council. The composition of the Commission broadly reflects that of the EU itself, with two commissioners coming from each of the larger states (Britain, France, Germany, Italy, and Spain) and one from each of the smaller member states (Austria, Belgium, Denmark, Finland, Greece, Ireland, Luxembourg, the Netherlands, Portugal, and Sweden).

Even though they are appointed by the representatives of the member states' governments serving on the Council, Commission members, throughout their terms, "must remain independent of the governments and of the Council. The Council cannot remove any Member from office," as a high-ranking EC official once explained (Noel 1988, 6). Instead, the Commission is responsible only to the European Parliament, another supranational body, which has broadened powers under the Maastricht Treaty to approve the Commission. As another EC spokesman put it:

"The name 'supra'-national should be discarded; a better slogan is: 'An executive independent of national governments, the Community.'

As in national parliamentary systems, the Commission can be removed by the European Parliament through a motion of no-confidence approved by a two-thirds majority. The structure of the Commission is also comparable to cabinets in parliamentary systems of government. It is headed by a President with other Commissioners assuming responsibility for specific policy areas, assisted by professional staffs. Accordingly, there is a Commissioner for agriculture, an Internal Market Commissioner, etc.

The Commission's Executive Functions. Unlike the executive and bureaucratic offices of national governments, the Commission does not itself execute most European Union policies. These are implemented by the bureaucracies of each of the member states. The principal administrative function of the Commission is to make sure that the legal codes and public policies of the member states are consistent with EU law. Thus, they must closely monitor the policies of the member states, they investigate suspected violations of the Treaty, and, when infringements are identified, they lodge inquiries with the relevant state or states. A member is given two months to respond to such inquiries. If its response is unsatisfactory, or if the State continues to engage in the disputed practice, the Commission may refer the matter to the Court of Justice, whose judgment is binding (Noel 1988, 10). In this respect, a principal responsibility of the Commission is to serve as the " guardian of the Treaties" and implement of European Union law through homogenization of
the laws and practices of the member states. The Commission is
greatly assisted in these tasks by the fact that the court systems
and administrative organs of the member states increasingly
respect Union law and decisions by the European Court of
Justice as representing precedents for legal and administrative
decisions within their respective boundaries. Thus, in carrying
out its oversight functions, the Commission is increasingly aided
by a decentralized monitoring of the application of Union law by
national officials within the member states themselves.

The Treaties of Paris and Rome do give member states the
right to claim a waiver of EC law whenever the country's "vital
interests" might be adversely affected. Were it not for an important
procedure involving "safeguard clauses" (i.e., the waiver of
terms of the treaties) in the event of conflict between national
interests or national-government ministries desire to reassess
their autonomy, eventually creating a chaotic patchwork of
national exceptions to the Union's policies and a threat to the
EU's authority. Such prospects are greatly reduced, however,
by the fact that the Commission has exclusive authority to authorize
such waivers. Exceptions to Union laws have thereby been held
to a minimum, and normally have been granted only to new
member states as they attempt to complete the daunting tasks of
adapting their national laws and practices to fit with Union stan-
dards.

In general, with regard to policy areas clearly placed under
its jurisdiction (the Customs Union, the Common External Tariff,
the Common Agricultural Policy, or the Treaties), the broad array
of policies relating to the internal market, the Commission must
be considered a powerful, authoritative, supranational body. It
reserves for itself the exclusive right to interpret Union law and
supervise its application within the member states. In conjunc-
tion with the EU's Court of Justice, it can guarantee that national
policies and practices are brought into line with the founding
Treaties and the Union legislation based upon those treaties.
Finally, within these policy areas entrusted to it (e.g., foreign
trade policy), the Commission serves as the Union's diplomatic
representative in international arenas.

The Commission also serves directly as administrator of siz-
able and politically significant funds. These include the
European Social Fund (for vocational training and other pro-
grams to combat unemployment), the European Development
Fund (which provides financial and technical assistance to de-
veloping countries), the European Agricultural Guidance and
Guarantee Fund (for price supports and agricultural moderniza-
tion), the European Regional Development Fund (to encourage
economic development in the Union's poorer regions), and the
EEC's fund for modernization of coal and steel production and
retraining of workers (Daltrop 1982, 30). Obviously, it also
administers its own operating budget, which amounted to 36.3
billion ECU in 1987. Nearly two thirds of these resources came
from a portion of the Value Added Taxes collected by the gov-
ernments of the member states, with about one quarter of the
Union's revenues derived from customs duties imposed on
imports from outside the Common Market, and most of its own
operating budget resources coming from agricultural revenues
(Noel 1988, 9).

Sectoral Advisory Committees. In reaching its administra-
tive decisions, the Commission does not act in complete iso-
lation. Sectoral advisory committees, consisting of public and pri-
ivate-sector representatives from the member states, meet with
the Commission and offer non-binding opinions concerning
matters as the administration of the funds under its control, as
well as implementation of the single internal market. In some
respects, these committees represent the embodiment of de
Gaulle's demand that Commission policy making processes
should involve extensive consultation with member states' repre-
sentatives. Insofar as members of these committees are not as
predictably Europeanist in their outlooks as are members of the
Commission and they are more keen to defend particularistic
interests), they can exert the kind of retraining influence that de
Gaulle had hoped would limit the Commission's freedom of ini-
tiative. On the other hand, this consultation process can lead to
the forging of a broad consensus (particularly among affected
interest group representatives) in support of the policy rec-
ommendations set forth by the Commission. Backed by this consen-
sus, the Commission can argue its case before the Council with
considerable authority.

The most important of these consultative committees is the
Economic and Social Committee. The 189 members of the ESC
(representing consumers, trade unions, business, agricultural
producers, and others) are appointed by the Council from lists
previously prepared by the governments of the member states.
The ESC's decision making process is extensively with the ESC during its
formulation of all new policies concerning social and economic
matters as will be further described below.

A series of "management committees" was also established
to implement the Common Agricultural Policy. These commit-
tees (one for each of the principal agricultural markets) are
appointed by governments of the member states. They adopt
opinions by "qualified majority" voting (i.e., fifty-four out of seventy-six)
which, if consistent with the policy proposal of the
Commission, ratify the Commission's policy and give it the force
of law throughout the Union. If the management committee does
not approve the Commission's policy proposal, it is referred to
the Council, which is again one month to reject the Commission's
proposal. Rarely, however, do the management committees
refuse to endorse the proposals of the Commission. One survey
found that management committees opposed only 18 out of the
2,089 policies proposed by the Commission in 1987 (Noel 1988, 19).

Similarly, in matters pertaining to coal and steel, the
Commission is assisted by a Consultative Committee of ninety-
six. These individuals represent producers, workers, dealers,
and consumers in the coal and steel industries in the various
countries.

A series of regulatory committees in other policy areas were
also set up along the lines of the agricultural management
committees. Since the degree of executive authority in these other
areas (e.g., environmental policy, consumer-protection stan-
dards, etc.) is less than that which had been granted to the
Commission in the agricultural sector, most of the interactions
between the Commission and the regulatory committees can be
regarded more properly as involving the legislative functions of
the Commission, which will be discussed below.

The Council of Ministers. The Council is the principal deci-
sion-making body in the Union. It is predominantly intergovern-
mental, particularly insofar as its membership consists of gov-
ernment ministers from the member states (one from each coun-
try), who serve explicitly as national representatives. The
Council is an unusual "fit and unique body whose composition
varies, depending upon the subject matter under consideration.
When agricultural policies are on the agenda, for example, the
Council consists of the agriculture ministers of the governments
of the member states; when transportation policies are being con-
sidered, the member states' transport ministers attend; etc. Since
foreign ministers function as the main representatives of the
member states, the Council that meets most frequently is the
Council of Foreign Ministers.

Depending upon the policy in question, the Council makes
decisions by unanimity, "qualified-majority" voting, or "absolute-
majority" voting (see Figures 2 and 3 in Hruscic in this volume). In making
decisions by absolute majority, each member state casts one vote, and a simple majority determines the outcome. This
 provision of the Treaty of Rome is rarely applied, however.
It is usually restricted to decisions concerning agricultural poli-
cies, approval of the Union budget, and appointments to the
Court of Justice. Most decisions are made by either unanimity or
qualified majority. For all labor and social policies, a quali-

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The European Council was created in December 1974, a European Council was created, composed of the President of France (head of state in a semi-presidential system), the prime ministers (heads of government) of the other member states, and the President and one of the Vice-Presidents of the EC Commission. The twelve Heads of State or Government were assisted by their foreign ministers at the semi-annual meetings of the European Council, but by no other aides. It was believed that this format would facilitate dialogue and decision making; but it has subsequently been realized that the absence of staff assistance at these meetings often gives rise to confusion when it comes time to translate general agreements into specific policies.

The European Council was not only symbolically important (serving as a source of pride for the citizens of the smaller European democracies in particular), but it also enables a national leader to play a prominent role in setting the agenda for European cooperation and integration for a period of six months. The European Council was first established in 1974—a time when the integration process was in the doldrums. In some respects, it could be regarded as a step backwards in the integration process, it created a powerful intergovernmental body at the expense of the supranational Commission; and its initial schedule of three meetings a year was regarded by some Europeans as encouraging appeals to the Council level decisions that otherwise would have been made by the Commission and its advisory committees. To some, it appeared as the institutionalization of de Gaulle's vision of a form of cooperation and consultation among European states that would not infringe on their national sovereignty. Nonetheless, as argued earlier, this shift to an intergovernmental arena did not lead to a permanent stagnation of the integration process; instead, in 1985 Mitterrand and Kohl used this forum to join forces in pushing Margaret Thatcher to accept the package of reforms that became the Single European Act, and in 1992 this body reached the momentous Maastricht Treaty. In 1985, the Heads of State or Government also agreed to limit their European Council summit meetings to twice a year (instead of the three times per year that prevailed between 1974-1986), as a means of "limiting intervention by the European Council in the general running of the Community" (Noel 1988, 28).

The Committee of Permanent Representatives. In order to enhance policy-making and institutional continuity (particularly important since the membership of the Council is constantly changing), in accord with the agenda for each session, the Council is assisted by a Committee of Permanent Representatives (COREPER). This intergovernmental staff structure consists of civil servants and diplomatic officials from each member state, with each state's delegation headed by a Permanent Representative or ambassador. COREPER performs several important functions, most importantly, undertaking preparations necessary for each ministerial level of European Council meeting, and serving as links between EU and member state institutions.

The position of COREPER was strengthened by the partial shift back to intergovernmentalism in 1986. Nevertheless, it has not served to undercut the position of the Commission or serve as an obstacle to the integration process. As described by Anne Daltrop, "In practice COREPER has acted as a 'hinge' between the Commission and the Council of Ministers, in many cases supporting a Community line against that of the national governments" (1982, 67). Daltrop attributes this to the long-term appointments of national officials to COREPER in Brussels, during which many of them came to adopt the Union's point of view on important issues.

Several specialized intergovernmental committees have also been created. Some have existed for decades, such as the Monnet Commission, founded in the first year after the Treaty of Rome. Other committees (usually consisting of officials from the relevant ministries of the member states' governments) have been formed to deal with agriculture, employment, energy, and economic policy. Like COREPER, these committees do much of the preparatory work in advance of ministerial-level Council meetings.

Policy Making: The Commission-Council "Dialogue." The policies established by the European Union take different forms, and can be roughly ranked according to the EU's level of authority vis-a-vis the member states. In descending order of decisiveness, the Treaties of Rome (establishing the EEC and Euratom and serving as "regulation" for all other member states), "directives" (which are also binding, but which leave it up to the member states to establish specific policies for the attainment of the general objectives established by the Union), "decisions" (which are binding only for the specific public or private sector body to whom they are addressed), "recommendations" and "opinions" (which are not binding). The Treaty of Paris used different language in defining the kinds of decisions to be made by the ECSC, but differentiated among them according to the same hierarchical principles as described above.

Any understanding of policy making by EC institutions must be based upon a realization that decision-making processes vary, according to the issue in question. With regard to some issues, the Commission has considerable authority to establish policy with little or no intervention by the Council. With regard to other kinds of decisions (particularly those involving politically-sensitive questions or an expansion of Community involvement into new sector), it is the Council which functions as the principal decision-making body. In short, the issues involved, the procedures followed, and the rules which govern decision making all vary from one set of issues to the next. In order to sort through the complexities of policy making within the Community, several distinctions should be born in mind.

To begin with, a distinction should be made between policy issues relating to the ECSC and Euratom treaties—both "code-of-conduct treaties and matters derived from the EEC Treaties of 1957. As described by a former high-ranking Eurocrat, the ECSC and Euratom treaties...

spell out the rules to be applied and the tasks to be performed in their respective spheres: the ECSC treaties apart from atomic power...
This argument should not be carried too far, however. Subsequent policies adopted by the Council have granted the Commission levels of decision-making and implementation authority comparable to those under theTEU and Maastricht treaties. In general, the Commission has greatest authority in dealing with policies relating to the Customs Union and the Common External Tariff, the Common Agricultural Policy, and the coal and steel industries. The Single European Act substantially increased its authority by adding to this list all matters pertaining to the completion of the open internal market.

A second distinction to be born in mind pertains to the degree to which the proposed policy involves politically-sensitive issues, represents an important new initiative, or threatens the vital interests or national sovereignty of the member states. On the one hand, or on the other, it is uncontroversial, unimportant, or merely represents the issuing of a new guideline or regulation pertaining to implementation of a policy within a sphere of activity clearly entrusted to the Commission (such as the Common Agricultural Policy). The Commission will have considerable latitude for decision in the latter cases, while in the former the Council will play the decisive policy-making role. The Maastricht Treaty further complicated this uneven patchwork distribution of decision-making authority by excluding the Commission altogether from involvement in Community coordination of immigration, police, and judicial matters.

For all except these new policy areas, decision-making processes are initiated by the formulation of a proposal by the Commission. This does not necessarily mean that other actors are uninvolved in the early stages of the legislative process, but it does mean that Council decisions are most frequently based upon governmental proposals submitted by the Commission.

The Commission bureaucracy initiates this process by establishing the broad outlines of the new policy proposals. Once these have been set, the Commission staff engages in the first round of consultations with specialists from the member states, either through contacts with standing committees or through ad hoc procedures. As Noel explains:

*How experts do not commit themselves to governmental initiatives that are inherently controversial will result in the latter's being given general approval. They do not give too much confidence to Commission counterparts as is the case in similar national examples.* (Inex 1975: 4)

At the same time, relevant interest groups are drawn into formal discussions.

Once the Commission formulates its proposal, differences in decision-making processes begin to appear, depending upon the issue in question. With regard to the agricultural sector (within which the Commission enjoys considerable authority), the proposal is presented to the relevant management committee for an opinion. If the management committee endorses the Commission's proposal by a qualified majority vote, it automatically becomes law. It is only if the Commission's proposal is opposed by the management committee that the question is referred to the Council, which is given one month to support or overrule the Commission's recommendation. Very rarely is this latter step necessary. Out of 2,089 policies proposed by the Commission in 1987, management committees supported the Commission's proposal in 1,925 of these cases, failed to issue an opinion (which is tantamount to approval, since the policy subsequently becomes law) in 146 instances, and opposed the Commission's recommendation only 18 times (Noel 1988: 129).

Thus, except when significant controversies erupt, the Commission enjoys considerable autonomy, and the role of the Council is minimal.

Similarly, the enactment of legislation concerning non-controversial policies in other sectors—largely entrusted to the Commission—also involves the exercise of considerable independent authority by the Commission. The role played by "regulatory" committees in sectors such as management of the Customs Union is similar, except that direct involvement of the Council is somewhat more frequent. In instances where the Commission's original proposal is opposed, the Council must make a decision. While most decisions are made by qualified majority vote, on some occasions a simple majority vote by the Council against the Commission's proposal forces the Commission to withdraw and/or modify its original proposal.

With regard to important or controversial policy proposals, or to areas within which the Commission has not been granted considerable authority (e.g., monetary policy and the other new issues taken on under the terms of the Maastricht Treaties), however, the role of the Commission is sharply circumscribed and the Council serves as the most important decision-making body. Commission proposals of this kind are much more carefully scrutinized and broadly debated.

Most important policy initiatives received by the Council from the Commission are sent to the European Parliament (described below) and the relevant consultative committee (such as the Economic and Social Committee). These bodies, in turn, assign the proposal to a relevant committee or subcommittee for study and discussion before rendering an opinion. At this same time, the member state governments will also have received the draft of the Commission's proposal. Member state governments may, in turn, pass on the draft to the relevant ministry or to the national parliament for consideration. In response to the opinions offered by these national, intergovernmental, and supranational bodies, the Commission may decide to revise its original proposal, but the opinions of these groups are not binding.

Once these consultations have been completed (and, on occasion, after the Commission has revised its draft proposal), the Council assigns the proposed policy to an Expert Group, composed of civil servants active in that sector of activity representing the member states. Members of these Expert Groups also consult with interest groups in their respective countries. It is during this review process that national perspectives and those of particularistic interest groups can be most clearly articulated. If no significant conflicts emerge during this stage of the process, the proposal is passed on to the Council for ratification. However, if significant clashes of interest do erupt, the proposal will be passed on to the Committee of Permanent Representatives for further deliberation. If all significant disputes are satisfactorily resolved by COREPER, then approval of the policy proposal by the Council will be perfunctory if not automatic. Matters that cannot be definitively resolved by COREPER (or deliberative bodies at earlier stages in the process) must be effectively decided by the Council itself. In general, the more important, the more conflictual, or the more the issue deals with matters falling outside those sectors clearly entrusted to the Commission (agriculture, coal and steel, the customs union and, since 1986, the internal market), the more decisive the role played by the Council. Conversely, policies concerning less important, uncontentious, etc., issues can be effectively made by the Commission itself or through its interactions with the lower-ranking intergovernmental committees described above. Voting rules for the Council also vary according to the issue area under consideration. While the Treaty of Rome stipulated that qualified majority voting should have been established as the normal decision-making principle after January 1, 1986, the practices that evolved out of the "Luxembourg compromise," somewhat modified by the Single European Act, have implied that important new legislative initiatives should be approved by unanimity within the Council.

This does not necessarily imply that a single member will be able to get its way all the time by threatening to veto legislation. Realizing that excessive realist concern over too many issues can alienate other countries, member states usually hesitate to
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unilaterally block policies. Instead, they will usually use their opposition to a policy proposal as a basis either for modifications in that proposal, or as a means of extracting concessions in other areas. Since Commission representatives are full participants in all Council meetings, they are in a good position to facilitate such "log-rolling" or "package-dealing" in order to secure approval for their legislative proposals.

Since ratification of the Single European Act in 1986, the hand of the Commission has been considerably strengthened with regard to all proposals pertaining to the internal market. While the SEA did not formally repudiate the Luxembourg compromise, it sharply circumscribed the right of member states to veto legislation on the grounds that it would damage its "vital interests". As described by Moravcsik:

"To invoke this clause, governments must inform the Commission, which then determines whether a particular measure constitutes an arbitrary form of discrimination or a disguised restriction on commerce rather than a legitimate form of derogation. The Commission or any government that believes a nation has abused the safeguard clause may seek before the European Court, using a special accelerated procedure. (11.1) The final arbiter has changed the Court and, to a lesser extent, the Commission not the member states--as under the Luxembourg compromise--now ultimately determine what constitutes proper justification for exempting a state from an "exclusion"."

This procedure, however, does not apply to issues not directly related to the internal market.

In general, then, it can be said that new EU policies are established through a variety of patterns of interaction among national, intergovernmental, and supranational bodies--private sector interest groups and representatives of national governments serving on standing and ad hoc committees, the Commission, the Council of Ministers, the European Council, the meetings between the EC and other countries (such as its aid and development policies, the enlargement process, the setting of the budget, the setting of the general framework for the development of the single market, and other decisions for which qualified majority procedure--that can be followed in policy making relating to the internal market. As stated earlier, the Commission has the power to adopt a proposal that is not supported by a majority opinion, although in actual practice it does pay some attention to the opinions offered by the Parliament.

The Parliament, however, does have real power in its deliberations over the EU budget--or at least the one quarter of the budget that is allocable (the rest of it constituting largely compulsory expenditures, such as those for the Common Agricultural Policy, where the extent of discretion is much more restricted). Here, the ultimate weapon of the Parliament is to threaten to reject the budget altogether. This has not been a hollow threat: on three separate occasions (concerning the 1980 and 1985 Community budgets, and the 1982 supplementary budget), the Parliament rejected the Council's budget outright. Having demonstrated its commitment to play a more active role in the Community's budgetary process, the European Parliament has subsequently been able to influence budget priorities through its "dialogue" with the Council.

In general, Members of the European Parliament have been dissatisfied with their lack of impact on the development of policy proposals for the Community. In response, there have been some reforms that attempted to address these grievances, but none of these has gone very far. The most recent such attempt was included in the Single European Act. The SEA granted to the Parliament "the power of assent" to major international agreements between the EC and other countries (such as its aid and trade relations with Third World countries under the Lome Convention), as well as concerning accession and cooperation agreements with countries seeking to affiliate themselves with the Community. This granting of "joint decision-making power" to the Parliament, albeit within a very narrow segment of legislative activity, represents a marginal expansion of its capacity to intervene in the setting of Community policy.

The SEA also included the establishment of a new "cooperation procedure" that can be followed in policy making relating to the internal market and some other decisions for which qualified majority voting in the Council is possible. This basically consists of adding to the policy process a second round of deliberations by the Parliament. Under previously established practice (called the "consultation procedure"), the Parliament would be called upon to formulate an "opinion" concerning proposed legislation at the time when the proposal is first presented to the Council by the Commission. As stated earlier, the Commission may modify
its original draft in response to parliamentary opinion before further consideration by the Council.

Under the "cooperation procedure," to this initial round of deliberations is added a second opportunity for the parliament to issue an opinion. This occurs after the Council has taken a "common position" on the policy proposal by a qualified majority vote. The Parliament then has a second opportunity to consider the version of the proposal endorsed by the Council. If the Parliament rejects the policy initially endorsed by the Council, the SEA states that a final Council decision can only be made by unanimity. However, if the Parliament has proposed amendments that are also endorsed by the Commission, they can be enacted by qualified majority vote; if parliamentary amendments are not supported by the Commission, a unanimous vote by the Council is required (see Noel 1988: 35-40). Again, it is important to note that this procedure applies only to proposals involving the internal market, social policy, and a few other areas.

Despite this recent procedural change, the European Parliament, like most legislatures in parliamentary systems, is less influential in the legislative process than it is in "overseas of Community policies. Parliamentary "control" or "responsibility" thus pertains less to the shaping of new policies than monitoring decisions made by other actors and scrutinizing their implementation of established policies. Much of this activity unfolds in the ten specialized committees whose structure more or less reflects the structure of the Commission bureaucracy. Commissioners and their staff members are frequently called to testify before these committees. Members of the Commission and the Council are also called upon to explain their activities to plenary sessions of the Parliament during "Question Time."

**The Court of Auditors**. A close collaborator of the Parliament in exercising its oversight functions is the Court of Auditors. Indeed, this body was created in 1977 in part because of requests by Parliament for improvements in fiscal auditing practices of the Community. The staff of the Court of Auditors can examine both the expenditure of Community funds and activities carried out on behalf of the EU by the governments of the member states (such as collection of customs duties and agricultural spending).

The staff resources and auditing expertise of the Court of Auditors greatly assist the Parliament in its efforts to monitor policy implementation by EU and member state institutions alike. As Daltrop points out, "It works closely with Parliament's Public Accounts Committee, which can call upon the Court of Auditors to carry out specific inquiries and advise Parliament to refuse to accept the annual accounts if it is not satisfied with them" (1982: p. 79).

**The European Court of Justice**. In contrast with the relatively powerless European Parliament, the European Court of Justice exercises a great deal of authority in many areas of everyday life, particularly concerning economic matters (banking, insurance, taxation, restrictive practices, patents, etc.), immigration, and consumer and environmental protection. As Daltrop argues, "All this represents a loss of legal sovereignty by the member states. By joining the Community, they surrendered far-reaching powers to a new and independent legal order, which can act in Community affairs on the international scene, and which can bind its members" (1982: 50).

The need for a supranational body of this kind is obvious, given the context of EU activities not only is it necessary to have an authoritative body to determine the legality of the policies and activities of the European Community's own institutions, but given the extensive scope of the activities of the Community in, for example, creating a single, free internal market, it is necessary for a single body to make certain that Treaty provisions and EU laws are interpreted and enforced consistently throughout the Community.

The Court accomplishes these objectives in two ways. First, it rules on cases brought before it concerning alleged violations of Community law. In this respect it works closely in tandem with the Commission, which, as described above, investigates complaints and launches enquiries concerning both public and private sector agencies and individuals throughout the member states. Many such cases involve allegations that laws and policies of the member states are inconsistent with Community treaties or laws. Of the 1338 rulings by the Court between 1952 and 1987, 361 were the result of complaints lodged by the Commission, 119 were actions by governments of member states, and 658 were actions by individuals (see Noel, 1988: 39).

The Court is the supreme adjudicator of Community law— which has precedence over national law within the specific sectors of activity of the European Communities—and its judgment is binding on all member states.

The second way in which the Court succeeds in bringing about uniform interpretation of and compliance with Community law is indirect: its judgments have increasingly been regarded as establishing precedents for decisions by national courts. In this manner, it is not necessary for the European Court itself to resolve all disputes—widespread acknowledgment of the applicability of its decisions to the legal systems of the separate member states has meant that the national court systems have shared in the task of administering a single code of legal principles throughout the Community. These principles pertain only to those sectors directly or indirectly involved with the functions of the Community (they do not involve criminal law, for example, but within these sectors, Community law is supreme).

## THE EUROPEAN COMMUNITY AND THE MEMBER STATES

As we have seen, governmental rule making, implementation and adjudication within the European Community is extremely complex. Unlike the virtually complete loss of sovereignty characteristic of intragovernmental relations in federal systems, and unlike the full sovereignty retained by states belonging to intergovernmental organizations, the European integration process has to this point culminated in an uneven and extremely complicated structure of governance. In some areas (the coal and steel industries, the customs union and internal market, the Common Agricultural Policy, the authority of the Court of Justice, and the Community) and in some parts of the Community's activities (the Court and the Council) there is a very extensive. In other sectors of political life (such as foreign policy and national defense), the Community has only just begun to coordinate the activities of the member states. In still others, patterns of governance are intermediate and constantly evolving, with some key actors (most commonly the Commission, "federalist" factions in the Parliament, some interest groups, and the Court) pushing to increase the scope and level of EU authority, while others (the governments of some member states, some interest groups, and some members of the Council) are vigilant in their defense of national sovereignty.

In such a context, it is virtually inevitable that policy processes will be complex, involving considerable "dialogue" between public and private sector groups, between Community and national institutions, and among Community institutions themselves, towards the objective of building consensus. In the absence of consensus, it is usually quite difficult if not impossible for one actor to impose a policy on another. Coercion or the application of force is not what holds the EU together or makes it work.

These consent-building processes involve enormous numbers of actors at various stages of the policy process, in the course of which national government institutions and interest groups have numerous opportunities to interact with community organizations and influence community policies. First, the Commission undertakes extensive informal consultations with representatives of member governments and interest groups in
formulating its policy proposals. Second, once it receives a proposal from the Commission, the Council refers it to the Parliament and at least one advisory, regulatory, or management committee for opinions. At this same time, the proposal is passed on to the governments (and, in many countries, the parliaments) of the member states. Third, both the Expert Groups and (if necessary) the Committee of Permanent Representatives subsequently review the proposal and the selected opinions of national representatives. Fourth, since the intergovernmental and supranational actors that subsequently review the proposal and the solicited opinions consist of national representatives, the proposal is sent to the European Parliament and at least one advisory, regulatory, or management committee for opinions. While still legally bound to the Commission, the Parliament may launch enquiries into the reasons for the failure of the member to adhere to Union law, and if not promptly resolved, the issue may be passed on to the European Court for final resolution. Thus, policy making within the European Union involves extensive and often complex interactions among a large number of national, intergovernmental, and supranational actors.

Endnotes

1. While still legally bound to the Commission for the European Communities, the body is commonly referred to as the European Commission since the adoption of the Maastricht Treaty.

2. Since Britain opted out of the Maastricht chapter on social policy, a qualified majority was redefined as forty-four out of sixty-six votes for these question prior to enlargement (now, forty-two of seventy-seven). The fourteen member states who have adopted the social chapter have further differentiated between policies requiring a qualified majority: health and safety, working conditions, information and consultation of workers, and sexual equality in the workplace and those requiring a unanimous decision (social security and social protection of workers, unemployment insurance, collective bargaining, and employment conditions of foreign workers) Keeling’s Record of World Events: December 1991, p. 386/389.

3. “Decisions... according to the ECSC vocabulary, are roughly equivalent to the Rome Treaties’ “regulations.” ECSC recommendations are analogous to directives; while opinions are not binding according to both treaties’ terminologies.

Bibliography


ECONOMIC EVOLUTION OF THE EUROPEAN UNION

Moore McDowell
Chapter 5

Economic Evolution of the European Union

Moore McDowell

INTRODUCTION

As the Treaty on European Union demonstrates, European integration is concerned with much more than the narrowly defined problems of fully developing the European Economic Community. Nevertheless, the EEC, usually referred to as the EC, has been at the heart of the integration process since the late 1950s, and has provided at some times the political justification, at others the political and economic mechanisms, on which the whole process has hinged. Whether one is interested in the actual evolution of economic integration or in understanding the economic influences on the political evolution of the Community, a knowledge of the economics of integration is indispensable. Not every reader is going to come to this chapter with a degree in economics, and we have tried to keep this in mind by minimising technical usage, or continuing it to endnotes. The reader with a prior knowledge of the dismal science who wants to take the subject matter of the various sections of the chapter will find some useful suggestions in the further reading sources listed at the end.

PROCESS OF ECONOMIC INTEGRATION

Types of Economic Association. For many years the European Community was widely referred to as the Common Market. As a description of an aspiration that has been justifiable, as a description of the actual reality it has been misleading. In fact, the whole thrust of the program of 'Completion of the Internal Market', popularly called the 1992 program, has really been about the requirements for creating a common market in the EC. In a sense, it is the partial culmination of a process which has been going on for over thirty years, and which is not yet finished. That process is the movement from a relatively primitive type of economic trade association to a full-blown economic merger of countries with all its attendant political implications. Before analysing the process of integration it is important to define fairly exactly what is involved at each stage of integration:

Free trade area (FTA): a group of countries which agree by treaty to remove tariffs and quota restrictions on imported goods-originating within the group.

Customs union: a FTA in which in addition operates a common policy on trade relations with non-member countries, especially by establishing a common external tariff.

Common market: a customs union which removes all restrictions on the movement of goods, capital and labour between member countries, and eliminates all discriminatory arrangements designed to protect firms, or groups within a member country, from competition from firms or groups in other member countries. As the name suggests, this means a single market for all goods and services.

Monetary union: a group of countries which in the simplest case operates a regime of completely fixed exchange rates between their currencies and permits a free flow of capital between member countries, in the more advanced case a group which uses a single common currency. Strictly speaking, a M.U. can exist without a common market (for example, between Ireland and Great Britain, with British independence in 1922 and 1970s, but is usually seen as a further degree of integration following a common market area.)

Common monetary area: a common market and monetary union, plus the establishment of institutions and policies to ensure a single regime for macro-economic policy incorporating an effectively unified fiscal policy. This suggests, but does not strictly require, some form of federal institutions.

Free Trade Areas. Economists distinguish between differing degrees of integration between trading economies. The simplest of these is the "Free Trade Area". In such an arrangement, the countries involved agree to eliminate tariff and quota restrictions on trade between them. The European Free Trade Area (or Association), established as a response of non-members to the creation of the EC, is an example of such an arrangement.

One problem with the FTA is that it does not provide for a common trade policy regime with respect to non-member countries. This can cause problems arising from what are often described as "back-door imports". If we imagine a FTA agreement covering two countries, say the U.S. and Canada, it will provide for Canadian produced goods being given access to the U.S. market. Suppose that for whatever reasons the U.S. wanted to protect a particular industry from competition from imports from a third country and that no such industry existed in Canada. U.S. tariffs could effectively close off direct imports, but would not apply if the third country producers decided to establish a plant in Canada to produce the goods in fact, probably only to finish production of the commodity concerned, the components for which it could import into Canada without paying U.S. tariffs. The result would be that the U.S.-Canada FTA would undermine American commercial policy vis-a-vis third countries. The same, of course, would apply in reverse to Canadian policy.

Customs Unions. This results in a strong incentive to add to the FTA arrangements. Not to do so would result in the FTA agreement becoming unworkable through these backdoor trade flows. The easiest way to deal with the problem is for the members to negotiate a common policy on tariff or quota restrictions on imports from non-members. The alternative is a costly, administratively difficult and ultimately rather porous regime of regulations, inspections and restrictions designed to distinguish between bona fide and backdoor trade.

If the countries involved decide to set up a common set of trading rules for dealing with third countries they have moved from being a FTA to establishing a "Customs Union". This is characterised by a regime of free trade between members and identical restrictions (or absences of restrictions) for all members on their imports from the rest of the world. The set of tariffs they agree to adopt is called the Common External Tariff, and, together with any quota restrictions, makes up the Common External Commercial Policy.

Proceeding to a customs union, however, brings the members attention to further problems affecting their trading relations amongst themselves. For example, less obvious restrictions on the freedom to sell the goods of one country in the markets of the other FTA partners remain untouched. These are usually described (inaccurately) as non-tariff barriers, but in reality include devices which on the surface appear not to have much to do with trade at all, but are designed to achieve totally different targets, for instance regulations on product safety which have the unintended side effect of making it difficult for a foreign producer to sell in a given competitor's home market. American exporters have for a long time and with considerable justification
claimed that their attempts to penetrate the Japanese market have been frustrated by Japanese product standards. In addition to such hidden protectionist measures, trade is hindered by other restrictions such as border controls and paperwork, genuine differences in product standards, and differences in sales taxes.

Common Market. Faced with these problems, the members of the original FTA can solve them by moving forward to a stage of integration described as a "Common Market." In this arrangement they agree to ensure completely free access to each others' markets for producers in any of the member countries. The first and most obvious things to go are border formalities. This in turn requires agreements on product standards, and has implications for arrangements outside the economic sphere, policing, for example. It also (and especially in Europe, with the system of Value Added Tax rather than the simpler U.S. sales tax system) necessitates harmonisation of indirect taxes and an agreed mechanism for "clearing" taxes (as banks "clear" cheques to settle their accounts). A common market goes beyond just eliminating the so-called non-tariff barriers. It involves recognising that free access to a market may mean the right to establish operations in a member country. Hence, it involves a right to free movement of capital between countries, and the absence of any restrictions on establishment or investment that discriminate for or against firms from any member country. It also requires free and integrated markets in services, which in turn implies free movement of professional and skilled labour. Finally, when capital is permitted to move freely, labour in general will have to be given the same mobility.

At this stage, the economic association between the members has become much deeper than simply an arrangement to facilitate trade between them. A common market means that there is really a single market for goods and services uniting the member countries. To realise this state of affairs was the goal of the EC's Program known variously as the 1992 Program, or the Program to Complete the Internal Market, or the Single Market.

This level of unification in its turn draws attention to other problems affecting trading arrangements. The first is the question of money and exchange rates. The second is the need for joint decision-making powers concerning government policy affecting the economy.

Fluctuating exchange rates are a barrier to free trade and free movements of capital. An exporter faces uncertainty as to the value to be received for the goods sold when they are converted into the currency of the importing country. To cover against this it is necessary to enter a contract for sale of foreign currency in the future. This means getting someone else to carry the risk, and will carry a cost. Even the business of currency conversion is costly. Hence, variable exchange rates act as a barrier to the movement of goods, services, and capital. They also mean that interest rates may be higher in one part of the common market than another, which affects the competitive position of producers in the higher interest rate areas. Finally, the possibility of changing the exchange rate other governments a means of intervening to protect their currency by manipulating the exchange rate when under free trade rules such protection is permitted.

Monetary Union. To avoid these trade distortions, actual and potential, the member countries of the common market will have to move to reduce and if possible eliminate the room for exchange rate fluctuations. The mechanisms adopted for this purpose can be complicated and cumbersome. Their final result, however, is to replace the currencies of the several member countries by a single money, although the token currencies may survive.

In Europe, the establishment of the European Monetary System in 1978 was the first concrete step towards a monetary union for the EC. It established maximum bands within which currencies could fluctuate and mechanisms to ensure the desired result. The success of the EMS in aligning countries' currencies made possible the move towards monetary union decided on at the EC's intergovernmental conference of December, 1990, and the agreement on a single European currency proposed to come into effect in 1999 as part of the Maastricht Treaty.

The process of monetary integration involves major changes in the way countries conduct their economic policies. A commitment to a target value or range of values for the foreign exchange value of the U.S. dollar would oblige the Federal Reserve Board to make an American monetary policy with that obtaining in the rest of the world: in effect the rate of growth of the U.S. money supply and the level of U.S. interest rates would become subject to the requirements of maintaining the desired exchange rate for the dollar. The same is true within the EU. This raises the question of who determines EU collective monetary policy. In practice for many years the answer to this was that the Germans pursued their own monetary policies aimed at low inflation, and the other EC countries to varying degrees followed the Germans to the extent that they wished to maintain a fixed exchange rate against the Mark. This meant surrendering a degree of sovereignty . . . to the German Bundesbank. Under the Union Treaty, monetary policy will be directed by a new European Central Bank.

Economic Union. The political problems at the common market stage are in the main those of agreeing on a common set of rules for intervention and non-intervention by member state governments in their economies with a view to distorting trade or factor movements in favour of their own firms, and setting up a mechanism for enforcing such rules. Again, this involves a loss of sovereignty. The decision to move towards monetary union makes it a Priority matter to set up common organs of macroeconomic policy, dealing with such matters as fiscal policy (the size of any fiscal deficit) and monetary policy. At the same time freeing up trade imposes on member governments the need to harmonise their tax structures. It is obvious enough that if sales taxes are to differ substantially between states, border controls will have to go, and if trade-costs are to be reduced so as to make a reality of free trade. Similarly, free movements of capital and labour will bring about pressure for harmonisation of individual and corporate income taxes. With the harmonisation of taxes and the removal of all barriers to movements of goods, services, labou and capital we have created an economic union.

Meanwhile, governments will have lost much of their ability to use monetary policy to influence their economies because of the fixed exchange rate. This in turn implies that they will find it very difficult to operate any kind of effective fiscal policy, since budget deficits and surpluses affect their value in the foreign market. In the extreme case of the German Bundesbank being the only monetary authority in the EC, the member states of the EC have agreed to strict restrictions on national budget deficits as part of the transition to the European Monetary Union. Increasingly, they will find their individual powers to influence economic events being eroded, while the problems they face will not go away: unemployment, regional disparities of income, disruptions to traditional patterns of production.

Faced with this, the member states of a monetary union will have to decide between having no policies in these areas or having joint policies. Joint policies involve a joint policy decision-making apparatus, common economic governance. In the view of many economists this means that the ultimate implication of the process of economic integration and unification is further political union, of which the Maastricht Treaty is one further step.

An Inevitable Progression? A natural question at this point is whether it is possible to halt the process of economic unification at any particular stage. On this, it has to be said, opinions are divided. The presentation here has emphasised one particular aspect of the problem—that is, the tendency for any given stage of the integration process to give rise to problems which are solved by proceeding to the next stage of the process. Implicit in this is the view that a failure to proceed will mean that the problems will not be solved, and that this in turn will give rise to
pressures which may cause the process to start to unravel. For example, it at the FTA stage backdoor imports become a problem, and a customs union is not set up, the implication here is that protectionist pressures will lead to the FTA agreement being watered down by trading restrictions and/or costly regulation and monitoring of the composition of trade between the FTA members.

Against this, it has to be recognised that the original FTA, set up by the UK and others as a response to the EEC, did not become a customs union. (On the other hand, it didn't become much of anything. It had limited success in promoting trade between its members and has already lost most of its members to the Union and is likely to disappear). Similarly, Britain has held out for a long time against the idea of monetary union as being desirable, let alone inevitable, and shows very little willingness to contemplate moving to anything like the sort of federal structure predicted by those who agree with the arguments presented here.

**IMPACT OF ECONOMIC INTEGRATION**

**Trade Creation and Trade Diversion.** In Chapter 7, George Vredenburg has treated the external trade relations of the European Union. It is sufficient here to remind readers of a few pertinent points of economic theory that have guided the integration process.

Economic theory predicts that increasing trade should increase overall economic welfare. Where arrangements such as the EU are concerned, however, an additional complication has to be taken into account. While a common market results in a greater degree of trade between the members because the barriers to trade are removed, it also involves a set of restrictions on imports from non-members. This leads to the possibility that trade could be distorted as well as increased.

A classic example of this effect is the consequences of membership of the EC for Britain, which has been a major food importer for nearly 200 years. In the decades before and after joining the EC in 1973, Britain's trade with her EC partners increased substantially. However, her imports of foodstuffs from her traditional suppliers, the U.S., Australia, New Zealand and Canada, fell drastically. This was the result of the operation of the external trade aspects of the EC's Common Agricultural Policy or CAP (see below). In effect Britain replaced her imports from the traditional suppliers with purchases from the members of the EC. The cost of producing food in Europe was higher than in the previous supplier countries, and this effect was enhanced by the EC's commitment to high food prices. The consequence was that as a result of joining the EC, Britain shifted from a lower cost to a higher cost source of supply for food imports. While the gains from trade are based on a presumption that trade lowers the real cost of goods and services, Britain's experience is not clearly a gain from a more liberal trade regime.

Thus, it is not sufficient to establish whether or not the terms of an agreement like the FTA result in more trade between the member countries. We must also look at the pattern of trade with non-members, and establish whether as a result of the terms and policies associated with membership the countries involved have replaced imports from non-members with higher cost imports from members. If this has taken place, it is described as trade diversion.

It thus means not just altering the source of imports, but also moving from a low to a high cost source of supply.

Trade diversion reduces world real income and reduces the gains from scale, competition and specialisation (as described below). Within the trading bloc which introduces the diversion it also redistributes income among the members. In the example cited, it redistributed real income from consumers imported food to producers-exporters within the EC. The big winners were farmers (producers) and France, Italy, Denmark and Ireland (exporters). The losers within the EC were consumers and the importing countries, West Germany and Britain, and outside the Community, farmers in Australia, the U.S., Canada and New Zealand.

The basic determinant of the degree of trade creation is the extent to which the dismantling of trade restrictions between the member countries (a) liberalises trade between them, while (b) raising (or at least not reducing) trade with non-members as living standards are raised. The degree of trade diversion will reflect the extent to which the bloc's 'common commercial policy' introduces restrictions on trade with non-members which are on average tougher than those in place before the member countries joined.

As far as the EU is concerned, the evidence suggests that with the exception of agriculture the trade diversion effects of the Treaty of Rome have been very small, and the trade creation effects have been quite significant. The principal reason for this is the relatively low level fixed for the Common External Tariff at the inception of the Community, and the progressive reductions in that tariff, both under the GATT negotiations and independently since 1958. In certain areas, however, the EU remains open to accusations of non-tariff barriers to free trade with non-member countries. An alleged example is the refusal of the EU to prevent member state governments from (according to opponents) subsidising production of long range passenger aircraft through Airbus Industrie, a notorious bone of contention with the two major U.S. airframe manufacturers.

**Sources of Gains from Integration.** Economic integration aims at increasing the real incomes of the participating countries by increasing trade between them and by permitting factors of production to be used more efficiently as a result of being able to move to regions or uses which maximise the productive potential. The gains from increased trade arise from the reorganisation of production and are usually described as being due to three separate effects. These are gains from specialisation, economies of scale and competition.

Free trade enables increased country by country specialisation to take place, with each country tending to concentrate on producing for export those goods in which it enjoys a comparative advantage and using these exports to finance imports of other goods, some of which it might have produced domestically in the absence of trade. Comparative advantage can be explained as being due to either differences in technology and productivity or to differences in endowments of factors of production, in which case a country has a comparative advantage in producing goods which, other things being equal, use more of the factors with which it is well endowed. It is well understood now that the comparative advantage implies that economic integration will tend to increase country by country specialisation and differences in economic structures, and that international trade flows will be dominated by 'one-way' or 'inter-industry' trade patterns, with any commodity being either an export or an import, and rarely it ever appearing as both other than as a result of problems of classification of goods for trade purposes. The factor endowment account of comparative advantage further implies that the greatest volume of trade should be observed between countries of similar incomes but very different resource availability.

Gains from trade as a result of scale economies is a concept that goes back to Adam Smith who declared in 1776 in his *Essay on the Nature and Causes of the Wealth of Nations* that the division of labour (with the consequent increase in productivity) was set by the size of the market. Free trade between countries would expand a firm's market and enable it to lower its costs by increasing its production volumes. In modern terms trade permits firms to take greater advantage of scale economies. Scale economies, especially in the context of production of goods which are differentiated, either by image or by real characteristics (e.g., tea or breakfast cereals), will result in different consequences for trade from comparative advantage. Most
importantly, the scale explanation of trade predicts less specialisation and a dominance of "two way" or "intra-industry" trade.

The scale account of trade further predicts that trade will be dominated by exchanges between countries of similar economic structure, and that trade will grow fastest between countries which are similar in structure and growing most rapidly. Secondly, the scale explanation implies that if anything trade tends to make countries' economic structures tend towards international similarity, especially when there are case movements of labour and capital.

Gains from increased trade via competition effects reflect the fact that barriers to trade not only prevent countries from taking advantage of specialisation and economies of scale, but in many cases result in a less competitive economic regime behind tariff barriers. This arises from various causes. For example, if trade barriers are high enough to prevent competition from foreign suppliers, and if there are scale economies in production, it is likely that at most a few firms will produce for the domestic market. In the absence of competitive pressure, domestic producers may be slow to innovate, and relaxed about production costs. Firms do not face foreign competition, unions have a stronger hand in bargaining over pay, work conditions and manning levels. In short, trade restrictions can result in higher domestic costs because absence of competition means that inefficient production methods are not eliminated ruthless. Also, firms face lower incentives to introduce more efficient methods or better quality products because the efficiency gain may be appropriated by organised labour.

Integration: the Experience of the EC. In this section we look first at the impact of economic integration on the trading pattern of the countries of the EC, primarily among themselves, but also between them and other countries, and try to evaluate the degree to which various factors affected the change and rest of the world. Then we try to establish the relative importance of the different sources of gains from integration, as in this turn will help us to predict how further integration of the Union under the "1992" programme is likely to affect Europe and through it the rest of the world.

The first question to be addressed is that of trade creation and diversion. Estimation of the relative impact of trade creation and diversion is not as easy as the distinction between them might suggest. First, there are always problems of data: it is notorious among economists that while the sum of the world's trade balances between countries must come to zero, it is virtually impossible to reconcile this underlying truth with the published trade statistics. Secondly, the pattern of trade before and after integration will reflect the change of the trade regime. Clearly, there is room for legitimate disagreement here and, as a result, for differences in quantitative results. This does not, however, prevent us from reaching broadly agreed qualitative conclusions, whatever the unreliability of individual numerical results.

Discussions of the many studies published around 1970 (dealing with the first decade of the life of the Community), two authors summed up the position as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Study</th>
<th>Authors</th>
<th>Summary</th>
</tr>
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</table>
| 1970 | Table 1 | Lander | Trade creation and diversion.
| 1970 | Table 2 | McDowell | Trade creation and diversion.

On this basis it is clear that in its first ten years, the EC had the effect of creating trade to a degree three to four times greater than it diverted trade.

Furthermore, the trade creation effects were not confined to the original six EC members. The pattern of world trade strongly suggests that the result of the establishment of the Community with its common external tariff was to increase trade between the Community and the rest of the world to a substantially greater degree than it diverted from outside the Community to within it (McDowell 1978, 1-2). This pattern was not uniform, however. While the U.S. and some other advanced countries benefitted from increased trade, there appears to have been net trade diversion from the member countries to the other Western European trade blocs, EFTA, and from less developed countries which did not enjoy a special relationship with the EC (El-Agraa 1980, 64).

Since the early 1970s, when most of this work was done, two developments have occurred which enable us to be more sanguine about the impact of the EC on trade, internally and in the rest of the world. The first is the expansion of membership, from six to fifteen countries, which brought most of the EFTA countries into the EC. The second is the continued process of trade liberalisation under the GATT negotiations, in which the EC has reduced its Common External Tariff significantly. In addition, the system of preferential treatment for underdeveloped economies has been vastly extended, from the original fewer than twenty territories provided for in 1958 to about seventy today. It is only really in the area of temperate climate agricultural products that the question of trade diversion by the EC is a serious issue. Here, the continued policy of excluding North American and Antipodean producers from the European market is a substantial source of trade diversion. This has been all the more the case as a result of the adherence of Britain to the Union, as she is a major food importer.

The second question to be looked at is how the different sources of increased trade have affected the structure of the economy of the Union. Broadly speaking, this can be broken down into two categories of effects. First, there is the degree to which free trade encourages concentration of production in those activities in which the member region has a comparative advantage. It is this is the dominant effect of integrating the economies, we would expect to see increased specialisation by output type by country. Statistically, this would show up in different patterns of employment development by sector across the countries of the Community, and trade flows increasingly dominated by "one-way trade". Recall that this means a country will either import or export any given commodity, but will not in general be both an importer and an exporter. This is certainly the overall pattern of production and exchange which traditionally has dominated inter-regional trade in the U.S. The fact that it is breaking down in the U.S., with industry and services becoming more uniformly spread across the country by commodity type by region, indicates that it is unlikely to be the dominant aspect of the impact of trade liberalisation. The second is a serious problem, and this, indeed, is what the output and employment statistics show.

This is illustrated well by the pattern of industrial growth in France and Germany in the decade after the establishment of the EC. It specialisation had dominated the source of gains from trade, then the consequence of free trade would have been for industries to expand in one country and to shrink in the other. Looking at a selected group of eight similarly defined industries producing tradable goods and coming from across the spectrum of industrial production we see no such pattern.

Tables B1 and B2 display production levels for these industries in France and West Germany, respectively. The general pattern is of growth in both countries rather than growth in one and decline in the other, which is what one would expect from a comparative economic structure and growing most rapidly. First, the relative distribution of the gains from trade liberalisation. Exceptions are meat and newsmint. In the first of these, the relative expansion of the German industry can be ascribed to the impact of the Common Agricultural Policy (see below). In the second, we can see the impact of specialisation. German aloesistation gave a comparative advantage in the production of newsmint. Interestingly, we can also see a parallel contraction in the case of cotton fabric as competition from Third World countries started to bite.
### Table 1 (a): FRANCE

<table>
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<td>342</td>
<td>366</td>
<td>423</td>
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<td>468</td>
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<td>2895</td>
<td>3104</td>
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<td>000s</td>
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<td>1536</td>
<td>1615</td>
<td>2024</td>
<td>2116</td>
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<td>kmts</td>
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<td>241</td>
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<td>201</td>
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<td>kmts</td>
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<td>432</td>
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<td>461</td>
<td>417</td>
<td>430</td>
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<tr>
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<td>kmts</td>
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<td>448</td>
<td>641</td>
<td>800</td>
<td>1008</td>
<td>1519</td>
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<tr>
<td>MIL PROPS</td>
<td>kmts</td>
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<td>n.a.</td>
<td>2895</td>
<td>3104</td>
<td>2926</td>
</tr>
</tbody>
</table>

Source: UN Trade Statistics; kmts: 000 metric tonnes.
## TABLE 1 (b): WEST GERMANY

<table>
<thead>
<tr>
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<td>ALUMINUM</td>
<td>km³</td>
<td>302</td>
<td>320</td>
<td>440</td>
<td>489</td>
<td>568</td>
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<td>STEEL</td>
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The second aspect of trade liberalisation concerns its impact on inter-country and inter-regional differences in income per head. According to standard trade theory, trade in goods can be seen as a substitute for movement of labour and capital. If the latter could move freely between geographic locations and between uses, the returns to each would be equalised by arbitrage, and inter-regional differences in incomes would tend to disappear. One of the major differences between Europe and the U.S., even in the 1980s, but all the more so a generation earlier, is the relative immobility of labour as compared with North America. At the same time, capital was restricted in mobility right up to the end of the 1980s.

Ideally, free trade should reduce or eliminate income per head differences. The intuitive explanation for this is that differences in the rewards paid to labour or capital would mean different costs of production, and competitive pressure would bring about factor reward equalisation through free competition in the markets in which the goods produced with those factors of production are sold. What, then, has been the experience of the Union in this respect?

After thirty years, differences in net income per head and in wage rates by occupation are still substantial within and between the original six member countries. They have, however, been reduced in particular in the context of the Mezzogiorno. Italian incomes and pay rates have come much closer to those in France, Germany and the Low Countries. Within Italy and France substantial inter-regional differences persist. As between the newer members and the older ones, the gap in income per head between Ireland and Britain, on the one hand, and the old six on the other has not narrowed to any great degree. On the other hand, incomes are rising rapidly in Spain relative to the other EU countries, and a narrowing of the gap seems to be taking place in Portugal.

Whether these trends reflect the integration process is another matter. In the Irish case, the rise in farm prices in the 1970s did something to increase incomes relatively, but this was largely confined to the farm sector and has been reversed as the EC's farm policies were changed in the middle to late 1980s. Non-farm pay rates, however, rose relative to German rates during that time. Spanish incomes have been rising rapidly since the start of the tourist boom in the 1960s. In Britain, the aggregate failure of incomes per head to approach EU levels masks massive regional variations: incomes and property prices in the south-east and around London increased very rapidly, while in the industrial north and east of England, outside London, there was considerable unemployment and falling income per head.

Just how much income equalisation we should expect through economic integration is questionable. The experience of the U.S. shows us that it takes a long time and is imperfect, even in a market where there is a common language and set of laws, and little by way of legal restriction on labor movements. Admittedly, the U.S. labor market is faced with the problem of race discrimination, which is of a completely different magnitude in the EU.

The evidence in Europe is far from being complete, but such as it is, it seems to suggest that the integration process is accompanied by a degree of approximation of income levels by sector, allowing for such factors as male/female wage differentials and participation rates. This is in accord with the predictions of standard trade theory. What is clearly not happening is a tendency for the integration process to achieve a general equalisation of pay rates by means of adjustments in the structure of industry. Labour is not merely less mobile as between countries than between regions in the U.S. (which is hardly surprising) but it appears to be very immobile as between industries and regions within the member states. This tends to sustain wide inter-country differences in income per head, especially because industrial adjustment to free trade has resulted in the creation of stubborn problems of unemployment in some areas rather than the redeployment of labor to new jobs.

COMMUNICATION ECONOMIC POLICIES: RATIONALE

From an economic viewpoint there are three basic reasons for which an association like the EU would adopt common policies in economic affairs. These are in the end the same reasons as those which impel national governments to conduct national economic policies within their own frontiers, but in this case on a larger scale. The first of these is the problem of dealing with instances of "market failure". The second is the advantages to be obtained from carrying out certain economic functions collectively rather than at an individual level. The third is the need to establish an economically equitable and efficient environment within which firms and households can transact business.

Market Failure. This refers to circumstances in which we can predict with at least a high degree of probability that market interactions between firms or individuals will result in inefficient allocation of resources. The classic instance of this is the impact of environmental spillover effects when firms do not have to pay for the environmental impact of their activities. In effect, the environment is a free input into their production processes as far as they are concerned, so, naturally, they will prefer to use it rather than pay for a more costly production process involving less spillover. It is the absence of a "market" for the use of the environment which is the root cause of the problem. Firms do not "internalise" costs that they do not have to pay (that is, "external" effects) into their decision making. As a result, output exceeds what it would be if external costs were taken into account; resources are being inefficiently allocated between uses. This can work the other way; benefits produced by a firm's or an individual's actions which accrue to others will not in general be taken into account by the firm or individual in production or consumption decisions.

To deal with this problem we use collective action: taxes, subsidies, regulation, restrictions and collective production. The EU has a role to play here because increasingly we realise that external effects may not be capable of being adequately dealt with at the level of the nation state. This is obviously the case where environmental issues are concerned, as was forcibly brought home to Western Europeans by the Chernobyl incident. Before this, however, there was growing pressure to deal on a transnational basis with the problem of acid rain, which has devastated German forests. Less dramatic, but just as significant, is the problem of pollution of Europe's major internal waterway, the Rhine. Not only can riparian states impose pollution costs on their down-stream neighbours, but the benefits of pollution controls in one state are captured by other states without having to pay for them.

It has to be said that while problems such as these have for a long time been recognised as a basis for collective action at the national level, it is only in recent years that the need for serious international cooperation has been widely recognised. It is safe to predict that while the other reasons for collective action (described below) have dominated EC policy making over the last thirty years, the next decade or more will see environmental and similar issues assuming a much greater importance in the EU and between the EU and other countries.

Collective Advantage. The EU is a major economic entity. In its relations with the rest of the world it may be of use to a member state to use the collective weight of the Union to influence events to its advantage. This is already recognised in the area of trade policy as the EU operates a common external trading regime and increasingly is responsible for negotiating trading relations with other countries (see below). More subtly, the EU can affect the economic well being of its member states and their citizens through common policies in so far as these can lower the costs of supply of resources.

The example of the impact of the EU's energy policy will help to illustrate this. Since the first oil shock in the mid 1970s, the
Union has followed a policy of requiring member states to adopt energy conservation measures. This had the effect of restraining demand for imported oil, and so turning the terms of trade in Europe's favour relative to the countries of OPEC. No one country in the EU would be large enough for its energy policy to affect seriously the world price of imported oil. Collectively, however, the EU constituted a total purchasing power sufficient to cause prices to be sensitive to its internal energy policy.

Harmonisation. Most economic and social policies are one way or another based on the need for establishing a unified economic space in the Union. In order to ensure that there is full economic integration, it is necessary to eliminate all barriers to free exchange of goods and services throughout the EU (see Hurwitz in this volume). Thus, the governments of the member states cannot by legislation, regulation or any other means interfere with an individual's or a firm's right to buy or sell anything anywhere in the community free of any protective restriction. This has resulted in the FL becoming involved in such areas as labour and company law, anti-discrimination and product safety regulation, entitlements to social security, road traffic code, as well as matters such as the structure of taxation in the member states.

While the need for harmonisation is widely accepted, the experience of ordinary individuals over the last decade has not been such as to induce implicit confidence in the wisdom of the Commission in this domain. There is a widespread view, especially in the UK, that Brussels bureaucrats are inclined to harmonise for harmonisation's sake, often regardless of the real need for such policies and of the different traditions of the countries which make up the EU. Examples of this are proposals that beer in Britain should no longer be legally saleable in traditional pint and half pint glasses (part of a programme of harmonisation of weights and measures legislation), and that there should be a community-wide set of ordinances on when lawn mowers could be used in urban areas. That such measures should even be proposed indicates the degree to which care about harmonisation is being exercised.

Disinterested observers like these have led to the Commission publicly opening a debate on what is called "subsidiarity", the concept of delegating decision-making responsibilities to that level of government which is best able to deal with it in any particular area of social concern. This is likely to have some considerable influence on the mechanisms for collective decision-making adopted in the treaties for closer union to be negotiated in the future.

INTERNAL POLICIES

The FL has developed a range of internal economic policies to deal with a variety of problems since its inception. Some of these are direct developments of express commitments made in the Rome Treaty (the Common Agricultural Policy is one of these) while others have developed as a response to changes in the policy problems facing the member countries (examples are energy policy and the developing environmental policy). In terms of the overall development of the FL so far, there can be little doubt that the most important policy areas have been agriculture, regional development and competition.

Common Agriculture Policy (CAP). The politics and economics of the EC's involvement in the farm sector are very complicated. The mechanisms adopted to further policy in this area have had serious implications outside the EC, and have bedevilled its trade liberalisation negotiations over the last decade. Finally, the cost of agricultural support programmes has absorbed on average around 70% of the Commission's annual budget since the early 1970's. Despite the fact, then, that European agriculture accounts for well under 10% of GDP (and is declining steadily in importance), it is necessary to have a good understanding of the method and madness of agricultural policy to understand how the EC has developed, and to appreciate the constraints imposed on its future evolution by policies adopted in the past.

The origins of the policy (notably) are to be found in the negotiations behind and the terms of the Rome Treaty. It was felt necessary to ensure that free trade in agricultural goods would be compatible with certain structural, equity and strategic requirements. Equity required that the gains from free trade should be divided between producer (farmer) and consumer (household) especially because farm incomes per head in the old six were low relative to the overall average and were felt likely to fall further as the EC developed. Structurally, it was felt that it was desirable to halt, or at least slow down, the steady decline in the rural population which characterised Europe for the century and a half up to 1980. Strategically, the producers (as well as the general population) are much given to reighting the last war, it was felt that the capacity of the EC countries to provide sufficient food supplies to meet wartime exigencies should be maintained, partly because in the late 1940's Western Europe was a food deficit area, even if Britain is excluded. Achieving these goals would mean that free trade in farm goods would have to be accompanied by mechanisms designed to maintain farm incomes and output capacity.

There were, of course, other motives behind what emerged as the CAP. Specifically, France wanted as high as possible prices for her farm exports (being a food exporting country). Germany was prepared to concede a protectionist farm regime partly as a price for tying down France to a commitment to a liberal, pro-competition policy on industrial trade, and partly because German farmers would be less exposed to competitive pressures from more efficient French farmers if food prices were relatively high. Finally, it was an industrial free trade on a "level playing field" basis was to emerge, it would be necessary that the industrial sectors of the member countries would not find production cost distortions because one country's food prices (a major factor in determining labour costs) were lower than another's. The CAP had substantial implications for the developing EC. First, these policy measures involved the establishment of an important common set of policy targets and instruments. This provided a degree of cohesiveness to the Community in its first decade. Second, it removed from member governments the obligation (and responsibility) for maintaining farm incomes, which in turn eliminated the possibility of distortions of trade in industrial goods via food subsidies. Third, it shifted the cost of maintaining farm supports from taxpayers (especially in the food exporting countries) to consumers (especially in the importing countries). This permitted governments either to lower taxes or to increase other spending. More importantly, however, it introduced a mechanism for income redistribution and resource transfer within the Community. Since farm incomes were in general lower than other incomes (and still are), the CAP in effect transferred real incomes from richer, food importing areas and countries to poorer exporting areas and countries. Whether intentionally or not, the EC thus provided itself with an ad hoc mechanism for inter-regional transfers, the basis of any regional economic policy. It also provided an embryonic form of inter-regional balance of payments disequilibrium adjustment mechanism, a function performed in the US by the Federal Reserve System (see below).

Outside the EC, the CAP is best known for the surplus production that it has generated and the consequent measures taken to deal with these surplus. In its simplest form, what the CAP did was to establish a price for a specified range of goods which was higher than the market clearing price. At this price, farmers' production exceeds the quantity demanded by consumers. The surplus is bought by the Commission in large quantities and has to be sold into intervention and stored which, of course, has to be financed somehow. The cost of this financing is at its peak to absorb over 70% of the EC's budget. In addition, we have to
remember that storing or disposing of accumulated surpluses is also a serious financial problem.

The Union's European Agricultural Guidance and Guarantee Fund (EAGGF), which meets the cost of the price support mechanisms of the fourth pillar of the CAP, has generally been considered as a way of splitting the costs of agricultural reconstruction and developing the sector and on administration. Efforts to curb support spending have met with some success, but EAGGF still accounted for 16% of the EU's 1994 budget.

In one sense, the CAP has been very successful: farm incomes and food prices in the EU are both substantially higher than they would have been otherwise. In another respect, however, it appears to have failed. It did not stop the decline in the farm population. In retrospect, this is hardly surprising. Raising the price of foodstuffs will in general increase the return to the ownership of land more than it will the rewards to labour (including the labour of the farm family). This implies that gains from the policy will reflect the size of the farm, with large farmers gaining more absolutely and proportionately. The population outflow from agriculture has always been disproportionately large compared to other sectors (e.g., trade). The population will reflect the size of the farm, with large farmers gaining more absolutely and proportionately. The population outflow from agriculture has always been disproportionately large compared to other sectors (e.g., trade).

Other CAP Problems. The partial success of the policy in raising average incomes among surviving farmers, however, has been the source of its undoing. In the 1950s, farmers in the Community were at moderately rising real (i.e., after inflation) prices for their produce in so far as this was covered by EAGGF. Naturally, they tended to produce EAGGF products. There was constant pressure to extend EAGGF cover while, predictably, the demand for farm output was stagnant or at best rising very slowly. The combination of stagnating demand, rising real producer prices and extended cover under EAGGF led to the phenomenon of rapidly rising surpluses in storage (described variously as wine or olive oil lakes, beef or butter mountains). This in turn led to financial and political pressure to reform the farm support system.

Matters were also complicated by the administrative and financial cost of trying to reconcile the aims of the CAP when the exchange rate system in general shifted from fixed to flexible in the early 1970s. As the French franc, and other currencies fell relative to the Deutschmark, the question arose as to which currency or currencies to use as the basis for determining food prices. Legally speaking, they were fixed in European Units of Account, a form of shadow money calculated as a weighted average of the currencies of the EC. When, for example, the D-mark, franc rate changed with the exchange rate, not only was the price of the de facto change in the intervention or floor price in both France and Germany. It nothing were done, this would imply other D-mark prices in Germany or higher D-mark prices in France. The first would expose German farmers to the threat of lower real incomes in the face of French exports to Germany as the French franc fell. The second would give French farmers a windfall gain at the expense of French consumers.

To deal with this, a dual exchange rate system was introduced, known as the Common Agricultural Market (CAM). This was because of its purpose in the problems of the farm sector. Agricultural goods were treated at the exchange rates which had previously obtained, and these 'green' rates were only slowly brought into line with prevailing market rates. Under this system, farm exports from the deprecating currency country were taxed by an amount equivalent to the exchange rate change. Meanwhile, farm exports from the appreciating currency country would attract a subsidy, again equivalent to the exchange rate change. The result of this was to insulate the competitiveness of a country's agricultural sector from changes in the exchange rate (Why? Because for political and social reasons it was felt that maintenance of the status quo in farming was desirable). Unfortunately, this gave rise to substantial complications. In the first place, different prices were incurred in one or other currency on either side of a land frontier sustained by a system of taxes and subsidies on the movement of goods that gave birth to a smuggler's paradise. Goods would pass openly (collecting the subsidy) from the valuable country to the devaluing one, and then would pass covertly back (sometimes literally underground) to avoid the tax, only to be re-exported, with a further subsidy attached. This became known as the green currency 'carousal'. It cost the EC a small fortune in transfers to enterprising smugglers and imposed policing costs on the countries concerned.

Secondly, it prevented farmers in devaluing countries from obtaining a real income increase and aroused political protests from their representatives. Thirdly, it acted to disconnect price levels in each country from the exchange rate, which in turn made it more feasible to use exchange rate manipulation to create a temporary competitive advantage outside agriculture.

In addition to these problems, the accumulating surpluses caused difficulties for the EC overseas. Faced with the growing surplus mountains, the Commission tried to reduce its costs by subsidising exports rather than intervention purchase. This not only hit farm incomes in the U.S. and other temperate product countries, but undercut the viability of agriculture in several developing countries. This led to serious political-economic problems, especially with the U.S. in the GATT negotiations.

These difficulties were compounded by a growing realisation in terms of the economic policies of the countries with the lowest productivity and subsidies in the EC. Germany, too, as the largest net contributor to the EC budget, as well as being a food importer, became dissatisfied with the CAP. This alliance proved sufficient to move the Community to start to reduce the incentives for surplus production during the later 1980s. This took the form of reducing intervention prices in real terms by raising them by less than inflation and by introducing quantitative restrictions on the amount of produces which would be bought into intervention. In budgetary terms, these changes were reasonably successful: the proportion of the budget going to farm supports fell substantially between 1979 and 1984. The did not address, however, the overall problem for the EC in its external relations, posed by the general restrictions on temperate climate food imports (particularly from the U.S.) and the continued dumping of surplus production on world markets for whatever it could get.

Regional Policy. Like the U.S., the EU shows a considerable degree of variation in income per head as between its various regions and countries. Indeed, the degree of income variation by region as measured by dispersal around the mean is greater than in the U.S. In the U.S., the difference in incomes per head is more marked as between regions than is the difference in economic structures, while in the U.S. the difference in economic structures is more marked than the difference between regions.

One reason for this is that the factors of production, and particularly labor, are more geographically mobile in America than in Europe. A second reason is that there exists a mechanism for inter-regional transfers of income in the U.S., which as yet has no serious counterpart in the EC. That mechanism is the federal budget. It has been estimated that the impact of federal taxation and spending programmes in the U.S. has been to reduce by between third and a half the income differences which would otherwise exist between richer and poorer states. The budget amounts to nearly 10% of GDP. In the EC the nearest equivalent amounts to about 2% of Union GDP. Although the Structural Funds (the combined funds committed to regional equalisation)
The primary function of a regional policy is to influence the geographical distribution of economic activity and through it the pattern of income distribution as between regions. In this respect it can be described as a structural policy. Its secondary function is to provide a mechanism for adjusting inter-regional balance of payments disequilibria. These two aspects of policy overlap in practice (actions to finance the payments deficit of a deficit region have the effect of underpinning the existing inter-regional distribution of production, population and income) but it is useful to distinguish them in principle.

Broadly speaking, in the U.S. from a structural point of view regional policy is one of non-intervention with the market, allowing market forces to determine the regional distribution of economic resources, although this is modified to some extent by actions of the individual states. As far as the secondary function of regional policy is concerned, however, the U.S. has a highly developed, if scarcely explicit, regional policy based on the pattern of taxation and spending in the Federal budget. The combination of the progressive structure of the federal income tax and spending programmes such as OASDI, Social Security etc., is to transfer income from richer to poorer areas within the U.S. Hence, if a state or a region experiences a drop in demand for its output (and starts to run a payments deficit with the rest of the union) the impact on tax revenues and federal spending acts to offset the income loss, and, therefore, to reduce the labour and capital outflow from the deficit region.

At the structural level, on the other hand, there exists a strong commitment to developing the poorer regions productive capacity by attracting resources into them so as to generate a level of economic activity in all the regions of the Union which will in turn produce an approximation of levels of income by region.

Regional Policy is a relatively recent development. It was only at the time of the accession of Britain, Ireland and Denmark in the early 1970s that the Community committed itself to the development of a fully articulated regional policy. This reflected the change in the economic profile of the EC with the entry of the three new members, and the requirements of Britain (with major depressed industrial areas) and Ireland (with an income per head half that of the EC average and a disproportionate dependence on agriculture). Added to the problems of France with the underdeveloped southern outlying areas and the perennial difficulty of Italy's Mezzogiorno, these constituted an issue requiring Community action. It had become clear to the older members of the EC that the dramatic rise in prosperity overall in the first fifteen years had not "trickled down" sufficiently to their poorer regions. To deal with them and the new members' problems appeared to demand a pro-active rather than a laissez-faire approach to regional policy.

The principal mechanism for giving effect to a structural regional policy in the EC is the European Regional Development Fund (ERDF). Financed from the EC budget, the ERDF was initially of relatively little importance. The absolute level of resource transfer was small relative to the task of raising output per head in the poorer regions - a level acceptable close to that in the richer regions. Further, in its initial stages, in the decade up to 1984, it was predominantly reactive rather than pro-active, being in the main, "delivered as a structural project" initiated by the governments of the member states. Thus, it tended to become an extra-budgetary source of funds for governments rather than a mechanism for implementing a single, coherent Community policy to reduce regional imbalances. Finally, for obvious political reasons, the ERDF money was not channelled simply to the poorer regions, but was subject to national quotas, which had the effect of allocating a substantial proportion of the resources to the relatively less well off regions in the richer countries (where income per head frequently exceeded that in the richest regions of the poorer countries).

Half-hearted attempts to improve the operations of regional policy in the late 1970s achieved very little, and the Commission produced a programme for substantial change in 1984-85. This provided for a more flexible quota system which, while on paper permitting all states to maintain or even improve their allocations, actually created a discretionary spending allocation for the Commission which enabled it, by choosing between spending projects to be supported, to increase the share of the resources going to the poorer regions.

The question of the adequacy and direction of regional policy came centre stage with the debate over the Single European Act and the "1992" programme to complete the internal market. There were two reasons for this. First, it was clear that, as then operating, the Regional Policy appeared to be achieving very little if anything to reduce the inter-regional income gaps in the EC. Secondly, it was accepted that the fiscal and monetary implications of the completion of the internal market would create an irreversible fixing of the exchange rates between the member states, would substantially reduce the ability of the governments of the poorer countries to pursue policies aimed at encouraging the structural development of their economies necessary for more rapid economic growth.

These factors enabled the poorer countries to obtain a commitment to a substantial expansion of expenditure under EC regional policy as part of the package of measures agreed to in implementing the "1992" programme. Under the general heading of structural spending (which includes some agricultural spending and spending under the European Social Fund, aimed at solving labour market problem) as well as regional funds) the budgetary allocation for the 5 year period to 1993 was doubled to 1.6% of the CAP expenditure. Under Article 136 of the Single European Act there was also agreed a tighter compartmentalising of structural spending both by functional and geographical areas. Further, the SFA attempts to remedy one of the perennial problems of regional spending: the tendency for governments to use regional funds as a method of financing existing spending plans as opposed to funding new, economically viable projects which are likely to reduce inter-regional economic disparities.

Competition Policy. Given the relatively small budget of the EC, its impact on the performance of the European economy is of necessity heavily dependent on legal intervention to improve the efficiency of resource allocation. The core policy area has turned out to be that of Competition Policy (corresponding fairly closely to what is described in the U.S. as "Antitrust") and in particular, developments since the mid-1980s have resulted in making Competition Policy possibly the most important area of collective decision-making in the EC. This arises from two factors: the decline in the importance of the CAP as a political issue in and the perception of the growing importance of regulation of economic behaviour in the context of increasingly free trade.

Originally, the scope for EC competition policy (as opposed to policies implemented by the individual countries) was quite limited. It was treated under the Rome Treaty as being a matter for collective policy only in so far as it was seen as necessary to act in the area in order to remove actual or potential factors likely to distort trade between the member countries. Its locus, therefore, was on its role as a device to encourage economic integra-
tion. In consequence, under the main relevant sections of the Rome Treaty (Articles 85 and 86), the Commission was limited to intervening in the areas of mergers or collusion only if there appeared to be some effects on trade or factor movements between member countries.

Even in this limited form, EC competition policy existed as a price paid by French negotiators during the discussions leading up to the Rome Treaty in conceding to German (U.S. inspired) demands for a liberal trading regime in return for concessions to French agriculture. In practice, however, its scope has been somewhat broader than might have been expected as a result of the limitations imposed by Articles 85 and 86. This is because indirect as well as direct intra-community trade effects can be taken into account in determining whether EU as opposed to national regulations are effective. The landmark case here is known as the "Ca,t, de 01101C consumption or abuse of dominant position (including mergers and acquisitions, predatory pricing and price discrimination); and state aids to industries (including subsidies, preferential purchasing and administrative barriers to competition from non-national firms).

The case for an active EU anti-trust policy of the traditional type has been enhanced by the increasing integration of the member state economies. It is becoming more and more irrelevant to treat industrial concentration, for example, on the basis of a single national economy. By way of illustration, in France today there are only two major auto manufacturers, Peugeot-Citroen and Renault. Thirty years ago there were five. Yet the auto market in France is more rather than less competitive in the 1990s than in the 1960s, as the surviving French firms face imports from Britain, Germany and Italy. It is at the EU level that concentration and abuse of dominant position has to be considered. Further, national governments have by definition little power to influence what goes on outside their borders. If there is a need for policy intervention to deal with some anti-trust problem, it has to be undertaken at a supranational level.

Politically contentious but economically crucial is the extension of competition policy to the area of government intervention. This has become particularly the case during the run up to the completion of the internal market. Governments have sought to ensure a competitive edge for their own industries by means of subsidies, discriminatory purchases and regulatory restrictions.

In the long run, however, and especially in the context of the "1992" programme, much more important has been the restriction by the European Court of countries' rights to use technical or consumer protection standards as a means of reducing competition. The landmark case here is known as the "Cass Is De Puy decision" (1978) described by Jurwitz in this volume). It prohibited the German government from banning the sale of a French alcoholic cordial on the grounds that it did not comply with standards for drinks of this type produced and sold in Germany. Trivial as this case may seem, its importance was in the principle enunciated that if a product passes home country standards it could be sold anywhere unless the country importing it could prove that it materially threatened the welfare of consumers.

The implications of this decision were enormous, going well beyond the issue of competition policy. It did, of course, remove a potent anti-competitive weapon from the member state governments. It could well be said, however, to have laid the foundations for the whole "1992" programme. Without such a decision, full integration would have been dependent on protracted negotiations to achieve common technical and consumer protection standards via harmonisation. Instead it was now possible to proceed on the basis of a requirement of mutual acceptance, which effectively means competitive setting of standards, subject to a final right to appeal to the European Court. This has been codified in the Single European Act.

STATE INTERVENTION IN THE ECONOMY

This blanket heading is used to cover those aspects of EU policy which are best thought of as representing a Union level response to what economists describe as "market failure". This could, of course, include almost any area of economics, but we will concentrate on what appear to be the most important ones. These are the areas of aids to public sector firms, to industry, the labour market and the environment.

Aid to Public Sector Firms and Industry. A classic case of the conflict between competition and state owned firms is the struggle over air-traffic deregulation. The industry has been deregulated in the U.S. since 1980, but is still heavily regulated in Europe, with much higher airfares as a consequence. The principal reason for the regulation is that until recently virtually all European airlines were state owned, and governments used regulation to protect them. Many are now privatized, but France and Spain in particular have bailed out and inefficient state owned airlines. The EC Commission is pressing ahead with deregulation, but France, Spain and Ireland have responded by pumping tax money into their airlines to keep them flying while incurring enormous losses, which threatens the viability of privately owned airlines in competitive markets. To deal with this the EU Commission has had to have confrontations with those governments to limit their investment in state owned firms. Similar disputes have arisen in relation to coal, ship-building, autos and steel.

In the later 1980s a debate on Industrial Policy took place in the U.S. The issue was whether the country needed a concerted set of policy instruments designed to increase the productivity and rate of growth of American industry above what was forthcoming from the more or less free play of market forces. This debate was stimulated in the main by a fear that the U.S. was in some sense "falling behind" the EC and Japan. It was also connected to a fear that, particularly in the manufacturing industrial sector, foreign competition was reducing American firms' market share of the domestic market.

There were two basic strands to the arguments in favour of an industrial policy. The first was the assertion that existing fiscal structures, regulatory or administrative arrangements and work practices imposed higher costs or an inability to adapt to changing market conditions on American firms. To offset this, it was argued, positive intervention by government was essential. The second argument centred on issues in strategic investment decision-making linked to the role of government as an arbiter of the international trade regime. In brief, this was based on the view that cooperation between government and industry will bring about better long term investment decisions than the free market is likely to produce. In this, perceptions of the role of Japan's Ministry of International Trade and Industry (MITI) as the director of Japanese investment were important.

In the end, relatively little happened in the U.S. In the EC the same issues were faced, but the weaker political and emotional commitment to free markets meant that the case for an activist industrial policy was more readily received, particularly under the influence of the President of the Commission from 1980 to 1984, Jacques Delors.

In earlier years EC industrial policy was rather ad hoc. It was concerned with meeting particular problems, such as trans-
port cost improvements, or preventing trade distortion by harmonising and limiting member state aids to industry. The experience of the early 1980s recession led to a reappraisal of the appropriate role for industrial policy in the EC. At a sectoral level, Community intervention into sectors had already been on the increase because of the deep problems facing two sectors, steel and synthetic fibres, from the late 1970s onwards. Now the same type of issues being debated in the LS began to appear in European publications and political speeches.

The overall response of the Community was to adopt a policy of active intervention, but in the main this was limited to a programme of initiatives aimed at improving the fundamental technological base of European industry. It established the European Research Cooperation Agency (which was extended to non-member European countries), known by the happy acronym, ERKA. The principal focus of this programme has been on the area of high technology aerospace developments. In cooperation with the larger interest in computer firms, the EC launched ECSC, a cooperation program for research in information technology. Similar arrangements covering telecommunications (RACE), basic industrial technologies (BRITIS) and thermo-nuclear fusion (EFT, for joint European Torus) were also launched.

In these initiatives the declared objective of the EC is to undertake collectively the kind of resource allocation to R&D which is held to be essential for successful competition with Japanese and allied firms. The flow of knowledge required to benefit U.S. firms as a spin-off from the enormous and knowledge intensive American defence budget. Economists are divided on the underlying wisdom of this strategy. Their doubts arise from two sources. The first is the question as to whether it might not be better either to buy technology as and when it becomes available rather than engage in competitive R&D, or at a less extreme level, to cooperate with U.S. and Japanese research programs. The second is the basic question as to whether governments in general are better at picking winners than the market.

Social Policy. There are two reasons for the increasing emphasis in the EC, especially in the 1992 context, on what is known as 'Social Policy'. The first of these is rooted in the idea of European Union solidarity and the demands by organised labour for a role in shaping the general direction of Union policy. We have already seen that the EC is committed through regional policy to share the gains from integration between geographically distinct areas of the EC. By the same token, and especially in trade union circles, it is told that the EC should have a policy on economic opportunities between the various member-state groups. The 'code' terminology used here is to talk about the 'social wage', by which is meant the quantity and quality of collectively supplied services without payment to the user. This include housing subsidies, health care, subsidised transport and educational opportunities. In addition, historically the EC has been seen as paying great attention to the lobbying of industrialists on the widest sense so that EC policy was consciously framed with their requirements in mind. Unions, particularly given the political complexion of the Community during the later 1980s, sought to acquire a similar position in the formulation of Community policy. The obvious vehicle for this purpose was the 'spatialisation' of 'social issues' in priority in policy making.

The second reason is that to some extent labor market policy is a fundamental issue in Community solidarities. The 'social wage' reflects the understanding that labor market policy lay in the implications of full economic integration post 1992. Here there was an ad hoc, an unwritten alliance between capital and labour in the more advanced regions of the EC, especially Germany and Denmark. Given the differences in wage levels and living wage costs between the richer and poorer areas, unions in the richer areas looked with misgiving on the removal of all barriers to competition and to movement of labor. Both of them it appeared that living standards would come under threat from low wage labor, as firms in the high wage economies would face declining market shares. Social policy, therefore appeared as a good idea. By lobbying for the application on a Community-wide basis of agreed standards on such things as wage rates, social security, discrimination and restrictions on dismissals they would be able to reduce the competitive advantage of the poorer regions while at the same time behaving and talking in a totally politically correct manner.

This somewhat cynical view of the basis: for pressure for a Union social policy has to be tempered by the fact that there has existed for a long time a body of opinion which held that the EC to justify itself would have to be more than just an area in which free markets determined the allocation of resources. This has manifested itself in initiatives to remedy what were seen as inadequacies in the operation of labor markets. In the early 1990s the Community proposed a series of measures designed to increase the influence of labor in firm policy decisions in what became known as the Volcker Directive. Intense employer opposition and economic criticism of the details of the proposals resulted in them being bogged down in the political process in Brussels and effectively abandoned.

From its origins in 1958 the EC has operated a Social Fund aimed at improving the operations of labor markets. By and large, the main emphasis of the Fund has been to use Community resources to improve labor mobility and skill levels by funding retraining and human capital enhancement programs. In this respect Social Policy has been aligned with regional objectives. Most of the emphasis in spending has been on tackling the problems of labor surplus regions and lower income regions.

Environmental Policy. In common with the U.S. and other countries, the EC has seen a surge in interest in environmental policy over the period discussed in this paper. The EEC has been active since the late 1970s in curbing environmentally detrimental activities. Instances of this are moves to require cars to fit catalytic convertors so as to permit the use of lead free fuel, and emission limits being imposed on fossil fuel power stations. These initiatives are hardly novel in themselves. Indeed in large measure they merely replicate what has been happening elsewhere. What is important about them is that they have been taken at Union level. This reflects the need to have EC policies rather than national ones so as to eliminate the possibility of inter-regional competition for investment based on low environmental standards. They are also of obvious importance in the context of what is now known of industrial pollution in Eastern Europe.

The legal basis for the EC's environmental policy is a catchall provision in Article 2 of the Rome Treaty which envisions the Community to take action to accelerate the standard of living. This intered power was made explicit in the Single European Act. The general policy approach of the EC to environmental problems has in principle been very much informed by the economic analyses of negative externalities. The involves recognising that:

- harmful emissions from an activity impose costs on persons who are not the owners of the activity.
- these costs may be under-represented in the market price of the good or service.
producers at the expense of smaller ones. The bigger firms usually have more political influence. Whatever the reason, the general thrust of EC environmental policy has been to impose regulatory restrictions, either in the form of environmental quality standards or uniform emission standards.

COMPLETING THE INTERNAL MARKET: FULL ECONOMIC INTEGRATION AND BEYOND

Origins of the "1992" Program. The plans launched for the final integration of the economies of the then twelve members of the EC in the mid-1980s have become known as the 1992 programme. Even initially, the title was misleading. First, the target date originally set in 1985 was January 1st, 1993. Secondly, it was clear from the beginning that some of the elements of the programme would be in place before that date, while others would only be implemented over a period of years stretching into the 1990s.

The EC in the early to middle 1980s was generally held to be in the grip of what was described as "Eurodrossel". In a world recovering from the recession caused by the second oil-shock, the Community was itself beset by substantial problems. Apart from an agreement that Spain and Portugal would be considered for membership, there was little else on which the existing members could agree, and far from moving forward towards a greater degree of integration, domestic economic and political pressures were leading to policy reactions which threatened the existing "aquas communales".

It was realised that the budgetary problems of the Community, in the main reflecting the costs of the CAP and the requirements of the proposed new members, would require some radical changes in policies and in particular a relaunching of a higher growth trajectory for the economies of the member states.

In 1985 the Commission produced a White Paper outlining a set of proposals for policy reform to launch the EC by setting up an ambitious plan to complete the internal market by the end of 1992. The core of these proposals was the elimination of all remaining restrictions or barriers to the full and free movement of goods, persons, services and capital between the member states. In a sense the intention was to make a common market of the Common Market. The White Paper contained a list of 300 draft directives designed to achieve the target of a single internal market in the EC by 1992. After debate, the White Paper was accepted as Community policy, and a programme for implementation was established. Parallel to the implementation of the 1992 programme as outlined in the White Paper, and clearly necessitated by the commitment to complete the internal market, the EC decided to amend and tighten the original Treaty of Rome. This was done by drafting what became known as the Single European Act, which was required to be adopted into national legislation by the member states.

From an economic point of view the most important changes involved in the SEA were new procedures for collective decision-making (which discouraged much of the national veto powers) and the formal adoption of the principle of mutual recognition as opposed to harmonisation which had been established in the Cassis de Dijon case.

1992: Targets and Instruments. But at its simplest the aim of the Commission's proposals was to eliminate all economic frontiers within the EC. This involved identifying the factors (and their relative importance) which established those frontiers. To do this, and to provide a quantification of the gains from elimination of the remaining barriers to full free trade in goods and services and free movement of factors of production, the Commission undertook a wide and deep survey of the problem which was the basis of the Cemin Report published in 1988, to which the Commission's formal response was published in the same year.

The study established that, in descending order of importance, the principal barriers to full economic integration as they affected industry were: (a) technical standards; (b) administrative barriers; (c) frontier delays; (d) freight transport regulations; (e) differences in Value Added Tax; (f) capital market restrictions; (g) discrimination in public sector purchasing decisions; (h) implementation of Community law.

The costs of these barriers were estimated, and the gains from elimination thereby calculated. Understandably, the costs (and their counterpart gains) were subject to estimation margins, since they had to be calculated on what the economic universe would look like if the barriers did not exist, a state of affairs which cannot be observed in advance. Given the permutations and combinations of the elements of the post-1992 scenario being calculated, a very wide range of estimated costs/gains is available. In what follows, we offer representative middle range values, which should be treated as establishing the order of magnitude, absolutely and relatively, of the factors concerned, rather than accurate point estimates.

The impact of "1992". The methodology adopted by the EC to evaluate the impact of 1992 (based on the twelve member states at that time) was first to estimate the costs (in terms of output foregone) of the existing barriers to full free trade and to presume that these costs would be recouped through the abolition of the barriers. Then it attempted to quantify the increase in output per head which would be likely to result from the increased efficiency of resource allocation within the Community as a result of the complete opening up of the markets of the member countries. This in turn required the exercise to estimate the importance of scale economies to be reaped through the restructuring of industry across the EC. It also required an estimate of the gains through increased competition between firms in the absence of inter-state barriers.

By removing all barriers to trade it was assumed that the full benefits market size effects of scale economies can be reaped by existing industries with existing levels of production. In so far as the market size is given, larger scale production implies fewer firms. When this rationalisation is completed, the estimated gain from lower costs of production across the EC economy from technical and non-technical scale economies is about 1.5% of GNP.

Administration cost savings refers to paperwork and frontier delays arising from customs formalities and differences in taxation. Some evidence suggested that the elimination of these would reduce costs by the equivalent of 0.5% of GNP. There were also public procurement gains through competitive and non-discriminatory tendering for supply of goods and services to member state governments. The cost of meeting these demands would fall by up to 0.5% of GNP. This is an area where it will be difficult, at least in the short run, to be sure that truly competitive market conditions really apply.

A further source of gains was to be seen in competition effects. The first among these is efficiency gains. It is a common place in economics that the rents associated with diluted competition are not necessarily manifested as firm profits but can take the form of inefficient production methods and or unreasoned provisions to management or labor. Increased competition tends to reduce or eliminate this excess cost usually referred to as "x-inefficiency". The size of the economic gain from the elimination of this excess cost is difficult to estimate accurately. A conservative estimate of this effect would be a gain of about 1% of GNP.

Moreover, there were expected to be price and output effects if the result of eliminating trade barriers is to make markets more competitive. Their elementary economic theory tells us that firms will produce more and sell their output at lower prices under a more competitive trading regime. Allowing for some reduction in firm profits, the gain to the economy as a whole can be calculated by reference to the gains to consumers in terms of the
increased consumption of goods and services from any given income. The degree to which this will operate in what will still be relatively concentrated markets depends on what is assumed about firms' competitive strategies. If they tend to decide on a price and then sell into the market, the price effect will be less than if they decide on an output level or market share target and thus use aggressive pricing to achieve their targets. The latter is generally assumed in EC studies. The level of net economic gain is usually put at between 1% and 2% of NNP.

In total these amount to between 5% and 6% of EC NNP. As in the case of the gains from the initial integration of the six founder members of the EC, this doesn't seem an enormous dividend from the political and economic restructuring which the 1992 programme has involved. While one could add to them gains in output from superior macro-economic demand management policy under an integrated monetary regime, one-time gains of 6% or so of 'rational' income, spread over a four to five year period do not amount to much.

Instead of treating these gains as the reason for the 1992 programme being adopted, it seems more plausible to think of it in terms of the analysis at the beginning of this chapter: what would be the alternative? In addition, one can look at the experience of the original members in the decade from 1960 to 1970. The conventional gains from free trade were indeed appropriated, but what was much more important was the impact of the integrating of the markets of the six economies on their capacity growth rates. It seems reasonable to expect that the larger and more competitive post 1992 EU economy will grow more rapidly than the weighted average of the growth rates of the separate economies. More integration would be hailed.

Implementation Problems: Tax Harmonisation. The single most difficult problem to have faced the member states is drawing up the programme for implementing the Single Market. This has been the problem of tax harmonisation. The root of the problem lies in the fiscal revenue implications of eliminating all frontier formalities, which had to disappear if the integrated market was to mean anything.

The most obvious problem is the impact on household and firm purchasing decisions of differences in sales tax rates (VAT and excise taxes). Countries with higher taxes would lose sales and tax revenue to countries with lower rates. With different incomes per head, and no federal budget funded by federal taxes, similar levels of government spending per head in the various countries requires different tax rates on incomes, goods, services and assets. Even if the tax rates raised from the various tax bases were the same across the Union which it is not. Put another way: the same tax rates on the same tax bases everywhere in the EC would mean substantial increases in tax revenues relative to government spending in some countries, and reductions in others. These difficulties are compounded by two other factors. First, the economic structures of the various countries are different, which means the tax base characteristics differ between them. Second, for historic and cultural reasons, there are different views on the desirable structure of the tax system across the EC.

Added to this is the problem of administering the VAT system. It was designed on the basis that tax was payable on the final sales price of the commodity or service to the government of the country in which it was finally sold in an amount proportional to the degree to which its final sales value was created in that country. The exporter of a good therefore claimed back any VAT paid on the goods or services used to produce it. The importer paid VAT on its total import price at the rate applying in the importing country. Dealing with this involves a considerable quantity of paperwork and customs formalities.

All these problems would disappear if tax rates were the same everywhere, or so close to being the same that governments could ignore the revenue consequences of the absence of customs barriers, as state governments can, by and large, in the U.S. Unfortunately, political as well as economic problems made full tax harmonisation virtually impossible in the circumstances prevailing in the run up to 1992. As already observed, there were widely divergent views of what an ideal set of taxes should look like.

Further, the same taxes everywhere, given different levels of income per head and different spending patterns would mean some countries seeing budgetary surpluses emerge while others would experience deficits unless government spending was adjusted along with the changes in tax structures. While the German and British Governments (under Chancellor Kohl and Mrs. Thatcher) and the EC Commission might have accepted with enthusiasm any spending cuts required, the same was not true elsewhere, or later, when Mrs. T. left the scene. Pressure to maintain high levels of spending, especially in France, Ireland and Denmark, based on a set of very high indirect taxes on specific commodities, meant that these countries opposed moves to reduce these taxes to a lower common standard. The British, in addition, were opposed to a policy of obligatory harmonisation, and preferred to allow market forces to bring about an alignment in tax rates through government reaction to revenue gains and losses.

As a result, a set of compromises was reached during 1991 and 1992. It was agreed that the standard VAT rate should be set at a minimum 15%, with individual countries being free to raise it above that if the wished. Excises on alcohol, tobacco and petroleum would be brought closer together, with low minimum rates being applied across the Community. Excises on cars would be equalised, but high car tax countries (Denmark and Ireland) could impose a stiff first ownership registration fee. Some derogations, temporary in principle, would be permitted to the rule that consumers could source their purchases anywhere in the EC. VAT would continue for a period of years to be chargeable on the destination of sale rather than the source of output basis, requiring a new set of non-frontier based administrative mechanisms.

The pessimistic interpretation of this is that it illustrates the inability of the EC with its present decision making methods to take and impose tough decisions, and foreshadows a continued paralysis in the future as well as a continued failure to achieve a real common market. Optimists, however, see the 1991/92 compromises as a holding operation. The stress it will set up will lead to further agreement on harmonisation, while a breathing space has been given to member states to get their fiscal houses in order to accommodate an EL wide set of common taxes.

ECONOMIC AND MONETARY UNION

The final stage of economic integration involves the move from a single market to a full economic and monetary union. By this means that there exists a single set of macroeconomic policies and a single currency, it is possible to have an EMU without a perfectly integrated single market. The U.S. example still displays some vestiges of barriers to a single market (for example, restrictions on interstate banking, or state government discrimination in favour of purchases from local suppliers). It is possible to have a monetary union without an economic union or a common market. The countries of what had been French West Africa used a single currency, effectively managed by the Banque de France, the CFA franc, for over a generation after independence. There was a monetary union between the EK and Ireland from 1922 to 1978. The reverse, however, is not the case. The high degree of integration involved in a genuine common market cannot be sustained for long without an economic union, and an economic union is still lacking in the EMU. This has been recognised in the case of the EK since the middle 1960s, and a variety of ambitious plans were produced to secure EMU, none of which was fully implemented.
The Requirements for Monetary Integration. Monetary integration implies the existence of a single currency as in the case of the U.S. with the dollar. De facto, it can permit the continued existence of separate nominal currencies, although with 'irrevocably' fixed exchange rates. The supply of the separate token currencies would, however, have to be determined by a collective central banking authority (like the Federal Reserve Board) if the fixed exchange rates were to have credibility in terms of irrevocability. When this is not the case, experience has shown that monetary unions break down.

The necessary condition for a union in the absence of a collective central bank would be a set of policies sufficient to guarantee an absolutely fixed set of exchange rates. In effect, this means a set of instruments which will always equate supply and demand for the union's currencies in terms of each other on foreign exchange markets. Given that restrictions on capital flows are not permitted, and that there is unfettered free trade in goods and services, this boils down to saying that the union's various central banks have to use monetary policy to ensure a harmonised growth of the various money supplies so that neither excess supply nor excess demand for any currency emerges. This obviously implies coordinating monetary policies, which is virtually the same as having a single monetary policy, which brings us back full circle to a single collective monetary authority.

Coordinated (or an integrated) monetary policy in turn imposes restrictions on member countries' macroeconomic fiscal policies. The growth of public spending and the size of the budget deficit (if any) has to be subject to the exchange rate discipline, since in general there is a linkage between deficit finance and the growth rate of the money supply. In effect, the monetary union, if it is to survive, can only do so if it severely restricts the ability of the member states to operate separate macroeconomic fiscal policies; in the limiting case it requires a single, coordinated fiscal policy stance for the union as a whole. This means a substantial diminution of policy autonomy and, with it, political sovereignty.

When these arguments are viewed in reverse, some of the problems facing the EU in moving to EMU become apparent. To start, consider the question of differences in inflation rates. It is apparent that since inflation can be defined as the rate of decline in the purchasing power of money, there can only (in anything other than the very short run) be one inflation rate in a single monetary area. It follows from this that it countries with different inflation rates enter a regime of fixed exchange rates or a monetary union, their inflation rates must converge somehow. In the case of the EMU, this convergence is achieved through policies such as fiscal policies: in the limiting case it requires all countries to meet what is called the 'Maastricht requirements'.

From March, 1972, the countries participating in the EMS undertook to maintain their exchange rates with each other within a band of +/- 2.25% of their central rate against the ECU (Italy, Spain and Britain in 1979, France and Ireland in 1980 and Britain in 1981 opted for a +/- 6% band commitment). In essence, the EMS introduced a regime of quasi-fixed exchange rates between the participating currencies. That this would impose adjustment costs on the higher inflation countries was recognised, and to permit some leeway to them in terms of the speed of their adjustment to the exchange rate discipline, the EMS provided for the possibility of periodic collective (rather than unilaterally) renegotiated central rates. In the first couple of years these adjustments were fairly frequent, at intervals of six to nine months. By the late 1980s and early 1990s, the inflation adjustment process had proceeded so far that there elapsed periods of two to four years between exchange rate adjustments.

The EMS essentially failed apart between 1992 and 1994. The basic cause was the inability of member countries to accept the discipline of macroeconomic harmonization, but it was exacerbated by other factors. The German decision to finance reunification by expanding its budget deficit was a key factor. It sent interest rates up in Germany, as the Bundesbank sought to hold down inflation by curbing the growth of the German money supply. In turn, this meant that inflation rates in Germany from the other EMS countries, especially France and Britain, both of which were in mild recession. This put upwards pressure on interest rates in these countries, which was deflationary, unless they were prepared to see the exchange rate for their currencies against the D-mark move down below the EMS band limits. It also drew the value of all the EMS currencies up relative to the dollar, which posed severe problems for Britain, since it exported more to the US than most other EU countries.

In 1990, at the Maastricht summit, it was agreed to go ahead with monetary union, with 1992 as the target date. In recognition of the problems identified here, it was agreed (under pressure from the Germans, who refused to abandon the D-mark in favour of an inflation prone common currency) that for countries to enter the monetary union they would have to meet what became known as the 'Maastricht requirements'. These covered the maximum permissible level of budget deficit, the ratio of...
Government debt to GDP and inflation. They were of such stringency that by 1985 it was clear that few of the EL states would be able to enter such a union in 1991. At the same time, Britain decided that it did not want to enter even an arranged union in 1997. Consequently, the date for implementation of the exchange rate facility, which would be the first step to a monetary union, was postponed to 1999.

Given the present situation on the foreign exchange front, and the absence of any developments suggesting a greater ability to achieve macroeconomic discipline than seen in 1989, it appears in mid-1995 to be rather unlikely that even this delayed implementation deadline will be met. What is possible, even probable, is that an inner core (Germany, Netherlands, Austria, possibly France and Belgium) will decide to go ahead with a programme of unification around the turn of the century, leaving adherence of the other EL states to the future as and when conditions appear appropriate. This must be said, may pose a threat to the longer term cohesion of the EL, as a whole, with a schism emerging between the policies and goals of the inner core and the remaining states.

EMU and Fiscal Federalism. It has long been recognised that monetary unification both requires and implies a substantial degree of fiscal loss of autonomy. That in turn, as already indicated, means that the FL will have to choose between executing some fiscal functions at a collective level and the alternative, which is to see them disappear. This focuses attention on the EMU "federal" budget, the expenditure undertaken by the Commission and the resources raised to finance it.

This raises issues of policy at two levels. First, there is the question of which resources, the expenditure functions of government might best be handled from an "efficiency" standpoint by an apposited "federal" level of government and which to the "states". Secondly, there is the problem of the adequacy of the size of the "federal" budget to achieve the targets of resource transfer and income adjustment as between regions ("states") of the economic union.

First of all, it is obvious that in the long run the programme areas and the level of spending are limited by the taxation resources available. In this respect the FL has moved through two phases into a third. Initially, the resources at the disposal of the Commission were determined by the member states' annual negotiations, and then were ceded to the Commission by the sovereign parliaments of the member states. The contributions were supposed to reflect the relative economic strength of the member countries. In 1991 the FL decided to move to a system of own resources, whereby the Commission would have more direct right access to funds, irrespective of the views of national governments. Under this new dispensation, the Commission would receive money from three sources: (i) the revenues from the Common External Tariff; (ii) certain agricultural levies; (iii) a small proportion of the GNP revenues of the member states.

As long ago as 1987, a report of a study commissioned by the FL to examine this problem, the MacDougald Report, demonstrated that in order even to start to perform the macroeconomic and inter-regional adjustment functions being carried out by the American financial budget, the FL Commission budget would have to amount to between 7.3% and 10% of Community GDP. That is, to be three to seven times as large in proportion to the economy of the FL as is the case today.

The foregoing arguments suggest that there is a strong efficiency case for transferring some functions at present carried out at national level to the Brussels supra-national level. In principle, this would be industrial development policy, and, perhaps, social welfare policy. It is also obvious that a "federal" macroeconomic policy is desirable in the FL that it can only be executed at a supra-national level in a regime of fixed exchange rates or monetary union. To achieve either explicitly would involve a much increased FL Commission budget, which in turn would involve supranational taxation powers. These seem implausible.

Probably yes, if we think in terms of institutions and explicit arrangements. There is, however, an alternative approach to the problem, and the political realities suggest that this is the way the process is likely to develop in the medium term. That is to rely on closely negotiated policy harmonisation and a degree of commonality of legal and political instruments. Instead of establishing a central governmental organisation with the taxing and spending powers to implement a unified set of economic policies, the member states will agree on policies by collective negotiation and then implement them at a national level.

There are two problems with this approach. The first is that by definition it restricts any federal level resource redistribution between countries or regions to the existing regional policy. That is adequate for its purposes as we have already seen. The second is that with the expansion of membership of the FL, the process of policy negotiation is likely to become more difficult and drawn out, with the result that the absence of a separate federal layer of government is going to become more and more of a problem.

Endnotes

1. This is a probabilistic rather than absolute conclusion, since of necessity it depends on calculations based on suppositions as to what the world would have looked like had the FL not been established.

2. The point to be stressed here is comparison advantage: a country will maximise its real income if it specialises in producing those things in which it has a margin of cost advantage is highest relative to other countries (or its margin of cost disadvantage is lowest). Even if in principle a country could produce any commodity more cheaply than any other country (unlikely), it would still gain by concentrating on production of goods where its advantage is highest, and importing the other goods from its trading partners. By definition, the latter would be exporting those goods in which their cost disadvantages were lowest. This concept, which may seem to be counter-intuitive, is easily understood when we realise that it is the basis of any rational career choice by an individual, who "exports" the product of his her labour and "imports" goods for own consumption.

3. This an idea going back to Adam Smith and David Ricardo, writing in the late eighteenth and early nineteenth centuries.

4. This idea underlies much of the theoretical trade economics literature of the twentieth century and is generally referred to as the Heckscher-Ohlin account of comparative advantage and trade, after the two Swedish economists who were first responsible for articulating it.

5. The conditions under which the "Factor-Price Equalisation Theorem" is strictly true are quite restrictive. They can be found in any intermediate trade textbook. They include assumptions on returns to scale, transport costs and incomplete specialisation in production which are unlikely to be met in real life. Nevertheless, as a statement of a general tendency in the impact of trade on factor rewards, the HP theorem is important. This is particularly the case because it draws our attention on those aspects of the real world which prevent trade from ironing out inter-regional differences in factor incomes.

6. There are such problems in France with a million or more Arab immigrants from North Africa and in Germany where there is a Turkish low wage community and in Britain West Indian and Indian and Pakistani communities. They do not constitute the endemic kind of problem facing US policy maker. The under-class dimension is much less in evidence, and the better historical roots of the problem are absent.
7. The Maastricht summit was forced to recognize that there are limits to the degree to which harmonization can be achieved. Where taxes were concerned, it proved impossible to get agreement on a common set of indirect taxes. The Union was obliged to settle for an agreement on a range of tax rates, and to allow market forces to produce any further alignment of tax rates.

8. While to some extent this proved to be a problem on the mainland of Europe, its most serious manifestations were to be found in the frontier zone between the Republic of Ireland and the province of Northern Ireland, a part of the UK. This arose from the economic importance of agriculture in both parts of Ireland. It became a lucrative source of revenue for the IRA, the terrorist organization seeking to unite Ireland, which moved in to provide "protection to smugglers" and to get involved directly in smuggling. An estimate of the scale of the problem in this case has been provided by Norton (1986).

9. The two basic strategic decisions to be made are on price or on quantity. Firms effectively decide on a price, and then see what the importer under the tariff will do. This obviously involves a fair amount of paperwork, as well as surveillance to prevent fraud.

10. The expansion of the Regional Fund was confirmed at the Maastricht summit, where a commitment to such an initiative was extracted from the poorer countries as part of a bargaining position adopted in relation to moving to a single currency before the end of the decade.

11. Delors, a former Prime Minister of France and close ally of President Francois Mitterand, was a committed centre-left socialist, and as such a strong believer in the need for state intervention to improve economic performance. The record of the French economy under his stewardship in the early 1980s does not seem to have diminished his enthusiasm for a hands-on approach to the role of government in the economy. Delors was the Commissioner responsible for Social Policy who introduced the proposals.

12. Hans Moddeling was the Commissioner responsible for Social Policy who introduced the proposals.

13. In Ireland, the miniscule domestic heating fuel excise caused serious atmospheric pollution in Dublin during episodes of thermal inversion in winter, which were quite frequent. To reduce this problem, which was in breach of EC environmental standards as well as arousing political criticism locally, the government banned the sale of such fuel from October to March in 1989. On alternative solid fuels, more costly to use, were taxed on householders. To the suggestion that a tax on coal would make it too expensive, the response was that this could be unfair, since the latter off households could afford to burn coal, while poorer ones could not. The fact that a prohibition is effective, an infinite tax was lost on public opinion.

14. A case in point in the UK is the differential impact of the fuel excise requirements imposed as a conservation measure by the government on US. auto producers in the 1970s. This affected the smaller producers (Chevrolet, AMC) more than GM. It also played a considerable part in the success of Japanese producers in penetrating US. markets. Why did Congress not just slap a severe tax on gasoline?

15. This term is difficult to translate exactly into English, broadly it means what has been achieved by way of community collective action, and includes policies, institutions, and programs, as well as the degree of economic and political integration which has flowed from these.

16. A White Paper is a term used to describe an official policy document submitted by the executive to the legislature in Westminster-type systems authorizing the government's perception of the issues in question and the steps it proposes to take to deal with them; a Green paper is a more tentative, discussion document to provoke debate. These terms have been taken over by the Council and Commission of Ministers.

17. Emerson et al. 1988; see suggested further reading at the end of this chapter.

18. Differences in tax rates between countries under the existing VAT arrangements meant that goods being exported received a rebate of VAT already paid during their production in the exporting country, and then were subject to VAT in the hands of the importer under the tax rates obtaining in the importing country. This obviously involves a fair amount of paperwork, as well as surveillance to prevent fraud.

19. This is one of the most difficult theoretical parts of the exercise. The problem lies in the manner in which firms are assumed to compete in markets where there are only a few large firms (e.g., automobiles), and each firm's competitive strategy will reflect its knowledge or assumptions about the others' responses. The two basic strategic decisions to be made are on price or on quantity. Firms effectively decide on a price, and then see what they can sell, this is said to be Bertrand competition; if they decide on quantity, it is said to be Cournot competition (Bertrand and Cournot being the names of French economists who wrote on this problem in the nineteenth century). In general, the gains from liberalization are likely to be higher under Cournot competition, as prices are likely to fall and output to rise to a greater degree. Publicized EC estimates are based on the Cournot assumption.

20. EC economic statistics tend to use Net National Product (NNP) rather than Gross National Product (GNP) as in the US. The difference between the two is the subtraction of depreciation from GNP to get NNP.

21. The term was coined by an American economist, Harvey Leibenstein, in a seminal article in The American Economic Review in 1966.

22. For example, what Americans have recently taken to calling sin taxes are very low in the southern tier of the US, while the British, Irish and Danes, particularly, being more puritanical, masochistically 'as heavily things they enjoy on the odd grounds that they are 'harmful'. In which form of delinquency?

23. This is because fluctuating exchange rates impose costs on traders, and give governments an opportunity to manipulate exchange rates to favour domestic producers.

24. Two examples are the break in the monetary union between the UK and Ireland in 1979 after the establishment of the European Monetary System, and the collapse of the East African Monetary Union in the late 1960s (Kenya, Uganda and Tanzania), inherited a single currency, the East African Shilling, from Britain on attaining independence. In the latter case, political developments plus the ability of each country's central bank to issue currency soon led to the collapse of the currency union. The opposite case is the Belgium-Luxembourg Union in which, although there is a Luxembourg token currency, the overall money supply is effectively determined by the Belgian central bank.

25. To be precise, the eight countries agreed to operate the Exchange Rate Mechanism of the EMS, while the UK, officially a member of the EMS, remained outside the EMS. The ECU has superseded the basket unit traditionally used for accounting purposes in the EC, the European Unit of Account (EUA). At the time ECU, by happy accident coincides
with an old French currency denomination, the ecu, and as a result, in a gesture towards French sensibilities, the term, Ecu, pronounced in French, has been adopted as the name for the EU's unit of currency.

27. "Adjustment costs" is an economic euphemism for lost output and higher unemployment. Experience of the 1980s has led economists to accept that it seems virtually impossible in practice to achieve a reduction in inflation without lower levels of economic activity.

28. This was based on a fixed percentage across all members of the VAT revenues raised subject to two qualifications: (i) the base was the level of revenue which would have been raised if VAT had been levied on a common range of goods and services, regardless of whether it actually was so levied. This led to a small variance as between countries as to the proportion of actual VAT revenue passed on to Brussels; (ii) the amount could not exceed 1% of VAT revenues so calculated without further negotiations.

Bibliography

General


A collection of essays covering the main aspects of the integration process in the Community. Some are at an advanced level, but most can be read with relatively little prior knowledge of economic theory.


A collection of papers written over twenty-five years, empirical and theoretical, covering most of the important themes in European economic integration.


A very good intermediate to advanced level up to date text. Presumes familiarity with economic principles.


A first rate, compact textbook exposition of the tools of analysis with which to interpret economic policy in Europe. Not an institutional or descriptive source.


A basic introduction to the economic history and the theoretical concepts in European economic integration.

European Industry: Competition Policy


A very readable short collection of non-technical essays by leading authors in the field of competition policy.


Contain accounts of development of policy and practice in relation to anti-trust.


A collection of twelve essays on the economic organisation of major industrial sectors of the EC economy; excellent "issues" introductory essay.


Agriculture


Advanced theoretical and econometric analysis of the overall impact of the CAP on production and consumption patterns in the EC.


Excellent treatment of the CAP's impact on agriculture in the Third World.

Social Policy


Environment


Monetary Unification


Sets out the policy options and implications.

"1992"


A very influential document, containing an explicit comparison between federal arrangements such as those in the U.S. and Germany and the emerging EC Budget.


Analyses of the costs to various economic sectors of the barriers to full economic integration.
CHAPTER 5

Economic Evolution of the European Union


The EC's assessment of the growth implications of completing the internal market.


A comprehensive exposition of the application of recent trade theory developments to the problem of economic integration.

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Chapter 6

EUROPEAN POLITICAL TRANSFORMATION AND THE FUTURE OF EUROPE

Leon Hurwitz
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CONCEPTUAL APPROACHES TO POLITICAL UNIFICATION

A review of the literature on the theoretical aspects of political unification, international integration and community-building, as well as a review of the literature specific to the European Union, produces three major categories or perceptual approaches to the study of political unification. These three conceptual approaches or levels of analysis are: (1) integration at the individual (or groups of individuals) attitudinal level; (2) integration at society’s level; and (3) integration at the level of formal governmental behavior and collective decision-making. But it is necessary to also comment that, as Leon Lindberg has written, international integration or political unification is a multi-faceted, societal attribute requiring multi-variate measurement (1970, 649-731). These three categories are not mono-measures; they are only convenient analytical devices with which to organize the voluminous and rapidly expanding literature on the European Union. Practically all the writings on the theoretical aspects of supranational integration and political unification agree that “integration” or “unification” is indeed a multi-dimensional concept which goes beyond any one individual attribute.

Integration at the Attitudinal Level. The first general category or approach to the study of European unification is seen to be integration at the attitudinal level of the individual or of groups of individuals. Briefly stated, this approach seeks to identify and examine what people think about the process of unification and their views on the current status of such integration. Studies in this area have dealt with mass public opinion; attitudes of the business, political, social, and military elites; and the views of the mass media, especially the international elite press. An excellent source of information about the European population’s attitudes toward the entire process and status of European Union unification is the European Commission-produced Eurobarometer. This publication appears twice a year in two volumes each: Volume I reports on the results of mass public opinion polling throughout the European Union and Volume II contains the results of questions asked since 1974—the evolution of the attitudes of the public over time (trend questions).

Integration at Society’s Level. The second level of analysis or conceptual approach to political unification is seen to be integration at society’s level (non-governmental). Two general approaches are taken at this level: (1) transaction flow analysis and (2) the linkages of non-governmental organizations. Transaction flow analysis—and there are several empirical procedures or models employed—includes the exchange of goods, services, people, capital, ideas (virtually any kind of measurable, transferable commodity) in order to measure the degree of unification already achieved and/or to comment about the degree of unification “potential” between or among sets of countries. Transaction flow analyses on the European Union have dealt with tourist traffic, labor flows, capital markets, “foreign” students, information flows (mail, book translations, telephone calls), trade and other economic transactions, business collaboration and mergers, and cultural exchanges. Transaction flow analyses—in other words, the only methodology used within this second general conceptual approach to political unification. The activities and linkages of non-governmental organizations such as trade unions, interest groups, and political parties are also often used to note the nature of political unification at society’s level. These studies are usually descriptive and narrative and, although not written in the quantitative and empirical mold of transaction flow analyses, they still present very valuable and useful contributions to the study of political unification.

Integration at the Governmental Level. The third analytical approach to political unification concerns integration at the governmental level and the formal, structural processes of integration. This perspective is not concerned primarily with what people think about unification or the degree to which societies may or may not be linked along several attributes. Rather, this approach deals with formal inter-governmental contacts, common participation in international organizations and institutions, and collective decision-making with common policies applicable to all members of the group. Formal collective decision-making can be both “internal” collective decision-making—policies that are common or harmonized in relation to the member states of the European Union—and “external” collective decision-making—the extent to which the European Union as an institution can coordinate external (foreign) behavior and form a consensus on foreign policy questions.

COMPLETION OF THE EUROPEAN UNION’S INTERNAL MARKET

As the European Union continues the process of integration, with both existing and new members, and in ever increasing areas of purview, it is important to understand the obstacles and opportunities involved. The difficulties in implementing the single internal market help illuminate the tasks in attitudinal, societal, and governmental integration.

The Treaty of Rome that established the European Economic Community in 1957 assumed that the economic, political, and social unification of the Community’s member states would be based on one large, integrated single internal market. But by the mid-1980s—30 years after the Treaty of Rome was signed and despite progress in certain areas within the Community—this integrated, single internal market had not yet been achieved. In 1985, the European Council of the Heads of State or Government of the EC’s member states decided that this internal market should be completed by December 31, 1992. This section discusses the background of the Single European Act (the Act which began the process toward the completion of the internal market), and the objectives of the internal market.

Background on the Single European Act and the Internal Market. On June 14, 1985, the Commission of the European Community transmitted to the European Council its now-famous White Paper titled “Completing the Internal Market.” This document envisaged the completion of the internal market by December 31, 1992 and outlined approximately 290 regulations and directives that had to be passed by the European Community institutions (the Commission, Council of Ministers, and the European Parliament) and then implemented by the national political processes in each of the twelve member states before the single market could be achieved. In brief, the White Paper called for the eventual abolition of all physical, technical, legal, fiscal, and social obstacles or barriers to full free trade and movement of people, goods, services, and capital. The existing physical controls, both bureaucratic and
physical, at the EC's internal borders were to be progressively eased and then eliminated altogether; these controls would then be shifted to the Community's external borders. Parallel developments include the adoption of EC-wide harmonized public service policies in certain areas and the increased reliance on the full faith and credit-mutual recognition clauses of the various EC treaties. This 1985 White Paper resulted in the signing, on February 26, 1986, of the Single European Act (SEA) which entered into force on July 1, 1987.

The Single European Act was a frontal assault on the remaining areas of fragmentation and non-transnational cooperation within the European Community, and was especially directed at the elimination of barriers to the totally free movement of people, goods, services, and capital. Although the EC had made numerous strides toward supranational integration since the European Coal and Steel Communities began operation in 1952, the Communities had still not made effective and efficient use of its collective resources. The costs of this "non-Europe"—both financial and psychological costs—were staggering. A Commission-sponsored study, led by Paolo Cecchini (1988), concluded that the total potential gain to the Community as a whole from the completion of the single unified market would be approximately ECU 200 billion (expressed in 1988 prices). This ECU 200 billion would add approximately 5 percent to the Community's gross domestic product. Cecchini's calculations include not only the savings due to the removal of all barriers which directly impinged on intra-EC trade (especially the technical formalities at the internal borders and the related delays), but also the real benefits to be gained from removing the obstacles a high hinder entry to different national markets and the free play of competition within the Community. Cecchini's study also predicted that the total integration of the EC market would deflated real consumer prices by an average of 6 percent while, concurrently, increasing output and living standards. Depending upon the specific macro-economic policies adopted, it was estimated that a minimum of two million and a possible five million new jobs would be created over the medium term. The single market would also produce economies in public sector costs equivalent to 2.2 percent of the gross domestic product (GDP) and increase the EC's trade with other countries by approximately 1 percent of the GDP.

The direct costs of border formalities, including the related administrative costs for both the private and public sectors, were estimated to be 1.8 percent of the total value of goods traded within the entire Community. This 1.8 percent was increased by adding the costs to industry of other identifiable barriers to a complete united internal market, including the differing national technical regulations governing the manufacture and marketing of products. This latter figure was estimated to average approximately 1.7 percent of companies' total costs. The combined total of these savings thus represented an estimated 3.5 percent of industrial value-added amounts

Finally, the Cecchini study identified substantial unexplained cost of some 320 million consumers, which were estimated that about one third of the EC's industrial sector could profit from cost reductions ranging from 1 to 7 percent, depending upon the specific sector concerned. The aggregate cost savings from improved economies of scale was estimated to be around 2 percent of gross domestic product across the European Community.

The above-estimated financial costs and savings are however only part of the story. There were psychosocial costs as well resulting from a fragmented non-Europe. These costs were related to the ever present physical barriers across the European Community. As the White Paper stated, the most obvious example of these physical barriers were the border crossing posts, the customs and immigration controls, passport and identity verifications, and the not unlike that of time consuming and demeaning search of personal belongings and body. Although the vast majority of these border controls, especially on the roads, but less so if one crosses a border by train or arrives at an airport, were perfunctory spot checks, they nonetheless still represent "an arbitrary administrative power over individuals and they were most certainly inconsistent with the principle of free movement within a single Community. To the ordinary European citizen, these controls remained an obvious manifestation of the continued divisions within the European Community. Objectives: The Free Movement of People, Goods, Services, and Capital. Five hundred years after the Europeans discovered and began to form a new world in America, they have set out to reorganize their "old world" at home. The completion of the internal market continues to be a major undertaking. As noted above, the objectives of the internal market entail the eventual abolition of all physical, technical, legal, fiscal, and societal obstacles or barriers to the free trade and movement of people, goods, services, and capital—the internal borders would disappear. The following sections present some of the envisaged results of the internal market's completion.

European Union nationals and foreign tourists would no longer be subject to checks at the borders between the member states, but would be able to move freely within the Union. Increased cooperation among the government departments responsible for dealing with drug trafficking and terrorism could make this possible. Students would be free to choose their universities and would be able to study in more than one member state. Their degrees and diplomas would be recognized throughout the Union. Workers, employees, and self-employed—mechanics and accountants, teachers and researchers, doctors and architects—would be able to work in the member state of their choice, on the same terms and same chances of success as nationals of the country where they have chosen to work. Goods would move freely throughout the Union and would not be delayed since the traditional borders would disappear. Products would have access to a market of 320 million consumers. The harmonization of mutual acceptance of technical standards and production techniques would result in the disappearance of technical barriers to trade. Economies of scale would enable manufacturers to be more efficient regarding research and development, and would be able to offer consumers a wider range of better and cheaper products. The health and safety of consumers would be safeguarded even more than at present, thanks to the harmonization or mutual acceptance of national laws and regulations. Companies as well as individuals would enjoy one or two relatively greater ease to start businesses in the Union. Companies would be able to offer their services throughout the Union while consumers would be free to choose the best offer at the best price. The airlines, companies would operate more flights to more destinations with lower fares. Road transportation would be organized so as to allow a more realistic use of the Union's fleet of trucks. There would be less paperwork, lower costs, more competition and increased safety. The range of telecommunication products and services would be highly diversified. They would be based on the latest technologies, due to a better utilization of the results of scientific research. European television without frontiers would offer a larger number of channels, programs, and services due to more satellites and the introduction of new technologies. The liberalization of capital movements and of financial services would make possible the freedom to choose in a large number of fields, including banking, savings and investments, mortgages, leasing, and insurance. Funding the development of the EC as a single economy, Union citizens would be able to travel throughout the Union with the currency of their choice without restrictions. Individuals as well as companies would be able to transfer funds freely in all the member states. Everyone would be free to save or invest anywhere in the Union.

Implementation of the SEA and Completion of the Internal Market. In order to complete the internal market,
approximately 290 directives and regulations first had to be agreed to by the EC institutions (the Commission, the Council of Ministers [called the Council of the European Union since the Maastricht Treaty], and the European Parliament) and then for many (but not all of these decisions, the national parliaments in each of the EC's twelve member states had to "translate" or "transpose" them into national legislation. The following section deals with this implementation process.

The Single European Act significantly changed the decision-making and implementation processes within the European Community (EC) which, as we shall see shortly, has changed again under the Maastricht Treaty). Although there are still many areas in which the Council must unanimously agree, the admission of new member states, appointment of the members of the Commission, taxation, the Single European Act called for "qualified majority voting" in the Council of Ministers on all issues related to the completion of the internal market.

Under the SEA, of the several types of decisions taken by the Council of Ministers (regulations, directives, recommendations, and opinions), only regulations and directives were relevant to the implementation process. Regulations are totally binding on all member states without having to be "translated" or "transposed" by the national parliaments—this type of decision is the strongest within EC legal practice and the national governments are legally bound by the several treaties to apply the regulation without delay or change. Directives are also binding on all the member states, but only to the directive's objectives or goals, each member state government has the obligation to determine the best way to achieve these objectives. The process of "transposing" or "translating" the directives into national legislation was thus required. The vast majority of the 290 required measures related to the completion of the internal market were directives, requiring each of the twelve member state governments to pass legislation to achieve the objectives of the directive.

Procedures under the SEA. The Single European Act also provided for two different ways to adopt the various directives and regulations, (1) the consultation procedure, and (2) the cooperation procedure. It is instructive to examine these since they represented major changes in the Community's decision-making apparatus and were precursors of the changed procedures under the Treaty of European Union.

With the consultation procedure, the Commission makes its proposal to the Council of Ministers; the Council then requested an opinion from the European Parliament and, usually, also from the Economic and Social Committee; the Commission had the opportunity to amend its original proposal in light of what the Parliament and the Economic and Social Committee had to say. The Council of Ministers then would adopt, amend, or table the proposal; it adopted and it is a regulation, it generally would be effective twenty days after publication in the C 's Official Journal. If the proposal were a directive it then had to be implemented by the twelve member states.

The cooperation procedure is a bit more complex and gave the European Parliament a greater role: the Commission made a proposal to the Council of Ministers, the Council requested opinions from the Parliament and, from the Economic and Social Committee. The Council after receiving these opinions, adopted a common position by qualified majority voting process. This common position was then sent back to the Parliament and the Parliament then had three months to accept, reject, or propose amendments. If the Parliament did not accept the Council's common position, the Commission could amend the proposal, or... it was then returned to the Council for a final decision.

Neither a regulation nor a directive. Figure 1 contains a schematic diagram of the two implementation procedures.

As one might imagine, an undertaking of this scale was not without its problems. For instance, as of December 31, 1991, approximately seventy "infringement proceedings" were being pursued by the Commission. These proceedings concerned various member states' refusals to implement fully the directives in certain areas and where the Commission has successfully filed suit against the member state in the European Court of Justice for failure to comply. All twelve member states have had "infringement proceedings" brought against them although the number varies. These infringement proceedings typically dealt with quite technical content areas (e.g., excise duties on rum [Italy] and specification for inland waterway vessels [Belgium]).

IMPLICATIONS OF UNIFICATION FOR THE INDIVIDUAL

The objectives of the EC's unified internal market raised a myriad of concerns and objections. This section discusses some of the implications of completing the internal market in four areas: (A) freedom of movement; (B) freedom to work; (C) freedom to purchase certain goods; and (D) freedom to receive information. Examination of these areas illustrates the enormous changes undertaken in the SEA and the complexity in forging agreement among the member states. Moreover, in some cases there are unresolved issues that might become the focus for further action in the European Union.

Freedom of Movement and Its Implications. One of the objectives of the SEA was the removal of all controls over individuals at the internal borders of the Community with a concurrent transfer of these controls to the external borders and ports of entry. The logic of the unified internal market called for the abolition of all police and customs formalities for people crossing intra-community borders. The police controls relate to the identity of the individual concerned and the legality of personal effects being transported. Although the idea of the abolition of all police checks at internal EC borders received support throughout the Community, there also existed a great deal of concern and hesitation among the member states. People and their possessions received the ability to freely cross the internal frontiers without any controls, its followed logically that criminals and potential criminals would do likewise. The real question for the Community in this problem area was how the Community should protect itself against transnational crime. The legitimate objective but at the same time gave real meaning to Community integration. Problems such as the movement of arms, illegal immigrants, drugs, terrorism, and transnational financial fraud and money laundering were mentioned most often.

The Commission's White Paper recognized these legitimate concerns. National legislation and policies dealing with arms needed to be harmonized in order to prevent the buying of arms in countries with less stringent regulations and then bringing them into another member state. Very few people in the Community would accept a totally free movement and the abolition of border controls it meant that members of the Irish Republican Army or Basque separatists had free access throughout the EC. An EC-wide harmonized policy regarding visas for non-Community nationals had to be developed. Along with policies regarding the rest of asylum and the rights of refugees also to claim free movement throughout the Community. Greater coordination was needed to deal with trans-national financial fraud and money laundering.

It is perhaps drugs—drug trafficking—and the vast sums of cash that accompanies the trade—that has given the most concern to EC law enforcement officials. The abolition of intra-border controls would obviously mean that drug traffickers would be able to move their cash and contraband throughout the entire
FIGURE 1
Directives and Regulations from Start to Finish

PROPOSAL from the Commission

Council of Ministers

European Parliament

Commission opportunity for amendment

Economic and Social Committee

Council for consideration

REGULATION

DIRECTIVE

Implementation by Member States

PROPOSAL from the Commission

Council of Ministers

European Parliament

Commission opportunity for amendment

Economic and Social Committee

Council for consideration

Common position

European Parliament 2nd reading

Commission opportunity to amend

Council final adoption

REGULATION

DIRECTIVE

Implementation by Member States

Source: Commission of the European Community, 1989 IV
Community with little fear of being caught. One example of this resistance can be seen in some remarks of Wolfgang Schäuble, the German Federal Republic's former Interior Minister (The Week in Germany, June 30, 1989, 2). Schäuble linked the eventual abolition of border controls with new measures to compensate for possible loss of effectiveness in crime-fighting and searching for criminals who are at large. Schäuble commented that the wide differences between German and Dutch drug laws had to be resolved before the Federal Republic would agree to abolish police controls at its borders.

As far as the problems of terrorism and drug dealing may be, they are not, as Siegfried Jagiera writes, sufficient to justify the retention of the existing controls:

"These dangers must be combated in other ways, for example, by an effective fight against the external borders and an intensified cooperation among the Member States involving the measures of a mutually-organized Community Police Authority. Otherwise one would make tangible progress on the internal borders of the Community. This decision is dependent on the conclusion of a small agreement upon which, however, the countries around -the-Streit-Staaten-for-security used the opportunity to cooperate in the area of their own border controls. By the opening of the borders with increased internal police controls one broaches the very purpose of 1982" (1989, 8).

The Schengen Agreement. The outlook for totally open borders on January 1, 1993 was less optimistic, especially given the experience of the Schengen Agreement. Negotiated in June 1985 in the Luxembourgish town of Schengen, close to the German and French borders, by Belgium, the Federal Republic of Germany, France, Luxembourg, and The Netherlands, the accord was to lead towards the abolition of the border controls among the five-territory states. The agreement would have eased personal travel across the frontiers and reduced the checks on commercial travel to a minimum. It also established some common rules for visa and asylum policies, and reinforced cooperation on issues such as drugs, arms, terrorism, fiscal fraud, illegal immigrants, and the right of hot-pursuit by police across the national frontiers. The agreement was scheduled to be signed on December 15, 1989 and enter into force on January 1, 1993. A full three years before the principle of open borders would theoretically be applied across the entire Community.

However, on December 14, 1989, the Federal Republic called off the signing ceremonies, saying it wanted more time to study how the agreement would affect the rights of West Germans wanting to travel in the other four countries (Riding 1989, 8). It appeared that the West German government only stated in public what the other member states had privately sought - the countries were not yet quite ready to do away with the border controls. The concerns expressed relating to Schengen called into question the entire viability of the open border objective. The Netherlands, for example, stated that it could not accept the Grand Duchy's insistence to exclude matters of fiscal fraud from the police cooperation scheme. The Dutch argued that Luxembourg was attempting to protect its offshore banking activities. Belgium expressed dissatisfaction with the envisaged police computer network, fearing that it would violate individual rights of privacy. The French were not satisfied with the clauses concerning the freedom of movement of migrant workers as East Germans migrate to West Germany, they may begin to displace the Turkish immigrants who, in turn, in the absence of border controls, could flood into France. The three Benelux countries were wary that open borders between the Germans, coupled with the Schengen Agreement, would mean that other nationalities in East Germany—especially Poles—would then be able to move freely into the West.

The proposed Schengen Agreement was seen for a long time as the prototype for integrated integration, the ending of border controls, and the free movement of persons across intra-Community frontiers. Although the idea eventually failed, the agreement fell but Western Ireland, and the UK, and the Commission committed to enforcing open borders among all members, the agreement experienced a series of delays, the last in 1994 due to technical problems in linking computers of the police and immigration authorities among the member states. The Schengen Agreement finally entered into force in 1995.

With the reality of the abolition of internal border controls, there is most definitely a need for some sort of Community-wide law enforcement agency (Hurwitz 1990, 213-228). This organization would have to be a multi-lingual and multi-national, specialized agency which would go far beyond the already existing INTERPOL. This agency must have the ability to engage in trans-national investigations and be able to obtain search and arrest warrants, and the power to execute these warrants on an extra-territorial basis. In theory, this may appear relatively straightforward, but there are several real life obstacles to overcome before such extra-territoriality can exist across the Union.

The functional areas of criminal law, criminal and investigatory procedures, and the rights of individual citizens would first need to be harmonized across all fifteen Union member states. Extra-territoriality rests upon standardized norms and behaviors, for example: the degree to which data and information banks (both governmental and private banks) are open to examination; the laws governing search and seizure; the content of warnings given to individuals under interrogation and/or arrest (e.g., the American "Miranda" rule); the rights of an individual to remain silent and to have legal counsel; the admissibility of evidence (e.g., the American "exclusionary rule"); the parameters of electronic eavesdropping-wiretaps; pre-trial detention and the posting of bond; sentencing criteria; and the standards for parole. A Union-wide "policetic authority" — seen to be a necessity with the abolition of the internal border controls — would find it impossible to carry out its management task objectives if there were fifteen different (and thereby conflicting) standards for the above variables.

At this writing, the Treaty on European Union establishes a new central police agency (Europol) and calls for greater cooperation among the member states in criminal matters. But the issues noted above remain to be addressed since the member states are "unwilling at this time to transfer full authority to the Union" (European Commission 1994, 8).

Freedom to Work and Its Implications. The second area discussed involves the mutual recognition of diplomas (MRD) and professional qualifications, leading to the right of free movement, establishment and practice throughout the Union for the liberal professions (e.g., physicians, dentists, veterinarians, architects, etc.). This free circulation, establishment and practice is not dependent on the removal of the actual physical controls at the national borders—either after an individual has crossed the frontier into another Union member state, this Union citizen may still be restricted, or even prohibited, in practicing his or her profession in the host-country (See de Gravecour 1982 and Seche 1989).

It should not be surprising that severe problems arose due to the differences in educational philosophies among the member states and the governments maintained that education must remain a matter of national policy, and frequently resisted the standardization proposals from Brussels. The Commission approached this problem through the full faith and credit clauses and mutual recognition; the Commission has applied the Cassis de Dressed principle (explained below) so that, if an individual is legally authorized to practice a certain profession in one member state he should, in principle, be legally authorized to practice the same profession in any other member state.

Some professions, especially those in the health sector—physicians, dentists, nurses, veterinarians, midwives, and pharmacists, but architects also, have had their basic training generally harmonized through the process known as common denominational across the Union. But even with these successes, the progress has been very slow, laboured, and difficult. The Community harmonizing directives enabling architects to practice throughout the EC took seventeen years to be achieved, it took sixteen
years for the pharmacist directives. The Treaty on European Union reaffirms the commitment to mutual recognition of qualifications, but the process remains a laborious one.

**Freedom to Purchase Goods and Its Implications.** Article 83 of the Rome Treaty, revised by the Single European Act, confirms that the free movement of goods is one of the cornerstones of the internal market. Articles 36 of the Treaty notes that free trade is based on the absence of quantitative restrictions (quotas) on imports or exports of any measure having equivalent effect. These Articles apply both to goods originating in a member state and to goods previously imported from non EC countries.

Various member states, attempting to limit competition under the guise of "health" or "safety," effectively prevented the sale of certain products in the domestic market that were produced according to the legal requirements existing in the exporting country. Illustrations of this use of "technical barriers to trade" are numerous; a few examples will suffice at this point. German law, for years, prohibited the sale within the territories of the Federal Republic of beers brewed in other member states if they contained any additives (German national purity laws). Similarly, a prohibition on the sale of yogurt from another member state was in place for years. Italian law prohibited the sale in Italy of any pasta not made from durum wheat; the German Federal Republic attempted to prohibit the sale of French and Belgian meat products containing vegetable proteins; some member states prohibited the sale of yogurt if it contained any added fruit; some member states prohibited the sale of Italian-made caviar within their territories. Such technical regulations, while modeled on a scientific foundation, may have different legal effects in different countries.

Regulations not only add extra costs - separate research, development and marketing costs - but they also distort production patterns. Unit costs and stockpiling costs are increased and business cooperation is discouraged. Also, even where such technical regulations do not actually forbid the sale of a certain product in the domestic market, they may definitely discourage attempts to produce and sell it if their effects are financially disadvantageous. Therefore, they may be just as effective as if they were prohibited. In short, such technical regulations are often used as a disguised form of national protection against similar goods imported from other member states where different, not necessarily better or worse, but different national production standards are in force.

For many years, the Community attempted to deal with these problems and eliminate these barriers through the standardization process, the adjustment of national regulations to conform to an agreed upon Community-wide single standard. Unfortunately, the proposals drawn up by the Commission were, in the Commission's own description, "often unnecessarily over-ambitious and correspondingly slow." The process of elaborating and adopting harmonization directives proved difficult and complex, and years were spent trying to reach agreement on the technical minutiae of a single product or group of products. In the interim, manufacturers were unsure what standards they ought to develop and all too frequently, by the time a very rare agreement was finally attained, either the product of the standard had become obsolete or was replaced by a better technology or by a barrier to further technical innovation. These administrative difficulties presented only half the problem, the European public perception of the harmonization efforts countered whatever progress that might have been achieved. Public opinion saw efforts at standardization as bureaucratic interference from Brussels, and many people were convinced that the Community's real objective was to submerge their national differences in tastes and preferences into "Europe goods" identical products with identical ingredients with identical tastes in identical packages and these clones would be the only products allowed to be sold throughout the Community.

**The Cassis de Dijon Principle.** The Commission seemed to be heading down this dead-end and one-way route until the European Court of Justice issued, in 1979, its landmark ruling in the Cassis de Dijon case (Case C-339/78, 1980). This case concerned the long-standing refusal of the Federal Republic of Germany to permit the sale of French-made caviar within the Federal Republic. The Court confirmed the basic right of free movement of goods and held that, in principle, any product or good legally manufactured and marketed in one EC member state must be free to be offered for sale in any other member state. A ban on the sale of a particular product can be applied only if it is seen necessary to protect a very limited range of public interest objectives (e.g., consumer safety). Such a ban has to comply with Community law and is subject to review by the European Court of Justice.

With the Cassis de Dijon ruling, a member state could no longer keep out competing products from another member state because the ban had to be justified as better or worse, but different from the domestic version of the product. Pasta made from soft wheat is now marketed in Italy alongside the durum wheat variety and beer containing additives is now marketed in the Federal Republic; it is totally irrelevant whether or not the Italian consumer buys the soft wheat pasta or the German consumer buys what is still considered to be "unnatural" or "impure" beer.

The Commission has slowly renounced its long-standing insistence on complete standardization and, taking its cue from the Cassis de Dijon case, it is now supporting the increased reliance on the full faith and credit "mutual recognition" of each member state's technical standards. The Commission's current position is: "except in the few isolated instances of where consumer health and safety is documented to be jeopardized (an obvious example of this would occur if drugs were legalized in one EC country and anything which can be legally marketed in one member state should therefore be free to be marketed in any other member state. The Commission hopes that this new approach will avoid unnecessary standardization as well as freeing the Union's decision-making processes from the very elaborate and time-consuming (and mostly unsuccessful) work of agreeing to detailed standards covering a wide range of very technical material. Nonetheless, national governments do not readily volunteer to accept these 'alien' products and cultural sensitivities are very difficult to overcome. The Germans still believe that beer with additives is an abomination that represents a frontal assault on the German cultural tradition and the Italians still believe that soft wheat pasta is an oxymoron.

**Freedom to Receive Information and Its Implications.** The completion of the unified internal market has ramifications and implications that extend beyond beer and pasta, however, the free flow of information is also affected. Examples of this can be seen in two recent controversies - one concerned Belgian supermarket ads in Luxembourg (La BXL NO BXL: Confédération du Commerce Luxembourgeois 1990); the other, the availability of information on abortion in the Irish Republic.

A Belgian supermarket distributed leaflets in Belgium and Luxembourg advertising sales at reduced prices. The Confédération du Commerce Luxembourgeois (CCL) sought an injunction from a Luxembourg court to stop the distribution of the leaflet in Luxembourg on the ground that the printed information violated a Grand Dical Regulation on promotion com-
contrary to Article 30 of the EC Treaty to apply the Regulation to the advertisement. CCI maintained by the Government of Luxembourg and the Federal Republic of Germany argued that the free movement of goods provisions in the treaty has no application to commercial advertising, and that in any event the Belgian company sold its goods only in Belgium.

The Luxembourg court ruled that the EC Court of Justice to rule. The Court of Justice rejected CCI's arguments, stating that consumers residing in one member state must be able to enter freely into another member state and make purchases under the same conditions as the local population. The Court also ruled that the right to entry was curtailed when consumers were denied access to advertising material available in the country of purchase. The Court stated that the Regulation could not be justified on the ground of consumer protection, stressing that consumer protection required accurate consumer information.

The second example concerns the availability of abortion information in the Irish Republic (Carroll 1990, 10-11). A 1983 referendum in Ireland added to the Irish Constitution a clause that affirmed the right to life of the unborn, i.e., abortion was made illegal. The Irish Supreme Court interpreted this provision to include even the dissemination of information about the availability of legal abortions in other EC member states, particularly Great Britain.

Two women's counselling centers in Dublin continued to advise their clients on how they could obtain an abortion in Great Britain (some 4,000 Irish women obtain an abortion in Great Britain each year) and a group of students at Dublin's Trinity College also provided this information in a student publication. None of these groups advocated the setting up of abortion clinics in the Republic. They only provided information that abortions were available in another EC country. The Irish court, however, ruled that the constitutional prohibition against abortion included dissemination of information about abortion and issued injunctions against the groups in an attempt to stop the flow of information.

Both groups appealed the ruling. The women's counselling center appealed to the European Court of Human Rights in Strasbourg, claiming the injunction violated the provisions in the European Convention on Human Rights that guarantees freedom of information. The students appealed to the EC Court of Justice in Luxembourg, claiming the injunction violated the EC's right to free movement of services (people have the right to disseminate information about services legally available in another member state).

The issue placed the Cassone案例 principle in direct opposition to the free flow given to EC states to derogate from the free movement of goods and services. By extension, information about these goods or services is the specific member state feels that such free movement is against public policy in terms of health, safety, or morality. The issue is compounded, however, because it involves the actual service, but the questions of the unhindered flow of information, the rights of the press, the ability of physicians to impart medical advice to their patients, and intellectual freedom.

Conclusions. The areas of concern discussed in this chapter: the impossibility of the united internal market relating to the abolition of border controls and the freedom of movement of goods; the right to work in any of the member states; freedom to purchase certain products that are legally produced and sold in another member state; and the freedom to receive information illustrate the difficulties. Procedures the Community has adopted and the momentum solidifying an implementing the internal market, some of which remain. Member states still attempt to prohibit certain imports under the guise of public safety, health, institutional barriers will remain to the free flow of goods, services, and information. Moreover, the implementation of the single market towards?
and legally distinct from the EC, but since EPC and the EC relied upon the identical individuals and groups for most of the process (they just wore different labels), and, since the members of EPC were identical to the EC membership, there was real difficulty in achieving coordination between the two.

But to be precise, EPC was outside the EC framework...it did not legally represent the European Community as an intergovernmental organization.

The decision-making process was parallel and although the lines of demarcation were often blurred, the attempt was made to keep the two distinct. Some countries—especially France and the United Kingdom—wanted to keep political cooperation in "high politics" separate from Community business ("low" politics). This insistence upon the symbolic distinctiveness of EPC and the EC led, however, to some illogical consequences. For example, France had insisted that if the Political Committee were to become a permanent institution with its own office-space and secretariat, it should not be located in Brussels (the French preferred Paris). This problem was resolved by rotating the place of the Political Committee's meetings among the EC capital cities. An example of an illogical consequence of maintaining the difference between the EPC's foreign ministers and the EC's Council of Ministers can be seen when the twelve foreign ministers met in Copenhagen one morning for EPC business, but then all flew to Brussels for an afternoon meeting as the EC Council of Ministers (Arbuthnott and Edwards 1979, 169).

This rigid separation, however, later became blurred. The foreign ministers discussed EC affairs in the same room (and in the same city) as EPC affairs—but not under identical mandates. Rather than flying from one city to another, the foreign ministers simply were summoned to the EPC meetings in order to become involved in the EC process. As foreign ministers under the EPC, and then reconstituted as the EPC's foreign ministers. But the legal and theoretical demarcation still existed, despite attempts to fuse the two frameworks. The governments were still free agents in EPC—the countries adopted common positions and common actions when possible; if it is not possible, each country was free to determine its own position. Within the EC framework, on the other hand, with the use of the qualified majority voting process, unanimity is not required for all decisions, and some countries would have to implement a policy that it did not support. Thus, European Political Cooperation remained theoretically distinct from European Community procedures although, in practical terms, coordination between EPC and EC was satisfactory more often than not. Under the concept of Common Foreign and Security Policy. The Treaty on European Union replaces the EPC process with Common Foreign and Security Policy (CFSP). The major changes here involve a stronger stated commitment to a common foreign policy, an announced commitment to a common security (defense) policy, and new procedures for developing policy. Under CFSP, the European Council (the Heads of State and Government of the Union) establish policy, and decisions currently must be unanimous. Significantly, the Council can rule that a particular issue should be declared a matter of "joint action," which seems more likely in cases where there is urgency and clear common interests. In these cases, a qualified majority is sufficient for a decision. The governments of the Community countries are bound, at the international level, by the Community position agreed in the joint action. (European Commission 1991, 13). To avert a veto, the twelve states have even committed to vote a veto when a qualified majority is in favor even in cases where unanimity is required although there is no way to enforce this commitment.

To the extent that common security policy is developed, it is likely to be generated initially through the Western European Union (WEU), whose membership includes nine of the original twelve member states. Like common foreign policy, development of a common security policy (at all will be a gradual affair and faces the problem of coordination with both the European Union and NATO. The expiration of the WEU Treaty in 1995 may afford the Union the opportunity to bring security policy directly into its decision-making apparatus.

Unresolved: European Political Cooperation and European Unification. Obstacles remain in the path of a unified European foreign policy, let alone coordination with the United States. The idea that European—and then Western—foreign policy should become more of a collective exercise involving all the main partners on a more or less equal footing is tantalizing, but there are serious doubts about its feasibility. Even if one were to assume that the European Union countries actively desire a common foreign policy—a very tenuous assumption despite the Union Treaty—the constraints posed by a changing international system limit their freedom of movement in achieving harmonization. One result or side effect of international interdependence is that governments now control only some of the factors that determine the content of foreign policy decision-making. International economic restraints—the need to trade, dependence on foreign energy supplies, fluctuating values of domestic currency (at least until the completion of monetary union)—appear to be very important in attempting to explain the lack of a concerted policy by the member states.

It would, of course, be much easier to coordinate Western policy if "Europe" spoke with one voice. At the present, the slow decision-making process of the Union, with its constant search for unanimity, turns Europe into an impossible partner for the United States. No wonder the U.S. acts alone and ignores Europe: European "political cooperation" often appears to be, only an excuse for European inaction—an outward sign of the European's obsession with anxiety. But the European Union is a complicated, multinational, highly politicized society with fifteen separate sovereign governments, transnational institutions, diversified interests, and pressure groups. All these are obstacles that must be overcome if one is to achieve a genuine "collective" foreign policy. Until then, a unified European foreign policy will remain very far from realization.

UNRESOLVED ISSUES IN THE FUTURE OF EUROPE: THE DEMOCRATIC DEFICIT

The Democratic Deficit. The European Community, prior to the Union Treaty, was subject to severe criticism by many people for relying on a decision-making process that was almost totally without any openness, lack of participation, or democratic control or oversight. The basic charge was that there was an insufficient democratic component to the entire process—a "democratic deficit." The large degree of truth behind these criticisms was, in part, the source for some of the changes made by the Union Treaty. It is instructive to consider the problems of the democratic deficit and whether they have been adequately addressed by the new treaty and devices such as the "co-decision procedure.

The major agenda-setting and decision-making unit within the old EC framework was the Council of Ministers. Acting on proposals from the EC Commission or on its own initiative, the Council of Ministers had to approve (although not be a unanimous vote in many subject areas) any EC-wide policy before it could be implemented by the Commission and the member states. These twelve individuals were not the elected representatives of the European population; they were members of their own national governments, chosen to be foreign minister by their country's head of government. The only way for a member of the Council of Ministers to be forced off the Council (they cannot be voted out) was for their own political party to lose a domestic election (and thus the individual would no longer be the foreign minister) or for their head of government to ask for their resignation as foreign minister. The Council of Ministers was expected to protect and promote their own country's national interests and, even if some of them are not, a majority of the European population had, under the EC framework, absolutely no ability to throw those who were out of office. Also, the members of the EC Commission were not elected; they were appointed to office by
the Council of Ministers. The European Parliament had no input into this appointment process similar to the U.S. Senate's ability to confirm (or reject) certain presidential appointments.

Under the old framework, the Parliament had the explicit mandate to "monitor" the activities of the Commission and the Commission is "responsible" as a collective body to the Parliament. Parliament could force the Commission to resign as a body through a vote of censure. This vote of censure or non-confidence was carried by two-thirds of the votes cast, representing a majority of the total membership. A number of such votes have been proposed over the past two decades, but none has ever taken place.

In reality, however, it would have made little difference in the power of the Parliament even if such votes of censure were to be passed and the Commission were forced to resign. This would have doubt have paralyzed for some time the decision-making process but, as mentioned above, it was the Council of Ministers and not the Commission who held the effective power of decision-making within the Community. Forcing the Commission's resignation might have generated some symbolic or psychological satisfaction for Parliament, but it would have brought very little, if any, real change in policy unless the Council itself decided to pursue alternative strategies. In addition, Parliament's "control" over the Commission did not extend to any role in naming or appointing a new Commission. Even if the Parliament were to censure the Commission, the national governments would have simply nominated a new Commission of their own choosing and the Council of Ministers would have confirmed them in office. The ability to force the Commission out of office had very little practical meaning for democratic control by Parliament. Thus, the real decision-makers (the Council of Ministers and the Commission) were basically insulated bodies without any real democratic scrutiny.

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Finally, Parliament objected to the decision-making process in the Council, a process that did not allow for much parliamentary input and often times were made in closed sessions. There were some areas where the Council of Ministers had to consult with the Parliament before reaching a decision. This may have permitted Parliament to shape the content of Community legislation before its adoption by the Council but this reflects actual behavior. There was absolutely no obligation or requirement that the Council accept any of the suggestions given by Parliament. Therefore, consultation itself did not influence the Council as Michael Palmer commented.

The Parliament gained some power since the adoption of the Single European Act, but this was not enough of a change to alter the balance of power. Note that in Figure 2, the Council still plays the dominant role, even under the "cooperation procedure" implemented under the SEA, the Parliament could, through the amendment process or by voting to reject a proposal, force the Council to adopt legislation through a unanimous vote, rather than by qualified majority. But the ultimate decision-making power remained with the Council.

Some of the national parliaments also attempted to get more influence and control over EC affairs but, even if successful in specific cases, this really did not impact on the total "democratic deficit." This was because, while the national parliaments may be able to "control" their own respective foreign ministers or its own government's decisions in EC matters, this one country was only one of twelve (at that time) in the EC and this is the crucial point could not decide EC policy on its own. Although not totally analogous, the situation is similar to an American state house of representatives controlling an appointed state official's behavior at a meeting of fifty state officials—whatever influence exists does not go very far.

Without further change, the adoption of the SEA and the completion of the unified internal market might have further complicated the "democratic deficit," for the EC mechanisms have more and more decision-making powers at the expense of the member state governments (the democratically-controlled national parliaments were losing power to the non-democratic EC-wide framework).

**Proposals to Deal with the Deficit.** The European Community recognized that democratic accountability had to be strengthened and the problem was on the agenda of the two Inter-Governmental Conferences (Hague and Delors) and the two Conferences indicated a split over how to deal with this "deficit." Some countries, especially France and the United Kingdom, argued that the "deficit" existed; the problems arose over how to deal with it. On the other hand were the "federalists" (e.g., then-EC Commission President Jacques Delors and German Chancellor Helmut Kohl) who argued that the only way to deal with the deficit was to increase the powers of the popularly-elected European Parliament (and thereby reducing the role of the national parliaments, the then-twelve member states, and the Council of Ministers).

The following remarks illustrate that the Parliament did have some power regarding the budget, but its influence over the budgetary process was minimal, whether or not the Parliament were to censure the Commission, the national governments would have simply nominated a new Commission of their own choosing and the Council of Ministers would have confirmed them in office. The ability to force the Commission out of office had very little practical meaning for democratic control by Parliament. Thus, the real decision-makers (the Council of Ministers and the Commission) were basically insulated bodies without any real democratic scrutiny.

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There was not too much disagreement over the fact that a "democratic deficit" existed; the problems arose over how to deal with it. On one side were the "anti-federalists" (e.g., Denmark, the United Kingdom) who argued that the "deficit" existed; the problems arose over how to deal with it. On the other hand were the "federalists" (e.g., then-EC Commission President Jacques Delors and German Chancellor Helmut Kohl) who argued that the only way to deal with the deficit was to increase the powers of the popularly-elected European Parliament (and thereby reducing the role of the national parliaments, the then-twelve member states, and the Council of Ministers).

A few examples of proposed changes should illustrate the divergence of opinion and help to set the context for the adoption of the Maastricht Treaty. The most radical proposal would have completely altered the entire EC institutional framework and, for the foreseeable future, this almost had no chance at all to be even seriously considered. This proposal would have the European Parliament act as a real popularly-elected democratic legislative body, choose its own prime minister and cabinet, do away with the Council of Ministers, and transform the Community into a centralized state.

A second proposal was put forth by Delors although, except for some members of the Parliament itself, it had found very few supporters. Under Delors' proposal, the Commission would become the "government" similar to the U.S. State administration and who have its president elected by the European pop-
FIGURE 2
The Institutional Cooperation Procedure

Commission

Proposal

Parliament

Opinion

Council

Common Position

Parliament

Approval or no comment

Amendment by absolute majority

Rejection

Council

Commission

Counsel

Amendment accepted

Amendment rejected

Legislation passed by qualified majority

Legislation passed by unanimous vote only

Legislation passed by qualified majority

Legislation passed by unanimous vote only
aluation; (2) the European Parliament would evolve into a real legislative body similar to the U.S. House of Representatives; and (3) the Council of Ministers would act similar to the U.S. Senate.

A third, more modest proposal would strengthen the European Parliament's powers in certain areas: control over the Commission, the ability to initiate legislation, and greater input into the final decisions taken by the Council of Ministers. Under this proposal, the Parliament would have the ability to confirm or reject each individual member of the Commission as well as the Commission's president—similar to the U.S. Senate's "advise and consent" power. In addition, Parliament would have the power to remove from office individual commissioners (a power the U.S. Senate does not have regarding cabinet appointees).

The Deficit and the Treaty on European Union. Clearly, further integration with expanded powers for the EC was politically impossible unless they were accompanied by changes to address the democratic deficit. The Maastricht Treaty included some such changes, although it remains to be seen whether they will adequately address the problem.

Some features can most clearly be seen in the adoption of the "co-decision procedure" (Figure 3), especially in comparison to the cooperation procedure presented earlier (Figure 2). Note that there is now a "Collaboration Committee" designed to give Parliament direct input into establishing changes in the proposal when it disagrees with the "common position" adopted by the Council. This is intended as a means to allow for an acceptable compromise to modify the legislation to make it acceptable to both. This is especially necessary because of the most significant change: the adoption of Parliament's ultimate right of veto, something absent previously. Before, Council could simply override the Parliament, albeit with a unanimous vote (Figure 2). Thus, with Parliament having the power to block Council, a mechanism to find compromise becomes important.

However, even with the collaboration with the Commission, and Parliament cannot pass legislation of its own. Nothing can be passed without the approval of the Council. Parliament did gain powers in the area of appointment. It may approve the selection of the Commission, but only as a body, not as individuals.

In terms of the objections and proposals outlined earlier, one can see that the Treaty edged in the direction of overcoming the deficit, but the changes brought are not remotely close to the proposals suggested to transform the Union into a separate, democratically elected government of Europe. The changes in the Treaty come closest to the "modest" third proposal mentioned above, albeit without either the power to approve individual commissioners or introduce legislation. And so, the question of the democratic deficit remains.

UNRESOLVED ISSUES IN THE FUTURE OF EUROPE: THE "WIDENING-DEEPENING" QUESTION

Introduction. A third unresolved issue in the future of European unification concerns the debate over the scope of the Union's membership, the nature of its political institutions, and the degree of its internal harmonization. At the time of the implementation of the MEEA, this issue was consuming. On one side of the debate were the "wideners"—this position argued for increasing ("widening") membership in the European Community to include almost any European country that makes an application to join (i.e., the European Free Trade Association [EFTA] countries, the Eastern European states, Malta, Cyprus, Turkey). On the other side of the debate were the "deepeners"—this position argued that the time is not ripe for enlargement and that the Community ought to strengthen ("deepen") its internal levels of harmonization among the then-twelve-member states.

As with all political debates, the supporters of each position portrayed the other side in exaggerated and extreme terms. At the time of the MEEA, the "wideners" were characterized by the "deepeners" as wanting to dilute the Community by adding too many new members too rapidly and thus change the Community into some sort of vague and loose Pan-European free trade area with only voluntary cooperation among the countries. Other than the financial unification characteristics that the single market of 1992 implied, the "deepeners" were characterized by the "wideners" as wanting to create a Fortress Europe, an elite group of the then-twelve-member states closed to any outsider. As usual, the truth could be found somewhere between these two extreme characterizations.

The "deepening" evident in the implementation of the internal market, the adoption of the Maastricht Treaty, and the drive toward European Monetary Union— and the widening—seen in the admission of Sweden, Finland, and Austria—seem to show that the European Union is proceeding on both fronts and that this is now an empty debate. And yet, it is also likely that the same arguments will recur at each stage of further integration and with each decision for admission to the EC. For this reason, it is useful to keep the "widening-vs. deepening" debate in mind as events unfold. This section revisits the arguments about this issue.

Previous Enlargements of the European Community. Prior to the addition of the last three members, the European Community had undergone three previous enlargements since its creation in 1957 by the original six members (Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany). After a very long and bitterly-contested negotiation process which included two vetoes by the French, the United Kingdom—joined by Denmark and the Irish Republic—entered the Community on January 1, 1973 and thus increased its membership to nine.

This first enlargement was an important milestone in the European unification process. It was obviously a significant event, as it involved the sovereign decision-making powers transferred to Brussels and the EC institutions. Great Britain renounced her insularity by becoming a "European" country, and Denmark and the UK left EFTA— but the first enlargement in 1973 also represented a significant event for the original EC countries. The six original European Community countries—ten years after the EEC began operating—and twenty years after the European Coal and Steel Community—perceived the intracommunity consensus and unification levels to have been of sufficient strength and stability to deal with the problems inherent in the expansion by 50 percent in the number of participants in the decision-making process and in the marked increase in the group's heterogeneity. Decisions that previously had to withstand six separate (and often quite divergent) viewpoints, in the post-1973 period, had to resonate nine national interests and positions.

Norway was also scheduled to join the EC in this 1973 enlargement. The Norwegian Government, however, put the question to the Norwegian population in a referendum. On September 21-25, 1972, the Norwegian population went to the polls to vote on accession to the EC; membership was rejected by a vote of 46 percent for and 54 percent against entry. The referendum was a nonbinding advisory opinion to the Norwegian parliament, but the Storting soon the matter, in a formal vote, declined membership. Several reasons have been advanced to explain the Norwegian opposition to EC membership in 1972-73:

The "free market" political ethos and interest group-mobilization (long-term, locational, and cultural), and the United States' leadership in the European Community make it seem unlikely that the Scandinavian countries will be among the next members. The Danish Prime Minister, Jens Otto Krag, did not help matters by scheduling the Danish referendum after the
FIGURE 3
The Co-Decision Procedure

Proposal by Commission to European Parliament and Council

Parliament opinion

Council by qualified majority, establishes a common position

Parliament examines the common position of Council

Parliament approves the common position or takes no action

The Council adopts the instrument in line with its common position

Parliament, by an absolute majority, expresses its intention to reject the common position

Parliament, by an absolute majority, proposes amendments

Commission delivers a positive opinion

Commission delivers a negative opinion

Council, by qualified majority, approves Parliament's amendments and adopts the instrument


Council approves Parliament's amendments unanimously and adopts the instrument

Conciliation Committee reaches agreement. The instrument is adopted only if Parliament and Council adopt it by absolute and qualified majority, respectively.

Conciliation Committee does not reach agreement. Council may, by qualified majority, confirm the common position, where applicable with the amendments proposed by Parliament

Parliament, by an absolute majority, rejects the proposal which is not then accepted
Norwegian vote. Support for the pro-EC position had always been much stronger in Denmark than in Norway, and if the Danes had voted first, perhaps many Norwegians might have been swayed to change their minds.

The EC's shift contributed to the rejection by a very unitary and all-alone decision. Just a short time before the referendum, the Council of Ministers (without, obviously, the Norwegian minister) issued some regulations on fishing rights in coastal areas. These regulations, which would have opened up Norwegian coastal areas to other EC countries, were perceived by many people in Norway as a direct threat to a vital national interest. The action by the Council of Ministers was perceived as a symbolic gesture of the EC's ill will toward Norway. The fishing-rights question was a decisive factor for the very large (up to 93 percent) no vote in many coastal and northern areas.

Opponents of entry were able to convince many Norwegians that the EC stressed—rightly or wrongly—industrial growth and stable economic development at the expense of individual happiness and fulfillment, social concerns, and environmental quality. These arguments—true or false—reinforced an emotional nationalism among farmers and created real doubts about the future of Norway as a member of the European Community.

The decade of the 1980s witnessed two additional enlargements. Greece joined the Community as its tenth member on January 1, 1981, and on January 1, 1986, Portugal and Spain increased the size of the Community to twelve member states. These latter members—Greece, Portugal, and Spain—were not quite at the usual level of economic development required by the EC for new members, but the Community wished to make a political statement. Greece had just thrown off the ruling military junta and was slowly returning to a democratic system; Portugal, after a long rule by Antonio Salazar, and Spain, after forty years of rule by Francisco Franco, were also slowly divesting themselves of the remnants of authoritarian rule. The Community, in bringing these countries in as members, helped to solidify the nascent democratic structures of the three countries.

The nature of the Community in the 1980s was changed profoundly by the entry of Greece, Portugal, and Spain. Compared to the pro-1980 period, the Community became much more "Mediterranean"; it had many more features in common with newly-industrializing economies such as Israel, and fewer features in common with highly developed countries such as Sweden and Switzerland; it included two ex-colonial powers (Portugal and Spain) which, like France and the United Kingdom, make a problem of having "special responsibilities," in different areas of the world; it became an agricultural superpower; it was now more culturally diverse; and marine, coasts, seacoasts, and fishing-related resources had increased significantly because of Iberia's Atlantic coast.

Some of these changes are reinforced by the fourth enlargement. Sweden and Finland add to the Scandinavian dimension of the culture. Finland brings the first nation to the Union that had been under a degree of Soviet influence. Additional force for environmental concerns has been added. But these nations also represented a return to members more like the original nine highly developed, wealthy, industrialized countries.

Current Pending Applications for Membership. The procedure for admission into the European Union is that the applicant country negotiates the Accession Treaty with the Commission; the Commission makes a recommendation to the Council of Ministers; the Council, by a unanimous vote, accepts the applicant (subject to veto by the European Parliament) and calls for a treaty of accession to be drawn up (usually) the content of which has already been decided; the treaty is then ratified by all governments concerned (the current member states and the new member states).

At present, there are three formal applications pending for Union membership outside of the former Warsaw Pact nations—Cyprus (1990), Malta (1990), and Turkey (1988). Norway's application was accepted, but the Norwegian voters were again rejected membership in November of 1994. Switzerland is seriously considering applying for Community membership—Poland, Hungary, the Czech Republic, Slovakia, Bulgaria, and Romania have negotiated "association agreements" (called "Europe agreements"). The Baltic countries of Estonia, Latvia, and Lithuania as well as Slovenia are also negotiating Europe agreements. Europe agreements include a commitment to reducing trade barriers, but also, most significantly, to the gradual implementation of harmonization policies designed to bring these nations into accord with the policies of the internal market. The agreements... form the backbone of the EU's pre-accession strategy..." (Eurocom 1995. 2). In other words, all of these nations hope for membership in the EU, and the Union is using the agreements as a method to determine which will be accepted, and when.

The Unresolved Issue. The issue of enlarging the Union brings with it several difficult questions that the EU has yet to resolve. Past history and current relations between certain pairs of countries would seem to militate against the admission of specific countries. For example, the traditional hostility between Greece and Turkey would first have to be resolved before Greece, who has a veto over any new members, would agree to Turkey's membership.

A second problem concerns military alliances, the role of NATO, and neutrality. Of the current fifteen members, Ireland, Sweden, Finland, and Austria are outside of NATO (France is not a formal member, but has close cooperation with NATO's command structure). They are also neutral countries. Other possible future members—Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria, and, in a sense, Estonia, Latvia, and Lithuania—were members of the Warsaw Pact. It could be very difficult, if not impossible, to create a common foreign policy for an enlarged Union if the membership contained NATO members, neutrals, and former Warsaw Pact countries. The Union has yet to devise a solution to this issue.

A third unresolved issue concerns the institutional framework and voting procedures within the Union when and if new members are admitted. The Council of the European Union (formerly Council of Ministers) is the major decision-making unit within the EU, and each state has an equal vote (except for the 'qualified majority' votes). Opposition has been voiced by several central countries to any enlargement which would give more qualified majority votes to member states. Other European countries members would be to create a dual class of membership—real members with equal power and quasi-members with much less power. This is a situation that no one in Europe is advocating, but the issue is still unresolved.

A final issue with the admission of new members concerns the cultural, ethnic, and religious diversity of the enlarged Union. Much opposition has been voiced against Turkey's application for these reasons. The opponents to Turkey's membership in the EU cite Turkey's "non-European" ethnicity and its Islamic culture. The official Union pronouncements never refer to this issue, but, for the European population as a whole, the Turks present an entirely different set of issues than did, for example, the Albanians (or the Swedes). This issue has also not yet been resolved.

So, despite the recent EU enlargement, might these factors halt further widening? Will enlargement prove a crucial stumbling block in political, foreign policy, and security integration? And isn't it likely that the deeper harmonization and political integration proceed, the more difficulty other nations will have meeting the criteria for membership? Will the advocates of enlargement call for a halt to further integration for this reason? It seems that the broadening deepening issue will remain for a long time to come.
Endnotes


2. These cases are identical to the American case Bigelow v. Virginia, 421 U.S. 809 (1975). Bigelow was convicted by a Virginia court for publishing an advertisement of how Virginia residents could obtain a legal abortion in New York (abortion is illegal in Virginia at the time). The Supreme Court ruled that the relevant statute violated the First Amendment. The Court ruled that a state could not prevent the dissemination within the state of information about an activity that was legal in another state. The opinion concluded with the remark that Virginia's interest in regulating what Virginians may hear or read about what goes on in other states or in shielding its citizens from information about activities outside its borders was not entitled to any weight.

Bibliography


Caisse de Pion case 120-78 (1979), TC, p. 649; CMR (1979), p. 494.


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Suggestions for Additional Reading

THE SINGLE EUROPEAN MARKET AND ITS EFFECT ON THE WORLD

George M. Vredeveld
Chapter 7

The Single European Market and Its Effect on the World

George M. Vredeveld

EXTERNAL RELATIONSHIPS OF THE EUROPEAN UNION

Introduction. The development of a unified internal market in what was then the European Community (EC) and the extension of the integration into the European Union (EU) through the Maastricht Treaty may be one of this century's most significant economic and political experiments. But the impact of the experiment will not be limited to Europe; i.e., the implementation of internal trade policies necessarily has external effects and external events influence internal processes. The fact is, external and internal events are very much intertwined.

The unification process, or as it is often called, the Single European Market (SEM) was prompted in large part by external factors. By 1985 the Community's economic position compared with the rest of the world had deteriorated. Its exports to third world countries were losing ground to other developed countries and the Community was gaining a smaller share of foreign markets than the United States and Japan. This threat of increasing foreign competition largely influenced the EC to adopt the White Paper and to pass the Single European Act in 1985 with implementation beginning in 1987.

This chapter shifts the focus from the internal to the external effects of unification. It describes the major trade relationships of the EC with other countries, defines present external policy, examines the impact of the unification process on external policy, and considers the probable impact of the SEM on the rest of the world.

The Extent of EU Trade and Investment. The EC clearly has a strong interest in the rest of the world. As a percentage of its Gross Domestic Product (GDP), the EC imported and exported non-EC countries a substantial amount. In 1988 it imported 9.6% of its GDP and imported 9.8%. By comparison, exports and imports for Japan were respectively, 9.3% and 6.8% of GDP and for the United States 9.1% and 6.8%. By 1992, the twelve EC members accounted for 15% of world exports (the U.S., Japan, and Japan 9%).

Figure 1 illustrates the extent of EU trade (not including the three new member states). The EC imported approximately $136 billion of goods and services from the countries comprising the European Free Trade Association (EFTA) while it exported $120 billion worth of products to them. This extensive trade partly explains why three EFTA countries (Sweden, Finland, and Austria) have now joined the union. The value of its exports to North American countries (Canada and Mexico) equaled more than $904 billion while its imports equalled $102 billion, for Japan and Latin America, exports to the EC totaled $52.1 billion and $26.5 billion respectively, while imports from the EC amounted to $23.6 billion and $13.5 billion respectively. Its trade with Eastern Europe, the OPEC countries, and Africa was less extensive, but still significant.

In addition to extensive trade, union and non-union firms have increased their activities in each other's countries. This cross-investment relationship is especially strong between the EC and the United States, linking the two regions together in such a way that events in one region have a profound impact on events in the other.

External Trade Relationships. Many factors have influenced the formulation of the EU's present external trade relations. One is the General Agreement on Tariffs and Trade (GATT), originally signed by 23 countries in 1947 and now totalling more than 100. Another is its geographical proximity to other nations. A third is its history of association with former colonies.

GATT is a major effort to promote a system of trade based on principles of free trade and reduced tariffs. It establishes rules and provides a setting for solutions to international trade problems. Central features of GATT include the principles of non-discrimination and multilateral reciprocity. Non-discrimination specifies that a signatory to GATT must treat products from one signatory in the same way it treats the products from any other signatory. Multilateral reciprocity stipulates that the advantages in trade (i.e., reduced tariffs on some product) conferred on one country must be extended to all other members of GATT. However, GATT allows for many exceptions, such as the formation of customs unions and preferential trading agreements between countries.

PREFERENTIAL TRADE RELATIONSHIPS

Although preferential trade relationships are allowed by GATT, they definitely are not consistent with the spirit of GATT's principle of multilateral reciprocity. Often they are a result of countries seeking some protection from the Common External Tariff (CET) or seeking assurances that they will not lose market shares in a particular product. The EC had created a distinctive preferential system of trade agreements with third-party countries to such an extent that very few countries were subjected to the full CET. Except for the EFTA agreements, these preferential arrangements did not seem to be of significant economic benefit to the EC. However, they may have helped the EC to strengthen its political influence in these geographical regions.

Trade with EFTA. The most important preferential trade relationship the European Community has had was with the countries in the European Free Trade Association (EFTA). Seven countries (Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom) initially signed the EFTA agreement in 1960 to create a free trade region. They chose not to join the original six EC countries in a more formal custom union that eliminated all tariffs among these countries and established a common external tariff. In 1973, when the UK and Denmark and later Portugal left EFTA to join the EC, the EFTA countries were concerned about the potential loss of trade. To compensate, the EC negotiated very liberal trade laws with EFTA. Free trade now exists in all industrial goods, but not in agricultural products.

EFTA-EC trade was quite important to the EC, but even more important to EFTA. In 1990 it accounted for about 26.5% of all EFTA merchandise exports, but for the EC, it was a sizeable 5.5%. Some of the countries in EFTA are especially affected, for example, the EC sold more goods and services to Switzerland and Sweden than it did to Japan; it sold more to Norway than to Canada. Overall, the EC historically had a trading surplus with EFTA, that is, the total value of what it exported to EFTA was greater than the total value of what it imported. As noted earlier, this trade relationship was, perhaps, a driving factor for the application of Austria, Sweden, Finland and Norway to the EU.
FIGURE 1
European Union Trade
(billions of dollars)

Amounts converted from ECU to dollars
*Data before Austria, Finland, and Sweden joined the EU. Intra-Union data, 1992.
voters turned down membership to the European Union. It might presage further EU enlargement.

Trade with the Mediterranean and ACP Countries. The Mediterranean countries, which supply the EU with many raw materials and oil, also have preferential trade relationships with the EU. These relationships began with France's agreement with its former colonies of Morocco, Tunisia, and Algeria. Special trading relationships now have been expanded to include most of the other Mediterranean countries, with especially strong relationships with Turkey, Malta, Cyprus, and Israel. Significantly, as pointed out by Thompson in Chapter 1, the former three had all applied to join the EC in 1990.

The EC also has established preferential trade relationships with the less-developed countries of Africa, the Caribbean, and the Pacific (commonly called the ACP countries) through three Lome conventions signed in the 1970s and 1980s. These preferential agreements often were based on the member states' relationships with their former colonies whose tradition of high wages in the public sector and high minimum wage legislation still plague them. This has limited their competitiveness, causing their share of total exports to the EC to fall and to grow at a slower rate than the exports of other less-developed countries.

France probably benefits most from the EC's Mediterranean and ACP preferential agreements. Because of its historically close relationship to these countries (many of which are French speaking) France has been able to sell some of its goods that were difficult to trade at high prices in other countries. It supplied about 40% of Francophone imports between 1975 and 1982. Trade with ACP countries historically provided a significant trade balance for the EC; however, as far as overall EC trade is concerned, the effect of these agreements has been minor.

NON-PREFERENTIAL TRADE RELATIONSHIPS

Trade with Central and Eastern Europe. EC trade relations with Central and Eastern European (CEE) countries were non-preferential; that is, no special concessions were offered to these countries that were not available to other GATT members. Since World War II, the EC had limited trade with CEE countries which had their own trade bloc—the Council for Mutual Economic Assistance, commonly called COMECON. COMECON, which was abolished in January 1991, was tied closely to the Soviet Union and was strongly affected by its actions. During the life of COMECON, most of the CEE countries' trade took place within this bloc.

Since the end of 1989, Central and Eastern European countries have been undergoing dramatic political and economic changes. As these changes have occurred, there has been a reduction of the type of tension that existed in the past. The EC has established direct assistance programs for these countries, including the Phare program and participation in the European Bank for Reconstruction and Development. However, the magnitude of trade is still quite small.

Since 1993, Bulgaria, the Czech Republic, Hungary, Poland, Romania, and Slovakia have signed 'Europe Agreements' which grant them associate member status with the EU. The Europe Agreements create closer economic and political ties between the EU and each country, but do not guarantee membership into the EU. Hungary and the Czech Republic, the most promising countries for membership, have set an ambitious goal for membership by the year 2000. The Europe Agreements will eventually lead to the creation of a free trade zone between the associated countries and the EU by eliminating tariffs and quotas over a ten-year period. However, Europe Agreements are bilateral with the EU, while they enhance trade between the EU and the associated countries, there are not trade agreements between the associated countries themselves. The European Commission has recommended that Estonia, Latvia, Lithuania, and Slovenia also complete Europe Agreements and have the same standing as the six current associate countries.

Trade with Japan. Given the size of both economies, the trade between Japan and the EU has been limited. But even with limited trade, Japan has experienced large trade surpluses. In 1989, for example, Japan's exports to the EC amounted to $52.1 billion and its imports were valued at $52.6 billion. These continuing negative trade balances caused the EC to ask Japan for voluntary export restraints (VERs) on sensitive products, including consumer electronic goods. By the mid-1980s these VERs had been applied to more than one third of Japanese exports to the EC. The Union continues to be apprehensive about Japanese trading policy and has expressed its determination to prohibit practices that would be harmful to the economies of its member states.

Trade with the United States. The trade relationship between the United States and the EU has been extensive since World War II. Over the years, the U.S. consistently has been the largest bilateral trading partner of the Union. In 1988, the EC bought 24% of U.S. exports, with Canada purchasing 22% and Japan only 12%. American investments in the EU have increased at an even faster rate than trade with the Union. The EU is now the recipient of nearly 40% of all direct U.S. investment, which is considerably higher than the 18% it received in 1960. The share of EU direct foreign investment that goes to the United States is nearly 60%. Importantly, investment activities and export activities often complement each other. In many cases, exports follow an expansion of investment ties. In 1988, 53% of American exports to the EC were shipped to European subsidiaries of American companies.

Besides having strong economic ties, the United States played a significant role in the development of the trading climate of the EC through the Marshall Plan and by supporting EC unification and GATT. Since the EU's trade relations with the U.S. are of the non-preferential type, GATT has had a major influence on their relationships. But, GATT cannot solve all trade issues and there have been some notable disagreements about trade policy involving the EC's Common Agricultural Program (CAP) and regulation of the services industry.

EXTERNAL TRADE POLICY

Foundations of Policy. Even before the unification of the then-EC's markets gained new momentum with the White Paper (1985) and Single European Act (activated in 1987), it was clear that the formation of a rational internal market created the need for a complementary external policy. As early as 1948, the Netherlands, Belgium, and Luxembourg agreed to remove all intra-regional tariffs and to establish a common external tariff. With the formal establishment of the European Communities in 1958, the EEC Treaty recognized the need for a common external policy, as stated in Article 113: "... necessary, as the EC develops its international communication, the need to develop an external economic policy becomes more essential." The European Court helped to make this operational by granting the Community the power to conclude agreements with third party countries to the exclusion of the member states. This gave the Community powers at the international level that member states no longer had.

The EC Treaty also described the principles and philosophy of the EC's external policy. An EC official revealed an intention to contribute to the development of international trade and the lowering of barriers to trade by entering into agreements designed on a basis of reciprocity and mutual advantage, to reduce customs duties..." Article 58 embraced the principle of non-discrimination by assuring foreign businesses that locate in the EC that they shall "... be treated in the same way as natural persons who are nationals of member states." Article 110 emphasized the goal of contributing, "... to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers."
Implementation of External Policy. While the "official" principles stated above reflect a liberal trade policy (i.e., elimination of trade restrictions), the actual formation of the policy has been somewhat different. The 1960s saw reductions in tariffs which stimulated intra- and extra-Community trade. But the 1970s and early 1980s were different. The increasing use of protectionist agricultural policies and preferential agreements often reduced trade. The policy that has been formulated appears to be an attempt to respond to economic benefits, political pressures and special interests, both within and outside of the Union. The following paragraphs describe the components of the economic policy of the then-EC that have had a major influence on the Union's external relations.

Common Tariffs and National Quotas. To a large extent, the EC's common export tariff resulted from negotiations that were necessary to eliminate intra-bloc trading barriers. Individual national tariffs that existed before the formation of the European Economic Community were replaced by the CET. In accordance with the GATT, the CET was not to be fixed at a higher or more restrictive level than the average of the tariffs that the member countries applied before the formation of the customs union. In most cases, the average CET was set below existing tariffs in member states, yet it was higher than existing tariffs in some countries such as West Germany. From 1958 to 1979, the EC's CET fell from an average of 12.5% to about 1%. Exceptions to these tariffs and quotas constitute the preferential trade agreements that the EC made with other countries, such as the USA, ACP countries, previous colonies, and many of the developing countries in the Atlantic, Caribbean, and Pacific (ACP) group discussed at the beginning of this chapter. For example, Caribbean fruit growers were guaranteed a minimum basic quota of 5,000 tons of bananas to UK markets, while France provided similar guarantees to French Caribbean and African producers.

In spite of the desire to develop a common external policy, Article 115 of the EEC Treaty provides member states the right to establish import quotas on specific products produced in specific countries. More than 70% of these quotas apply to textile and apparel goods and another 20% cover other industrial goods. Those most affected are Japan (primarily automobiles), the newly industrializing Asian countries (textiles), the former Soviet Union and other Central and Eastern European countries. Use of Article 115 means that any single member state can establish its own quotas over certain goods from selected non-Community countries. The quotas apply regardless of whether they come directly from the producing country or indirectly through one of the other member states. Thus, a firm in one country (e.g., Germany) can import a product that is not protected in its country, but will not be able to sell the product in another EC country (e.g., Spain) if it violates that country's quotas.

Although the EC has made some recent progress in reducing the number of products protected under Article 115, the use of this article continues. Obviously, its application is in conflict with the spirit of unification and the free movement of goods. Of course, a system that is fully operational and Article 115 is inconsistent, since when trade barriers are removed, there will be no reasonable way to prohibit goods from moving from a member state that does not assess a quota to one that does. Moreover, official documents describing long-term policy in the wake of the Maastricht Treaty point to EU efforts toward the successful completion of the GATT Uruguay Round of multilateral negotiations. In fact, the single market and the Uruguay Round are complementary since both aim at opening world markets (European Commission Delegation to the United States 1984, 15).

Technical Regulations and Standards. While it may appear that technical regulations and standards are primarily technical issues, they have become an integral part of external policy standards, which define the legal requirements of a product, range from the specification of the voltage for electrical appliances to the content and ingredients of chocolates and beer. Initially, these standards were imposed at national levels to limit competition from within the Community. They also can be used to restrict competition from non-Union producers by establishing regulations and standards that are difficult for non-EC firms to meet.

A major objective of the EEC was to harmonize standards within the Community. There also has been progress in reducing the number of technical regulations and standards for non-EC countries. Basically, there are two types of standards: those based on a public interest objective (e.g., health and safety) and those that are not. In the latter case, the Union has adopted the principle of mutual recognition which holds that products lawfully produced and sold in one member state cannot be stopped from being imported into another member state. Thus, if a product is lawfully imported into one EC country, it can be sold in all of the EC countries. With public interest objectives, however, differing regulations that exist from one member state to another are not subject to mutual recognition.

Related to this is the issue of the testing and certification of products that meet the standards. In December 1989, the Community committed itself to mutual recognition of member states' testing facilities and agreed to the introduction of certain international guidelines in this area. Furthermore, there is some talk about accepting testing results of non-EC laboratories. This would be a major step forward in removing obstacles to trade.

Anti-Dumping. Dumping is the practice of a firm from one country selling a product below cost in another country in order to establish a presence in that market or simply to get rid of unsold and temporary inventory surplus. EC companies can request protection from dumping by filing a complaint with the Commission. The Commission investigates the complaint and if there is sufficient evidence to justify the complaint, an official proceeding is initiated. After hearings, in which the non-EC exporter can argue its case, the Commission recommends to the European Council what action should be taken. If it is determined that dumping has taken place, the EC can apply duties that often reach rates of 10-30%, of the value of the products that are deemed to be dumped.

In practice it is very difficult to establish when a good is being sold below cost. Usually it is calculated by comparing the price of the product in the home country. If a firm has excess capacity, the additional costs of making more products could be very low. But if the firm sells these products at a low price, even though it may be highly profitable for the firm, it could be interpreted to be dumping.

Until 1976, anti-dumping measures were seldom considered by the EC Commission; for example, from 1970 to 1976, this measure was used only 26 times. Since that time, however, there has been an increasing use of this policy. Between 1977 and 1984, 301 proceedings were initiated, most of which were filed against non-market economy countries. Within the category of market economy countries, products from the United States and Japan were the most frequent targets.

Anti-dumping proceedings have been severely criticized by non-EC producers. The proceedings often are considered to be political decisions since practices that are accepted for exporters in one country may very well be rejected for exporters in another country. Furthermore, the anti-dumping legislation gives the Commission considerable flexibility in determining if proceedings should be initiated. There has been the fear that anti-dumping measures can be used as an instrument to promote certain Union products by protecting those industries from more efficient non-Union producers, especially the Japanese.

Public Procurement. According to the Cecchi (1980) report, products purchased by governmental bodies (local, regional and national) represented almost 1% of the Community’s gross national product at that time. Despite the existing legislation requiring open bidding, public authorities still tend to place their orders for products with domestic enter-
pares. In 1987, the Commission presented a reform package that made the budding process more open and transparent and extended the rules to sectors previously not covered by the original legislation, including telecommunications, energy, and water. Guidelines, however, gave permission to the member states to give some preference to Community companies as opposed to non-Community companies.

The successful realization of these reforms will depend on the member states' willingness to abide by the requirements set by the Commission. A recent study conducted by the Commission found that some 30,000 procedures for awarding public contracts more than 900 violated existing EC law in some way. The effect on non-Community producers will also depend on the extent to which preference is given to non-member producers and the definition of what is, and what is not, a Union product. The Rules of Origin and Local Content are important in determining whether a product is subject to local content requirements. The Commission uses these rules to determine whether the political union is not and thus, whether quotas, tariffs, or other external policies apply to the sale of the good. For example, if a good satisfies the EC rules of origin and can be classified as a Union product, public procurement laws give it some advantage over third country products. Similarly, since several member states have import quotas on certain non-Union products, the rules of origin are important in determining whether the goods will be subject to the quotas.

Although determination of origin would seem to be a simple task, it can be difficult and even arbitrary. The origin of a product is determined at points in time and in one country. The difficulty comes when it is produced in more than one country, none of which is a member state. The Commission now considers the origin of the product to be the country where the last substantial and economically justified process or operation is carried out in the manufacture of the product. This interpretation has allowed the Union to apply anti-dumping tariffs to products that actually are assembled in the EC but do not meet the local content requirements. Therefore, setting up an assembly or production operation in the Union does not guarantee that the product will be considered an EC good, unless the Union was the last area in which substantial production occurred. In practice, the rule is vague and open to Commission interpretation.

The Common Agricultural Policy (CAP) is the most significant exception to free trade in the EC's Common Agricultural Policy (CAP). Protection of the agricultural industry has been practiced since the 19th century, especially in France, Italy, and Germany. After World War II, there were significant food shortages in Europe and the scarcity of foreign currency with which to import food provided additional reasons to continue to support domestic agriculture.

When conditions for the European Economic Community were being set down it was clear that a balance had to be struck between the interests of Germany and France. France had agglutinated agricultural producers and thought it could increase its exports to Germany by limiting agricultural imports from non-Community producers of the type thought to be some technology to creating among farmers a powerful political constituency as a bulwark against possible socialist threats.

In 1957, the EC decided to support agriculture in order to permit less efficient Community farmers to stay in business and to ensure that there would be abundant supplies of food. In unlimited sense, CAP has been overwhelming. It has stimulated production and increased the income of both large and small farmers. An external policy, CAP has been severely criticized by non-Community countries and also has become very expensive. As of 1991, the EC was spending approximately 50% of its budget on CAP.

CAP guarantees that Union farmers can sell their products at certain price levels. A CAP intervention price that often are twice as high as prices that would exist in a competitive market. To ensure that cheaper non-Union agricultural products do not displace Union products, the CAP imposes a levy on imported food products to bring prices of imported goods in line with Union prices.

A few major trading partners—especially the United States—have complained that they suffer from CAP in several ways. First, the artificially high EC food prices created by CAP lead to increased domestic production, displacing food exports to the US. Second, tariffs placed on food exports to the EC have reduced these exports and harmed non-Union farmers. For example, from 1966-88, US agricultural exports to the EC declined from to a total of EC imports.

CAP also affects non-Union countries in another way. Because CAP guarantees minimum prices to Union producers, it must pay all agricultural subsidies at these prices. Failure to do this would place a great toll on the Union market and drive prices down. Not only is storage of this food very expensive but there also has been a tremendous loss of value simply because of spoilage of the food stock. As an alternative to storage, the EC has provided surplus food aid to developing countries—a policy with distinct benefits in the short term, but devastating to the agricultural industry in the recipient country. Because it displaces their food production. As an alternative to storage, the EC has encouraged Union producers to export their agricultural products by providing export subsidies. This policy displaces non-Union exports of food to third parties with EC-subsidized exports. As evidence, in the period 1966-88, the EC's food exports increased from 3% to 6% of total OECD food exports.

In 1987, the OECD severely criticized production subsidies like those of the CAP, claiming that in the long run they become increasingly expensive. They encourage price and subsidy wars—especially in developing countries—and prevent the natural and rational reorganization of agricultural industries that foster sound economic growth. CAP has been a source of considerable tension between the EC and its trading partners, especially the United States. Of all the U.S. formal GATT complaints against the EC, 80-90% were agricultural related. While efforts to liberalize the GATT broke down in 1986, many observers felt it was in large part because of the EC's refusal to reduce substantially CAP support levels.

**GUIDELINES FOR EVALUATING THE EFFECTS OF TRADE POLICY**

It is difficult to determine the precise and complete effects of trade policy, let alone evaluate whether the policy is good or bad. Trade policies always have distributional effects in the sense that some producers will lose profits and trade opportunities while others benefit from increased trade. Consumers also are affected since they will benefit (or lose) because of lower (higher) product prices. However, from a broader perspective, something can be said about the benefits to society. For example, a CAP intervention removes trade barriers, new intra-EC trade patterns will occur, namely, there will be a shift from the consumption of products produced by less efficient, higher cost producers to lower priced products produced by more efficient producers in the Union. We can analyze the effects of intervention on extra Union trade by observing what types of shifts the SIM promotes and the effects of the expanded trade creation and trade diversion.

**Liberal Policy and Trade Creation. According to liberal trade theory, shifts from higher cost production to lower cost production is based on the principle of comparative advantage and is of the form VNC to VNC to a society. Through trade, societies can increase their range of product choice. But at lower prices and increased production by specializing in certain activities. According to the principle of comparative advantage, nations benefit by trading more, and it usually is in**
their best interest to stimulate trade by lowering or eliminating barriers to trade.

Although trade creation may be a loss to the high-cost domestic producer who is replaced by a low-cost foreign producer, the overall effect benefits both producers and consumers by expanding export opportunities for one group of producers and providing lower priced goods for consumers. From an economic standpoint the arguments for a liberal, free trade policy are very strong, and virtually all economists agree that free trade, based on the principle of comparative advantage, is superior to regulated trade. Since the benefits of free trade have been discussed in another chapter of this volume, they will not be repeated here.

**Regulated Trade and Trade Diversion.** Regulated trade, rather than free trade, often produces trade diversion, which is a shift from lower cost production to higher cost production. Trade diversion is a net loss to society because it limits export opportunities and increases the price of products for the importing country. However, there may be strong political reasons to engage in regulated trade. Much of the regulated trade policy is based on the earlier philosophy of mercantilism which holds that it is better to export than to import and better to produce than to consume. Mercantilists believe that exports bring in "wealth" i.e., money while imports represent a loss of wealth. Mercantilistic policy encourages exports and discourages imports by imposing tariffs or other barriers. Policy makers still find some of the tenets of mercantilism to be persuasive. For centuries, and especially during recessionary periods, policies aimed at limiting imports and subsidizing exports have had a strong political appeal.

There have been many arguments against free trade. In 1945 the French economist Frederic Bastiat sabotaged these arguments in a clever pamphlet that sought protection for candle makers against the unfair competition of the sun. He requested the Chamber of Deputies to pass legislation that would protect the jobs of candle makers by prohibiting windows. This, of course, emphasizes the absurdity of some protectionist logic. Yet, other arguments have a more intuitive appeal.

One reason given for protecting firms from the competition of exports relates to "latent industries." The contention is that small new industries should receive protection while they grow and become stronger, allowing them to compete with older, larger and stronger foreign competitors. Interestingly, although most of Europe's industries are not "intacts" in the chronological sense, many are small because of the types of barriers to trade that fixation is attempting to abolish. It was these intra-Community barriers that restricted competition, limiting access of many firms to larger markets. As the Union abolishes these barriers, firms will have access to larger markets, enabling them to grow and become more efficient. But, argue the proponents of protection, until they can grow, European firms will need protection from extra-EU firms.

**National interest** is presented as another justification for protection, a term which can be defined in many different ways. Some have argued that certain industries should be protected because they are central to the provision of national defense. For example, because aircraft are essential to national defense, a nation should design policies to ensure the existence of an aircraft industry. The argument also is applied to "essential industries" because they provide good jobs or other benefits. John Gilbertson (1980), for example, asserts that free, liberal trade often does not provide national benefits, even if it might produce benefits to individual parties. According to Gilbertson, to be nationally beneficial, there must be a rough balance between quantity of exports and quantity of imports, and there cannot be big shifts from one nation to another of industries that provide rewarding jobs and careers. For the Union, losses of rewarding jobs could become an issue if there must compete in the more competitive environment of the world economy.

## A Fortress Europe?

**Changing International Order and Trade Barriers.** The Single Market Act and the subsequent unification program have contributed greatly to the reputation of the EU as a major economic power. Its ascendency to this position has occurred in the midst of a dynamic international trade environment that will continue to change and influence the role of the EU as a major power.

The Union's relative position has improved significantly since the end of World War II when the United States unilaterally dominated the international economy. Since then the positions of Japan and the EU have expanded so that by the mid-1970s, European and Japanese producers were often challenging the position of American producers. In response to this new international competition, to trade deficits, monetary fluctuations and a recession, the major industrialized nations i.e., U.S., and Japan began to erect more non-tariff barriers to trade, seriously threatening GATT's effectiveness in maintaining a liberal trade environment. In addition, the major traders have strengthened their regional trading blocs and preferential trade agreements.

The combination of the above creates speculation that the world has abandoned or will abandon multilateral trade in favor of regional or bilateral trade. For example, many think that the EU will create an economic region with the remaining EFTA countries; Japan will form an alliance with nations of the Pacific Rim; and the United States, which already has a separate free trade agreement with Israel, Canada, and Mexico, will expand this to other countries in the Western hemisphere. The existence of three major trading blocs (North America with a GDP of $7.25 billion, the EU with a GDP of $5.871 billion, and the Pacific Rim with a GDP of $4.625 billion) could not only limit trade but also create devastating trade wars. Yet, even with the possible formation of three separate trading blocs, these regions are becoming more interwoven. Producers within these three blocs have made substantial investments in building production facilities in one another's countries in order to establish a presence that will not be subjected to external policy and to protect against the effects of sharp currency rate shifts that can make their products less competitive in other countries.

In the midst of these changes, one of the questions most often asked by the Union's trading partners is whether the EU once it develops a strong unified internal market, will erect a "Fortress Europe," building trade barriers that discourage extraneous Union exports to the EU. If it were to do so, it would be a dramatic change from past policies. Historically, the EU has followed a rather liberal trade policy and its tariffs and barriers have been as low as most developed nations. Although there is little concrete evidence that the EU intends to initiate a strongly restrictive trade policy, there are disquieting signals that suggest they could move in that direction. In the paragraphs that follow, we explore the answer to the question: Will there be a Fortress Europe?

**Influencing Factors for a Fortress Europe.** In past decades, many European industries have received some type of protection from their national governments. Pinder (1980) estimates that subsidies to less competitive firms account for some 3% of Gross Domestic Product (GDP) in several member states. According to a study commissioned by the European Commission, many technical standards exist primarily to provide protection to special interest groups. When this support is removed because of the Single Market, the firms and their workers will be seeking some type of assistance, probably through an external policy.

For example, through Article 115 of the Treaty of Rome, automobiles are protected in France, Italy, Portugal and the UK. In Italy, Japanese imports are permitted to account for only 1% of new car registrations in any year, in France it is somewhat higher at 3% while in the UK it is 1%. With the formation of a single market, Article 115 will no longer be effective and many businesses will suffer. Unquestionably, there will be loud outcries and demands for compensating external barriers at the
EU level. This "leveling up" of EU barriers will apply to all member states, and thus there will be restrictions in countries that previously did not have them.

The trend toward internationalization of financial and products markets also will create pressure for EU barriers. This internationalization causes economic events in one part of the world to be translated quickly into effects in another part of the world. Certain industries that used to be insulated from world-wide changes now find themselves affected by these changes and by the threat of profit and job losses. In response, the strength of European trade and workers associations has increased as has their ability to influence member state governments and the EU. According to Hohstrate and Zeppernick (1988), the political pressure to protect Union businesses will intensify.

Finally, there have been numerous statements and actions by EC officials which can be interpreted to mean that the EC will create more trade restrictions. Often it is stated that advantages of unification should not be given away. By this it is meant that "concessions" or reductions of barriers must not be made unilaterally. This mercantilistic viewpoint is well illustrated by Umberto Agnelli, a Fiat Vice President, who said in 1988, "The single market must first offer an advantage to European companies. This is a message we must insist on without hesitation." But even more ominous is the increasing use of protectionist measures such as anti-dumping procedures which increased from 27 in 1989 to 43 in 1990. The applications of health standards to limit export of American meat products and the restrictions on the use of non-EC-developed television programs also is regarded as signs of increasing protectionism.

Evidence Pointing to a Liberal Trade Policy. It would be surprising if one of the world's greatest traders turned strongly protectionist. To do so, said Willy de Clercq, the EC's former Commissioner for External Relations, would be like shooting oneself in the foot. A major reason for the SEM was to create an economy that was vital and competitive with the United States and Japan. To develop the competitive system they desire and then to turn away from the world community is contradictory. In practical economic terms, it would not be in the overall interest of the Union to build a Fortress Europe. The Centre for International Economics (Australia) estimates that a Fortress Europe would lead to a decrease in GDP of $52 billion in the EC (over 1%). By contrast, with liberalization, the Union's GDP would rise by $17 billion or 2.5%. The difference between the two outcomes (Fortress or liberal) is nearly $170, an amount nearly equal to the gain that the EC is estimated to profit for Europe, therefore, the choice between a more protective or a more liberal external trading regime is as important as its decision to gain from the removal of internal barriers through the SEM project.

Although there have been official statements that imply the EC will construct some barriers to trade, most of the statements on external policy (as noted earlier) confirm the desire to maintain liberal trade. The following statements by the European Council are illustrative:

"The Single Market is not to become a "Fortress Europe". The Community's declaration of principle is: AUTOMOBILE MARKET IN INTER-EC TRADE"

The Single Market Act specifies that it is to be "an internal market which envisages: free movement of capital; comparable standards; and greater harmonization of laws and regulations." With respect to any discussion about "Fortress Europe," the Council should be rather clear about its position, since many of the statements made in the past suggested a rather contradictory position, as the following statement shows:

"In the Single Market Act, it was made clear that the Union is not to become a "fortress Europe". It intends to link its policies to those of the rest of the world. This is one of the fundamental principles of Community policy. In this spirit, the Commission has prepared a series of legislative acts, in order to ensure a more open economic environment." But in the Single Market Act, it was made clear that the Union is not to become a "fortress Europe. It intends to link its policies to those of the rest of the world. This is one of the fundamental principles of Community policy. In this spirit, the Commission has prepared a series of legislative acts, in order to ensure a more open economic environment."

Some Signs of Policy Change—What to Look For. Whether or not a "fortress" is built will become more apparent over the next several years. The actions that will attract the most attention will be those that change the rules in major policies, such as modifications in the Common External Tariff, common quotas, and the Common Agricultural Policy. While these measures will have a major announcement effect, most of the changes will be more subtle and will be initiated through modifications in the application and interpretation of the rules. For example, it is not likely that new anti-dumping regulations or public procurement laws will be written. Rather, different interpretations of rules or origin will be applied. As discussed earlier, the Commission has enough flexibility in interpreting rules to affect drastically the degree of access to certain Union markets.

As you will recall, the interpretation of rules or origin can affect whether a product is subject to import quotas, preferential rates of duty, anti-dumping laws or public procurement preferences. According to the critics of the Commission, its interpretation of the rules has not been applied impartially, they have not been spelled out, and they are being used as a tool of industrial policy. In several cases, Japanese exporting product parts to the EC where the final product was fully assembled in the EC. But the final product was subject to anti-dumping tariffs because the assembly did not satisfy the "economically justified" clause in the rules of origin. Japanese appeled and won through the GATT Disputes Panel in 1990. Similarly, Japanese and American semiconductors and photocopiers have been the subject of some rules of origin controversies, as have Japanese automobiles. In the photocopier case, Ricoh photocopiers that were produced in Japan were subject to a 20% anti-dumping duty. In response, the Japanese exporters made radical modifications in the Ricoh publicly taking the position that the assembly in California made the photocopier of U.S. origin and therefore was exempted from the anti-dumping duty. But the EC still classified them "Japanese" under its rules of origin. American makers of Japanese cars (e.g., Honda and Toyota) are concerned that their shipments of cars to the EC also will be viewed as "Japanese" and therefore subject to quotas or other restraints not faced by "American" cars.

Another clue to changes in Union policy will be changes in the interpretation and application of reciprocity. The issue has been most critical in the financial industry. One way to interpret reciprocity is that the rights of U.S. banks to operate in the U.S. should be identical to the rights granted U.S. banks to operate in the EC. But this is problematic since the EC has more restrictive laws than the U.S. Americans insisted that, even if U.S. banks could operate in Europe with the same rights as European banks, European banks operating in the United States would have to abide by U.S. law—they would not be able to operate in the U.S. with rights granted to banks operating in Europe. For a time it appeared that U.S. banks would be denied access to the European markets because of the "mirror image" definition of reciprocity. Americans suggested that the exclusion of their banks was the unstated objective of the reciprocity principle. The Commission now has softened its position to permit non-Union banks to operate in the EC under Union regulations if Union banks can operate in the United States under the guidelines of U.S. regulations. However, the Commission has reserved the right to monitor the treatment that EC banks receive and to remove licenses of non-Union banks if treatment is not deemed to be appropriate.

The degree of access to the decision-making policies and institutions the EC grants to non-Union firms also can serve as a clue to new policy. For example, the setting of standards can influence the openness of EC markets. Non-Union producers often express concern that they are not part of this process and have no influence in areas that may be critical to them. This is especially true for small- and medium-sized firms that have no subsidiaries in the EC. Furthermore, they fear that they will learn of the new standards well after EC firms were not privy to the discussions and received no notes or drafts of the new standards.
The access question also applies to research and development. The EU has sponsored some large research and development programs which presently are open to participation of US subsidiaries located in the EU. Nevertheless, they are not guaranteed that this access will continue, for it depends on the Commission's interpretation of what constitutes a European company. The participation of US subsidiaries is in some danger now since a large American-sponsored project (SCMT) does not allow participation of any non-American firms, even if they have subsidiaries in the US.

THE SINGLE EUROPEAN MARKET: EFFECTS ON THE REST OF THE WORLD

General Effects. There is little doubt that the SEM will increase trade within the EU, stimulate economic growth and increase income. Cecchini (1988) estimated that unification would stimulate Union growth by up to 5% through this route. As a result the Union's demand for foreign products will increase. Provided the old external policies do not set up trade barriers, which divert Union consumption away from less expensive imported products to more expensive domestic products, this income effect will create a positive effect for both the EU and its trading partners.

A second likely outcome of unification will be a change in the structure of EU producers. Because of the increased intra-EU competition, they will become more efficient overall. Through increased intra-EU competition, they will be able to expand their production to meet the needs of these large markets, and realize economies of scale. Furthermore, Union producers will face increased intra-EU competition forcing them to become more efficient. Here, the EU producers who become more efficient will benefit as well as consumers who are able to purchase goods at lower prices. Similarly, consumers from non-member states who buy EU products also benefit from lower prices, because of the lower production costs of EU products. There will be a substitution effect and some products previously imported from non-member states now will be purchased from EU producers. Although the less efficient non-member state producers will lose markets, the net effect to producers and consumers will be positive.

A third effect will be created by the derogation of preferences that now are given to exports from producers in non-member states. To the extent that these preferences give an advantage to high cost non-member state producers, an elimination of these preferences will shift production from higher cost to lower cost producers. This will create benefits for EU consumers and expand trade opportunities for efficient non-EU producers. However, it will create a redistribution in trade and those formerly 'preferred' producers will lose their advantage. Once again, the overall effect is positive and is an example of trade creation.

A fourth effect of the SEM will be a change in foreign trade. Because of the increased efficiency of Union producers, EU exports to non-member states will be less expensive. The substitution effect will reduce demand for non-EU products formerly exported to the EU. Consequently, non-member state consumers benefit because they can buy EU goods more cheaply, but non-EU producers lose if the price of their exports to the EU falls. However, this decrease in demand for non-EU products due to the substitution effect will be countered by an increase in demand for non-EU exports to the EU caused by the income effect.

It is difficult to predict the relative influence of the income effect on demand for non-EU products and the reduced demand due to substitution effect. Of course, the relative importance of these effects will be different for different trading partners and different industries. Everyone will benefit.

A third and very substantial influence will be the opening of the internal market. A unified EU without internal barriers presents some moving opportunities to firms outside the Union. In almost all cases, the elimination of barriers will reduce costs. Of positive, but somewhat minor, importance is that non-EU firms are the elimination of border controls, the free movement of capital, the right of establishment of people, and indirect tax harmonization. A category of barriers considered to be of moderate importance is the establishment of both a common legal framework and capital liberalization. Depending on the results, a common legal framework could reduce operating costs by reducing the number of legal regimes in cross-border operations. But the legal framework cannot be influenced by some disadvantages such as, for example, requirements for conducting business that are not present in non-EU firms. Capital liberalization will greatly facilitate the raising of capital in Europe for growth and expansion of EU and non-EU headquartered firms alike.

The categories of barriers to be removed that will have the greatest impact on non-EU firms include regulation of services, regulations and standards, and public procurement. The terms and conditions under which foreign countries can supply services in the EU will be critical. The two important areas are financial services and information technology, both key industries in modern economies. If these service sectors truly are open, non-EU firms stand to benefit greatly. However, these industries are often considered to be important to national interests, presenting the possibility of barriers to foreign service companies. The temporary resolution of the application of the reciprocity principle in the banking industry has increased optimism about non-EU access to the Union's service sectors.

The elimination of regulations and standards will be of great benefit to non-EU firms. Markets will be easier to penetrate because firms will have only one set of standards that must be satisfied. Because of the 'mutual recognition' principle, a foreign product that meets the standards and criteria for distribution in one country in the EU can be sold in all of the other countries as well. There is good evidence that these standards have been used to discriminate and protect firms in member states. Their harmonization will be beneficial. Importantly, the advantages of a single standard and a single set of regulations will be available to all firms, whether they are foreign firms or are firms that are headquartered or operate inside the Union.

Finally, the opening up of the vast EU public procurement market, which accounts for nearly 50% of the Union's gross domestic product, will provide extensive opportunities for non-EU businesses, especially in the areas of construction, telecommunications, information technology and power equipment. The conditions that are established for bidding are of particular relevance to foreign firms.

The SEM and the United States. The United States has played a major supportive role in the unification of Europe. Its interests were both economic and political. The US believed an economically strong Europe would help to serve as a defense against the threat of the Soviet Union and was ready to use economic policy in order to achieve this. Europeans willingly accepted the Americans' interest in unification because it provided them with a stimulus to grow and a means to protect some of their industries.

The United States supported GATT in order to curb discrimination against American products and to prevent a return to high tariffs and protectionism. Most of the countries including all of Europe had an acute shortage of American dollars and thus limited their purchases of American products to only essential items and placed high tariffs and other restrictions on other American products. The United States, understandably, was concerned about the discrimination and pushed hard for the removal of non-discriminatory trade through GATT.

Naturally, the future impact of the SEM continues to be of vital interest to the United States. The key question to US business interests is whether unification will be accompanied by measures that limit opportunities to US firms and if so, to what
extent. The specific ways in which U.S. exporters will most likely be affected include:

- Restriction to the application of national treatment to all terms, conditions, and procedures of the laws that govern national firms. For U.S. investors, the concerns are

- the application of anti-dumping rules to this large open market will be especially important to U.S. investors. Americans have the ability to compete effectively in several services industries such as financial services and information technology. Although U.S. firms are well represented in the EC service sector, it will be essential for them to be able to participate in this rapidly changing environment with the same advantages as EC firms. The critical SFM issue in this industry is the interpretation of 

- The implementation of common standards will be watched carefully by American firms. The issues here are the extent to which the U.S. has influence on the determination of standards, the degree to which American firms learn about new standards when they are determined, and the extent to which these standards are non-discriminatory and do not impose standards that are especially difficult for American firms to meet. These issues will be more significant to medium-sized American firms that lack a large presence in the EC than for large firms that have subsidiaries and a large presence in the EC.

- Another issue that may be a problem is social policy. There is an effort to require member states to adopt a common social dimension to the operation of business. For some member states, this would require increasing worker participation on Boards of

-'rewards, increasing benefits packages, etc. As far as the U.S. firms are concerned, the relevant issue is less the degree of similar social policies in all member states than of the content of the policies - namely, the extent to which they affect corporate decision-making and the cost implications.

- But in spite of these concerns, there are two factors that likely will be overwhelmingly beneficial to American business interests, the harmonization of standards and the income effect. The SFM will present the U.S. business an essentially barrier free market in place of 12 separate entities. This large open market will be especially advantageous to American firms, which are accustomed to selling in large markets. Most American firms have tended to look at Western European markets as a region rather than as individual nations. As one observer suggested, "U.S. multinationals believed there was a Common Market before it existed." In contrast, European companies have tended to focus on their own domestic markets. Especially for multinational firms that already have a presence in Europe, global marketing skills will be of great benefit. The other way in which Americans will benefit is the income effect at EC consumers, which probably will be much stronger than the substitution effect. Calma (1989) estimates that the income effect will be about three times stronger for the U.S. than the substitution effect. These estimates include only the income and substitution effects; they could be much higher (or lower) depending on the actions taken by the EC.

- By looking at the past history of the expansion of the EC, we may get some clue which will help us determine the impact of the SFM on trade with the United States. In the 1970s, there were two case studies that the EMU estimated the impact on trade expansion attributable to the formation and expansion of the EC. The EC's expansion in 1958 produced a U.S. gain in trade of $185 billion. When the EC expanded from six countries to nine, the gain was $90 billion; when they expanded to twelve countries, the U.S. lost trade, most of which was caused by large losses in agricultural trade with Greece, Spain and Portugal. To the extent that the SFM will produce similar efficiencies as past expansions, the U.S. is likely to benefit. Of course it will depend on EC policies. The Centre for International Economics estimated the effects of the SFM under two scenarios - a restrictive protectionistic regime and under a liberal regime. They concluded that a restrictive EC regime would decrease production in North America by $40 billion or 0.7% of its GDP. A liberal EC regime would increase exports by $14 billion and GDP by $4 billion.

- When assessing the impact of SFM on American interests, it is important to understand that the United States has participated in the European economy for many years. It not only has sold goods in the EC, but it has also been an active participant through its investment and locations of its production. Because of this active and largely positive presence, most American producers will not be singled out for discriminatory practices. Also significant is the fact that the large investment that Americans have made in the EC will protect them from barriers and will cushion the effects of the SFM.

- The SFM and Japan. Since World War II, Japan has concentrated on developing trade with countries in the Pacific rim and with the United States. Although the EC's economic relationships with Japan have expanded recently, it has not been in a symmetrical fashion. Imports from Japan rose from less than 1% of total imports in 1960 to 4%, in 1980. In the EC's exports to Japan, however, rose from 1% of total exports to only 1.2% during the same period.

- The EC often complains that its large negative trade balance with Japan is attributable to Japan's trade policy (e.g., the degree of protectionism). The U.S. maintains that Japan must integrate better into the world economy and assume the responsibilities of a great economic power. They have asked Japan to open up its markets for goods and services and to increase its direct investment in the United States. The U.S. emphasizes, that this should be meaningful investment and not merely operations that import most of the parts from Japan and simply assemble the product in the EC.
Japan insists that much of the trade imbalance is due to the Union’s limited goals and effort. There are only about 2,400 Europeans promoting their products in Japan. On the other hand, Japan has taken a very aggressive role in trying to market its products in the Union as is evidenced by the nearly 33,000 Japanese business people promoting their products in Europe. The FL has looked with some alarm at the way in which the United States fostered some of its domestic market (e.g., consumer electronics) to the Japanese and has made it clear that it does not intend to open its markets to certain Japanese products in the same way as the United States. In addition to member states’ use of Article 115, the Union frequently has applied anti-dumping procedures against Japanese products. It is held widely that the Union specifically has targeted Japanese products for restrictive measures. In frequent private conversations about the “building blocks,” sometime taken to be part of “Fortress Europe,” EC representatives assure Americans that the measures are directed at Japan, not the United States.

Japanese business, responding to EU restrictions on Japanese imports and to their conviction that EC unification will bring more restrictive trade policies, have followed the example of the Americans by significantly increasing their investment in the Union in order to secure a position in the Union before the “Fortress walls are built.” Initially, most Japanese investment in the EC was focussed on the UK because of British investment incentives, but now it is starting to flow to other member states.

The Japanese have many of the same apprehensions about the SEM project as the Americans, i.e., quotas, the interpretation of rules of origin, and anti-dumping procedures. Their major concerns are with the Union’s treatment of electrical goods and cars. Japanese car sales are restricted in some national markets (e.g., France, Italy, Spain, Portugal and the UK), but not in others. The EC has designed an EU-wide quota to replace national automobile restraints that will have a profound impact on Japanese sales. Japanese have been the victims of many of the Union’s anti-dumping procedures and fear that the Union will expand their application of these procedures. But current EU policy calls for total liberalization of the national markets for Japanese cars by the year 2000.

While the Americans and Japanese may have similar concerns about the SEM project, they are not likely to be affected in the same way. The income effect of the SEM and harmonization of standards will affect Japan positively but Japan will not benefit as much because it does not have the significant investment in the FL that Americans have. Japan’s limited investment does not give it the protection against swings in FL policy, and because of its limited participation in the Union, it does not operate in the same positive trade environment that the Americans do. While most estimates predict benefits for the United States, they are not so positive for Japan. The Centre for International Economics (Australia) estimates that the SEM likely will reduce Japan’s exports to the rest of the world by $700 million. They believe this will occur because of increased efficiency of Union firms which will make them more competitive at home and abroad.

One of the motivating factors behind the unification program was that it would enable the FL to assert its interests more strongly in its relations with Japan—historically a highly isolated market. It remains to be seen whether this will be put into effect in the years ahead.

The SEM and EFTA. EFTA’s growth paralleled the development of the EC. Both regions substantially reduced tariffs and created a free-trade area among its members. EFTA’s share in EC exports and imports increased greatly in the period 1958-72 and has been stable since. When the United Kingdom left EFTA to join the EC in the late 1960s, a new relationship was defined between the two groups that resulted in a large European free-trade area, of which the EC was the core. The EC entered into bilateral agreements with the individual EFTA countries, but because of internal EFTA free trade, the benefits of the bilateral agreements were available for all of the countries. The result is that, since 1977, there has been full free trade in manufactured goods. Agricultural products were not included.

When the EC made plans to accelerate their unification efforts through the SEM project, EFTA became concerned that they might be left behind and encouraged closer ties with the EC. In 1990 the two groups created a new framework for FC-EFTA relations called the European Economic Area (TEA) which extended the four freedoms of mobility of goods, services, capital, and people and adopted some of the EC programs regarding culture, education, research and development and environmental protection (Switzerland did not ratify this accord, however). Thus, the EEA adopted the fundamental components of the SEM but stopped short of full membership for the EFTA states. Recall, however, that four of the EFTA states, i.e., quotas, the interpretation of rules of origin, and anti-dumping procedures. Their major concerns are with the Union’s treatment of electrical goods and cars. Japanese car sales are restricted in some national markets (e.g., France, Italy, Spain, Portugal and the UK), but not in others. The EC has designed an EU-wide quota to replace national automobile restraints that will have a profound impact on Japanese sales. Japanese have been the victims of many of the Union’s anti-dumping procedures and fear that the Union will expand their application of these procedures. But current EU policy calls for total liberalization of the national markets for Japanese cars by the year 2000.

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When the EC made plans to accelerate their unification efforts through the SEM project, EFTA became concerned that they might be left behind and encouraged closer ties with the EC. In 1990 the two groups created a new framework for FC-EFTA relations called the European Economic Area (TEA) which extended the four freedoms of mobility of goods, services, capital, and people and adopted some of the EC programs regarding culture, education, research and development and environmental protection (Switzerland did not ratify this accord, however). Thus, the EEA adopted the fundamental components of the SEM but stopped short of full membership for the EFTA states. Recall, however, that four of the EFTA states, i.e., quotas, the interpretation of rules of origin, and anti-dumping procedures. Their major concerns are with the Union’s treatment of electrical goods and cars. Japanese car sales are restricted in some national markets (e.g., France, Italy, Spain, Portugal and the UK), but not in others. The EC has designed an EU-wide quota to replace national automobile restraints that will have a profound impact on Japanese sales. Japanese have been the victims of many of the Union’s anti-dumping procedures and fear that the Union will expand their application of these procedures. But current EU policy calls for total liberalization of the national markets for Japanese cars by the year 2000.

While the Americans and Japanese may have similar concerns about the SEM project, they are not likely to be affected in the same way. The income effect of the SEM and harmonization of standards will affect Japan positively but Japan will not benefit as much because it does not have the significant investment in the FL that Americans have. Japan’s limited investment does not give it the protection against swings in FL policy, and because of its limited participation in the Union, it does not operate in the same positive trade environment that the Americans do. While most estimates predict benefits for the United States, they are not so positive for Japan. The Centre for International Economics (Australia) estimates that the SEM likely will reduce Japan’s exports to the rest of the world by $700 million. They believe this will occur because of increased efficiency of Union firms which will make them more competitive at home and abroad.

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non-discriminatory tax policy is developed, there will be limited interest.

Full access to Union markets will be of greatest benefit to CEE. It also would increase the credibility of market reform policies both at home and abroad. This will be a very difficult issue for the EC because it means exposing some of their weakest industries to competition from CEE. At this time, the EC, as Eastern Europe suffers from the EU's protection of its textile and clothing industries and its Common Agricultural Program which inhibits agricultural imports from CEE countries. The former EC's anti-dumping procedures also have been harmful. Of the forty-three countries, one third of them were directed at CEE countries, exceeding those against Japan. Many trade officials expect this number to continue to grow. These problems have been mitigated by some extent in Poland, the Czech Republic, and Hungary which have signed European Agreements on Trade.

The EC has presented CEE countries with conflicting policies. It has demonstrated the political will and resources to help through Phare and other assistance programs, but they have not opened their markets to these countries. As Eastern European diplomat said, "...when it comes to making concrete trade concessions this political good will wanes." The CEE countries, though, are responsible for many of their own difficulties. It has been common for these countries to price their products exceptionally low in order to find a market for their products in the West. This usually draws serious objections from western producers. In addition, the Eastern European countries find they cannot export many of their goods to the West because of the poor quality of their products.

Like other CEE countries will benefit from the income effect in all the Union. This effect will be especially important in industries such as tourism, which require relatively small amounts of capital to develop and also have a high income elasticity of demand (i.e., a percentage increase in income will result in a much higher percentage increase in tourism spending).

The CEE countries also will be affected by terms of trade. Because of greater efficiencies in the EC, the price of Union exports to CEE will fall and higher EC demand could increase the price of CEE exports. At this time, however, trade between the two areas is not great enough for this to have a significant effect.

While changes in the EC will affect CEE countries, there also will be the opposite effect. Successful reforms in the CFI countries will stimulate the economy in the EC. Success also may create its own policy tensions as the EC begins to look more to the East than to the United States. Changes also will tax the economic resources of the EC, as they assist with the reforms. Germany's difficulties only a few months after reunification give an insight into the difficulty of the transition process.

A question on the mind of many is whether CEE countries will be granted membership in a larger European Union. This would give the best long-term guarantee that selective trade policy would not be used against CEE and it would stimulate their growth. Full membership into the EU is unlikely at this time. The EC now is offering associate memberships, and this type of affiliation is a more likely possibility.

The SEM and the Less Developed Countries.

The SEM has established preferential trade agreements with many of the less developed countries (LDCs) through the Lome Convention (CMT) countries and with most of the Mediterranean countries. As a whole, the LDC export a significant portion of their products to the Union. According to Davenport (1994), in 1982, more than 30% of LDC's primary goods (e.g., raw materials) and more than 20% of their manufactured goods were sold to the Community. The Union purchases more than 30% of its textiles and tobacco and virtually all of their cocoa, coffee, tea and bananas from LDCs. The EC Commission promised that the SEM would have a large and positive impact on LDCs exports to the EC. But Davenport's estimates are less optimistic. Where it was possible to quantity, he projects that unification will increase LDC exports to the Union by 5.4%, a significant increase at first glance, but only 0.25% of the GDP of these countries. Most of the increased trade will occur because of the income effect. Although the income effect will expand trade, the increased efficiency of Union producers (i.e., the substitution effect) will reduce this somewhat. Davenport estimates that the net effect will be positive.

A second impact will be caused by changes in terms of trade, or in the prices of LDC-EC traded products. Because of projected decreases in prices of EU products, LDCs will pay less for the products they import. On the other hand, higher EU demand (income effect) inflates world prices for their products. Davenport estimates that the "terms of trade" effect of unification will increase the LDCs' income from exports to the EC by 2.1%.

These aggregate effects hide some of the specific effects of the SEM on individual industries. In the services industry, tourism, because it has a high income elasticity of demand, is likely to be affected most by unification. Also affected will be the clothing and textiles sectors. These industries traditionally have been the entree into manufacturing for developing nations. The EU, like the United States and most other developed nations, has regulated clothing and textiles imports. Most of these are based on Article 115 of the Treaty of Rome. The effect has been a plethora of quotas contained in a Multifibre Arrangement (MFA) that covers up to ninety-three products from each of seventeen developing countries and five centrally planned economies. Since Article 115 will be abolished with the advent of the SEM, there will be significant changes in this area.

It is difficult to predict the nature of restraints after the elimination of Article 115 and a newly negotiated MFA. Davenport (1994) estimates the effect of keeping overall restraints at the same level, but with member state control transferred EU level. This would increase the utilization of the quota and increase LDC textile exports to the EC by 4.0%. While the increases are significant in some cases, Davenport cautions that, for the developing countries as a whole, the gains are likely to be relatively modest and significantly less than the annual volume increases recorded over recent years.

Other protected industries in the Union (again, primarily through the use of Article 115) include footwear, consumer electronics, and ceramic tableware. Quotas are applied specifically to certain countries and in addition, some countries have been convinced to voluntarily limit their exports. This too will change with the SEM.

A final industry to consider is bananas. Through trade agreements, sometimes based on historical associations, ACP countries and the EC overseas territories have received special rights to export bananas to the Union. Without these agreements, it is commonly felt that Latin America would dominate the EU market as they do throughout the rest of the world (Latin American accounts for 71% of world banana exports). With the elimination of Article 115 and the opening up of the LDC market in bananas, the ACP countries could be severely damaged. According to the Lome Convention, "no ACP state shall be placed, as regards access to its traditional markets and its advantages on those markets, in a less favorable position than the past or at present." Thus, liberalization likely would be accompanied by measures to assist the ACP countries to overcome competitive disadvantages or to diversify into other areas. The gains will be the banana producers in Latin America and the consumers. Latin American producers are preparing for a larger and more competitive market by expanding their acreage and investment in improved transport and packing facilities.

In addition to the impact on specific sectors, the Union's overall external policy will affect the LDCs. Protectionistic, discriminating policies will be especially damaging to the LDCs. They are individually least able to protect themselves from protectionism since they do not have the economic clout to threaten retaliation. But the likelihood of a significantly more liberal EC
policy with respect to the ECs is not encouraging. Italy, Spain, and Portugal have taken strong stances against opening up these sectors to further imports from the ECs.

The increased use of anti-dumping actions against developing countries is noteworthy. Anti-dumping duties have been imposed on steel from Brazil and Mexico, on South Korean video cassette recorders and on paintbrushes from China. In the 1980s, actions against sums in the ECs concentrated on chemicals, steel products and building materials - and largely affected the countries of South America. Anti-dumping actions can be quickly and effectively used by the ECs to limit trade and because they are so difficult to defend, their increased use is especially bothersome to the ECs.

SUMMARY AND CONCLUSIONS

The SM is intended, in part, as a response to economic pressures from the outside world. Now the SM likely will have a dramatic impact on the world economic order. With a economy of nearly 260 million people and a GDP that is just slightly less than that of the United States, it could significantly enhance its world leadership role.

The external policy of the EU is the result of compromises and adjustments, many times in response to arrangements with trading partners and former colonies made by member states prior to their joining the EC. Its external policy is modeled on protectionism. It seeks to protect employment levels and sensitive industries in the short-run rather than to expose these industries to competition and more efficiency in the long-run. The act of opening up the domestic market for competition and for more choices and lower prices for the consumer is considered to be a concession. This outlook is fundamentally similar to the philosophy that underlies the trade policies of other major economic powers such as the United States and Japan.

In recent years, the Commission has taken a more active role in creating a distinctive EU external policy. The policy that is emerging has provoked strong concern in North America and the Far East, economies whose competitiveness initially sparked an American interest for the EU. It remains to be seen whether the EU will build a 'Fortress Europe' or whether the SM will lead to further liberalization in international trade. The EU has not shown any inclination to reduce its protection of sensitive industries and seems certain to keep its common agricultural program intact. It also has substantially increased its use of anti-dumping procedures against both developed and developing countries. With the advent of the SM, there are some preferential trade relationships that exist between member states and third world countries that will have to be abolished or subsumed in a common EU policy. Likewise, the member state imposed quotas, those permitted by Art. 110 on products from specific countries will be abolished or incorporated as part of a Common External Limit. Most likely these relationships will be changed in such a way as to minimize the effect on EU industries and their trading partners. Accordingly, some Union-wide restrictions to free trade can be expected.

In spite of many pressures to increase protection, this would be contrary to the overall interest of the EU because of its heavy reliance on world trade. To erect a 'Fortress Europe' would be folly with respect to the long-term welfare of Europeans. But there is a difference between building higher barriers and removing barriers that already exist. Although the EC seem prepared to deregulate its economy internally, international deregulation is a step that the EU does not yet seem prepared to take.

Whether the SM will be a good thing for the rest of the world depends on how many of its crucial issues are resolved. The process of setting technical standards, interpretation of rules of origin, definition of reciprocity, and the application of the principle of national treatment will be critical to exporters and to investors in the EU. The benefits to the rest of the world also depend on the internal success of the SM. It there are sig

nificant increases in EU production, other nations will benefit through a stronger European demand for their products. Import improvements in efficiency will produce lower EU prices and thus consumers from non-C countries will benefit. Clearly, some countries stand to lose, especially those with special trade relationships that will be modified. However, countries with long-standing interests in the EU (such as the United States) probably will benefit from a stronger EU economy. This will produce an increased demand for exports and also to products and services produced in the EU.

The SM is being formed during a very interesting time. The GATT is under great pressure with major trading partners threatening to form regional trading blocs and to take more liberal trade relationships that have been the framework for world trade over the past four decades. The Central and Eastern European economies are undergoing dramatic reform after the seemingly sudden collapse of socialist economies and the abolition of COMECON. The three major trade groups (Pacific Rim, North America, and the EU) have increasingly threatened to take restrictive and sometimes retaliatory trade measures.

Given this changing international environment, one cannot predict accurately how the Union will use its influence as a world economic power. The question for many is whether Brussels will become the titular custodian of the international economic system, whether a Washington-Brussels alliance will emerge, or whether it will be a US-Japan triumvirate. In financial matters, a triumvirate is likely, but in trade matters, Brussels could become significantly more influential. However, the United States is unlikely to accept a secondary role. Because the Americans and Europeans share a similar vision of the design and direction of the world trading and competition system, it is more likely that a Washington-Brussels partnership will emerge.

The EU seems prepared to take the leading role in Central and Eastern Europe. The assistance it provides could be a major contribution to the health of the world's economic community. Unfortunately, the act that would most help the GATT countries opening up EU markets to GATT producers is one that the EU seems unprepared to do, at least for all countries. Many industries in the EU, especially those from the newest member states (Greece, Spain, and Portugal), seemed threatened by the potential of competition from less developed countries and will surely resist liberalization of exports.

Many factors will influence the development of the EU's policy, especially the health of its economy and its effectiveness of its unification efforts. A strong and vital economy improves the likelihood of a liberal policy. Its relationship with its trading partners also will be important. Alterations in its and Japanese trade policy will have a dramatic impact on the Union's external policy. Also, the future of GATT will have a major influence. If multilateral trade agreements become less important, the Union likely will strengthen the relationships among the countries within its own economic region, with higher barriers to the rest of the world. Major improvements in GATT will lead the EC to take a different approach.

Endnotes

1. This chapter was prepared while the author was a visiting professor at the European Institute of Public Administration in Maastricht, the Netherlands. He benefited from their support and cooperation.

2. COMECON consisted of the following countries: USSR, German Democratic Republic, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Mongolia, Vietnam, and Cuba. Albania was a passive member and Yugoslavia took part in certain aspects, Angola, Ethiopia, North Korea, and Laos had observer status. In this chapter we treat COMECON as a GATT- or occurrence.
even though some of its members were not European. EU trade
with Vietnam and Cuba has been very limited.

3. Figures on direct investment are pre-enlargement.

4. Technical regulations lay down legal requirements enacted by
the national legislators. Often these requirements refer to stan-
dards that are not legally binding in themselves since they are
written by private national standardization bodies. Although
standards are only voluntary codifications, they often assume a
quasi-legal status because of their use as a reference in technical
regulations.

5. The OECD, Organization for Economic Cooperation and
Development was formed in 1961 to promote economic growth,
sound economic development and multilateral, non-discrimina-
tory trade. The original member countries were the 12 EC coun-
tries, Austria, Canada, Iceland, Norway, Sweden, Switzerland,
Turkey, and the United States. Subsequently, the following coun-
tries joined Japan (1964), Finland (1969), Australia (1971) and
New Zealand (1973).

Bibliography


Suggested Readings


Chapter 8

Documents in ERIC on European Unification

Vickie J. Schlene
Chapter 8

Documents in ERIC on European Unification

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The documents on European unification found in the following list can be obtained through ERIC. These items in the ERIC database can be recognized by the ED numbers that are printed at the beginning of the citations.

ERIC (Educational Resources Information Center) is a nationwide educational information system operated by the Office of Educational Research and Improvement of the U.S. Department of Education. ERIC documents are abstracted monthly in ERIC's RII (Resources in Education) index. RII indexes are available in more than 850 libraries throughout the country. These libraries may also have a complete collection of ERIC documents on microfiche for viewing and photostating.

ERIC documents may be purchased from the ERI(C Document Reproduction Service (EDRS), 7420 Fullerton Road, Suite 110, Springfield, VA 22153-2852, in microfiche (MF), in paper (PP), or on microfilm (MF). Some documents may also be available in paper copy (PC). The telephone numbers are 703/440-1400 or 800/443-3742. The FAX number is 703/440-1408. When ordering by mail, be sure to include the ED number, specify either MF or PC, if available, and enclose a check or money order.

The ERIC documents included in this publication are merely a few of the many curriculum materials and background papers that can be found in the ERIC database on European unification. These items exemplify the large pool of documents on this topic that can be obtained through ERIC.

AX: EDI365880
AU: Adams-Charles,S.
PY: 1983
PR: EDRS Price MFO1 PC01 Plus Postage.
AB: As part of a larger study of the European Community's (EC) initiatives and their effect on higher education policies and practices in all member countries, this case study examines EC impact on higher education in Ireland. Ireland was chosen as a possible example of how EC will impact higher education as it is one of four countries expected to be net beneficiaries of EC funds. Ireland has already received 5 billion Irish pounds (1980 to 1984) and expects to receive 7.8 billion more between 1985 and 1990. The study used qualitative methods to gather information in interviews with senior government officials, the national higher education governance board, and relevant people at most of the campuses of the national system of higher education. During the decades since the 1950s, dramatic increases in the numbers of Irish individuals attending secondary and higher education have occurred especially since joining the EC in 1973. This extraordinary change would not have been possible without EC membership which made it financially feasible. In all universities in Ireland there is widespread knowledge of various EC educational programs and participation in these programs has had various impacts. Both direct and indirect effects on curricula and faculties were found. Overall, there have been changes in funding patterns that have led to the reshaping and reconceptualization of the entire higher education system (Contains seven references) (IB)

AX: EDI318441
AU: Banks,-A.-G. and Others
CS: Careers Research and Advisory Centre, Cambridge (England)
PY: 1989
PR: EDRS Price MFO1 PC01 Plus Postage.
AB: By 1992, the Single or Common Market in Europe will provide freedom of movement of goods, persons, services, and capital. From the viewpoint of educational and vocational guidance services, the most important effect of the Single Market is its likely impact on educational and occupational mobility. The two major obstacles toward freedom of movement within the European Community that remain are nonrecognition of qualifications from one member state to another and inadequate mastery of foreign languages. Two major education and training programs, COMETT and ERASMUS, have been established by the European Community. COMETT provided funds for the development of university-industry partnerships nationally and transnationally, and for a range of exchanges, joint projects, and joint development work designed to promote gradual Europeanization of university level technical training. The aim of ERASMUS is to ensure that all students in higher education are able to study for part of their course in another member state. A new program, LINGUA, has been adopted to improve the qualifications and competence of modern language teachers, develop interuniversity cooperation in modern language teaching, and support the development of modern language learning in firms. The following are three practical implications of these trends for educational and vocational guidance services: (1) the need for extended information on educational and occupational opportunities across the European community; (2) the need for improved support services for those who move across national boundaries; and (3) the raising of expectations for guidance services in countries where they are currently ill developed. Initiatives are described and six references are included in the document (IB/M1)
might gain access to a satellite distribution system leads to a discussion of low-powered services and direct broadcasting services, including national systems, pan-European satellites, and possibilities for educational services on the USA (Free) see Program) (3) Omnisatellite, and the associated European-wide DBS (direct broadcasting service) system planned for the near future. The roles of different types of organizations in getting a satellite service operational are described, including international regulatory agencies, international consortia, governments, satellite owners and operators, channel operators, and program producers. Economic models for education and training on satellites are also described, i.e., the commercial model, the "must carry" model, and state ownership. Discussion of operating models for providing an educational service covers a free-for-all situation and an educational channel, and descriptions of several ways in which an EEC educational channel could operate includes open access for educational producers and a public service channel. It is concluded that there is a need for a consortium to bring educational television providers together, with the EEC providing baseline funding and a framework in which to encourage the development of an educational satellite channel. (FW)

AN: FD352065
AU: Bernard-Margie
TI: The Role of English in Europe: II of EEC
PY: 1992
PR: FD/SR Price-MH01, PC01 Plus Postage
AB: The European Community (EEC) often supports use and maintenance of the major languages of its countries. One idea behind this support is not to privilege any language of the community, but to encourage the unique features of each member state. This policy carries over into support for diversified language instruction; rather than promote one or two languages, all official languages, plus Irish and Luxembourgish, are to be taught. The goals are both proficiency and communicative competence. However, this policy has been difficult to implement because English dominates among EEC officials as well as in many other domains. In education, English is one of the two languages chosen or required in most member countries. Increasing interdependence among member states makes the role of this language an important issue. English is used "omnically" in countries both inside and outside Europe, and some aspects of EEC policy encourage English usage. Language, policy, and practice, then, appear to be in conflict, and policy should be changed to reflect the realities of widespread English use. A brief bibliography is included. (NSD)

AN: FD363425
AU: Carroll-Jan, Williams, Sarah
PY: 1987
PR: FD/R Price-MH01, PC03 Plus Postage
AB: In 1992, the first year of the establishment of the European Community (EEC), the European Commission sponsored a seminar on European Community (EEC) implications for adoption and fostering. The seminar was organized to enable practitioners, legislators, and policymakers within the EEC to start a dialogue on current adoption processes, practices, and procedures, and to establish bases of information on current practice and procedures within the member states. This report contains seminar presentations, and is divided into the following eight sections: (1) legal aspects and safeguards of the rights of adopted children; (2) approval and preparation of applicants to adopt; (3) matching of child and family; (4) perspectives of adopted children; (5) placement of special needs children; (6) workshop themes and findings; (7) recommendations; and (8) an overview of responses to a questionnaire on European adoption practices. Appendices include the questionnaire sent to all seminar participants prior to the seminar, a list of participants; the seminar program; information on the Hague Conference on Private International Law, and a preliminary draft convention on international cooperation and protection of children with respect to intercountry adoption. (MM)

AN: FD365171
AU: Crosson/Patricia L.
PY: 1993
PR: FD/R Price-MH01, PC01 Plus Postage
AB: The European Community (EC) is continually increasing its influence in all areas of European society; politically, economically, and educationally. The future, it is argued, may see the EC as a supra national policy maker for higher education as significant as are national governments at the present time. This paper examines the role of the European Community (EC) in policy formation for higher education. Results of informal interviews with EC officials, faculty members, and higher education association representatives are examined further.
presented, as are examinations of treaties and other formal documents which stipulate the power and authority of the EC. The report is divided into three sections. The first section explains the study's conceptual framework and methods. The second section describes the EC's programs and activities in the area of higher education. The third section focuses on the question of what is, and what should be, the role of the EC in the processes of policy formation for higher education. The EC is discussed in its roles as starter mechanism (in initiating plans, programs, and activities) as policy influencer and policy shaper. The EC is expected to be the driving force of a new European structure in higher education. (Contains eight references.) (GLR)

AN: ED331766
AU: Eide-Kjell
TI: 30 Years of Educational Collaboration in the OECD.
PY: 1990
NT: 48 p.; Photographs will not reproduce well.
PR: EDRS Price - MF01/TC02 Plus Postage.
AB: The six articles in this journal issue were all designed to provide an objective presentation of the framework within which the European Centre for the Development of Vocational Training (CEDEFOP) is charting a course toward establishing a common training policy and creating a single market in 1993. The first article, "Information on Qualifications" (Enrique Retuerto), discusses the need for a reference framework of what each qualification means in terms of the skills required by an occupation. A paper called "The Recognition and/or Comparability of Non-University Vocational Training Qualifications in the Member States of the European Communities" (Burkart Sellin) examines the inherent possibilities and requirements of a European Community general regulation on mutual recognition. "Mastering Metals—Problems in Analysing and Classifying 'New' Technical Jobs in Metalworking" (Peter Grootings et al.) reflects the present state of work in this area. "A European Directory of Occupational Profiles" (Peter Grootings) offers some notes about the concepts, methodology, and organization of the directory. "Study of Occupational Profiles in the Electronics Sector" (Gumersindo Garcia Arribas) presents results of a pilot study in Spain. Finally, William McDerment's paper, "Some Reflections on Education and Training," comments on the need for vocational training, training to allow mobility within the Community Member States, and preparing for the future. A protocol entitled "Council Decision on the Comparability of Vocational Training Qualifications between Member States of the European Community" concludes the document. (YLB)

AN: ED324783
TI: European Community Education Cooperation: The First Decade.
CS: Commission des Communautés Européennes (Luxembourg). EURYDICE Central Unit, Brussels (Belgium).
PY: 1986
NT: 23 p.; Colored photographs may not reproduce well.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: Nearly one-third of the European Community population of 320 million is involved daily with some form of education. The Community Education Action Programme celebrated its tenth anniversary in February 1986. The initial thrust was to increase mutual understanding and promote closer relations between the different education systems of member states. In response to the harsh economic and political realities of the late 1970s/early 1980s, the Community recognized the importance of additional commitments to tackle the growing problems of youth and unemployment. From the mid-1980s, the priorities of the Programme have been influenced by the need for policies to develop human resources as an essential prerequisite to cooperation within a People's Europe and to face the challenge of developing a European Technological Community able to compete with the United States and Japan. Chapters are: "Historical Development"; "Overview of the Education Programme in the European Community"; "Introduction of the New Information Technologies"; "Equal Opportunities for Girls and Boys in Education"; "Education and Training of Migrant Workers and Their Families"; "The Teaching of Foreign Languages"; "The Introduction of the New Information Technologies"; "Cooperation in the field of Higher Education"; "Information Exchange EURYDICE, Study Visits, Conferences, and Seminars"; "Iliteracy"; "Handicapped Children"; "Europe in the Schools"; "Conclusions"; and "Information Sources". (Author/BZ)
This paper proposes a communication network for the European Community and beyond which would provide a unique meeting point for participants from the fields of education, training, technology, research, industry, and service to engage in productive forms of dialogue and collaboration: which would be financially self-supporting after a few years; and which would allow for monitoring of its own performance and impact. Highlighted topics include (1) access to new know-how; (2) a network for European Community (EC) programs; (3) what the network will be like, i.e., bulletin boards, access to services, and running a forum; (4) a BBS that would serve as a practical model for the network using standardized communication services, home computers, and existing telephone lines; (5) language issues, i.e., systematic language translation and multi-lingual materials; (6) strengthening cooperation between education and the private sector; and (7) funding, costs, and assessment. (Contains 25 references) (HALF)
European civilization and of its foundations; (2) realizing the advantages of the European Community and the challenges they will encounter on gaining access to a larger economic and social territory; and (3) improving their knowledge about the historical, cultural, economic, and social aspects of the EC and its member states and realizing the significance of the cooperation among member states and other countries in Europe and the rest of the world. Since teachers play a key role in actual educational innovation, teacher training colleges should be involved in plans for implementation of the European dimension in an early stage. The limits and possibilities of the individual teacher also should be taken into account. And finally, a national plan must be developed and carried out within the formal educational system. The action plan for implementation of this new policy in the Netherlands involves (1) the evaluation of teaching materials on the European dimension; (2) the development of a core curriculum; (3) the design of testing instruments, the revision of existing teaching materials, or the development of new materials; (4) the involvement of teacher training colleges; (5) the development of small regional in-service training centers for teachers; (6) teachers' conferences for information exchange; and (7) the contacts with educational publishers. (11)
tural education are of pivotal importance at a time when widespread educational reform is gaining momentum in many countries; (4) consideration of the problem has been evident through international meetings, publications, and studies; (5) objectives of initial and inservice teacher training need to be examined and clarified; and (6) issues of intercultural educational policy should be raised and curriculum revised to bring European education from ethnocentric labeling to pedagogical pluralism. The titles of the seminar's lectures are as follows: (1) "The Intercultural School in Organizational Models of the Twentieth-Century School"; (2) "The Intercultural: From Theory to Practice"; (3) "School Provision for Gypsy Children in Andalucia: Practice, Achievements, and Plans"; (4) "The Intercultural Approach to Working with Irish Travellers"; (5) "Training Projects in Catalonia"; (6) "A Training Project in Valencia"; (7) "Studying Inter-Ethnic Relations in the School"; and (8) "Attitudes and Prejudices of Teachers and Pupils Regarding Other Peoples and Cultures." Finally, each of the work groups defined needs for more intercultural teacher training and curriculum, and more information programs. (TES)

AN: ED333849
AU: Mc-Daniel,-Olaf-C.
PY: 1980
PR: EDRS Price - MF01/PC02 Plus Postage.
AB: One of a series of studies related to the Delphi research project: "Policy Instruments for Higher Education in the Western Europe of the Future", this paper presents the issue of internationalization of European higher education through three types of data. First, an analysis of present European Community (EC) initiatives on education showed that a number of successful programs have already developed, yet, the next stage of cooperation cannot be established without coordination between the higher education structures within various countries. Second, an analysis of the results of a survey of 700 experts from 17 countries concluded that for some areas the expectations for a European higher education policy are auspicious. Yet, another layer of bureaucracy may not help produce quality higher education. A review of the United States system and its favorable aspects. The final chapter, "Towards an Agenda for European Higher Education Policy," offers a series of recommendations, a list of possible barriers, and a review of conclusions. Thirty-seven references are included. (IB)

AN: ED333847
AU: Mc-Daniel,-Olaf-C.
PY: 1980
PR: EDRS Price - MF01/PC02 Plus Postage.
AB: One of a series of studies related to the Delphi research project: "Policy Instruments for Higher Education in the Western Europe of the Future", this paper presents material for the discussion and formulation of a European higher education policy in light of the single market introduction in 1992. The first chapter, "Hypothesis and Problem Formulation", proposes that the development of Western Europe calls for a supranational orientation of European higher education policy and suggests five questions that move from that hypothesis. The second chapter, "The EC (European Community) and Higher Education" focuses on EC activities and EC higher education in practice. The third chapter, "Towards a New European Higher Education Policy", outlines results of a study which surveyed 700 higher education experts, and offers suggestions regarding the major obstacles to enhance internationalization (maintaining national autonomy, languages, recognition of courses). This chapter also reviews previous attempts, possible scenarios, and the export of student grants and loans. The fourth chapter, "The U.S. Case: The Potentiality of Federal Higher Education Policy," assesses the balance of power within the U.S. system and its favorable aspects. The final chapter, "Towards an Agenda for European Higher Education Policy," offers a series of recommendations, a list of possible barriers, and a review of conclusions. Thirty-seven references are included. (IB)
medium enterprises. A series of guides that have been prepared to help organizations improve training were also introduced. The five guides include: (1) a general guide to the development of trainer competency for the creation of effective small business training programs; (2) a guide to the basic competency requirements for developing training programs to stimulate pre-start-ups; (3) a guide to the basic competency requirements for developing effective training programs to assist small business start-ups; (4) a guide to the competency requirements for developing training programs for businesses under 50 employees; and (5) a guide for trainers to help small firms cope with the creation of the European Market in 1992.

A topic of workshops at the conference was the small business trainers and training organizers who need to improve their competencies and the main obstacles encountered when trying to do so. Ways that the guides could be used to improve training competency were examined. Finally, amendments to make the guides more accessible were suggested. (KB)

AN: ED333007
AU: Neff, Bonita-Dostal; Brown, Robert
TI: The Development of Public Relations To Meet the New European Market
PY: 1990
PR: EDRS Price - MF01/PC04 Plus Postage.
AB: The development of public relations follows when economic development and democracy thrive. EC 1992, with its plans for the European Common Market Community, is a public relations opportunity for U.S. public relations firms. In a survey of 31 firms, 6 owned or were owned by networks. 17 had membership in a network, 8 had no public relations network, and two-thirds indicated that EC 1992 was a great opportunity. In addition to network membership, firms are increasing personnel and opening offices with expansion spilling over into the Scandinavian and Eastern Block. The four most frequently mentioned qualifications for the personnel involved in EC 1992 were international relations/culture, business experience, public relations, and language. The second highest group of qualifications included good communication, media relations, and writing skills. Academic background most expected would be business, liberal arts (communication is placed in this category), and journalism. However, concerns were expressed about public relations professionals being trained as "craftsmen" and later having to be trained to "think on the job. In Europe, the opposite is true, and executives suggested that this latter sequence was preferred. These findings have a number of implications for public relations curriculum development in U.S. colleges and universities. (Right tables of data are included, and the survey is attached. (Author SR)

AN: ED333224
PY: 1991
NT: 91 p.; For related reports, see CE 058 310-312.
PR: EDRS Price - MF01/PC04 Plus Postage.
AB: This report provides presentations from a seminar attended by delegates from all the European Community and European Free Trade Association (EFTA) countries to discuss policy planning for education and training. "The European Skill Gap—Introductory Comments" (Abrahamsson, Henrikson) provides an overview of the seminar and topics covered: the European skill gap, national and supernational policies, access or policy-oriented models, new ways of learning in the workplace, and comparative issues. "Opening Speech" (Persson) reflects on five main policy issues, the: (1) importance of labor market policy for economic policy; (2) choice between an active or passive labor market policy; (3) importance of the education system, personnel training, and employment training in the European economic development of all industrialized countries; (4) policies for access and equity; and (5) democratization of working life. "Continuing Education and Training in the 1990s" (Ramoff) identifies new vistas that are opening up in training policy in Europe in a changing economic climate. An "Issue Paper" summarizes four sessions: "New Horizons of Learning in a Changing European Economy"; "Policies for Achieving Human Resources Development and Lifelong Learning in a Changing Labour Market"; "Right and Access to Training and Education in Post-Industrial Societies"; and "The Adult as Learner Towards New Trends in Workplace Learning." "Seminar Report" (Harrison) highlights three themes: access to adult continuing education, competence level and competitiveness of the European force, and new forms of partnerships. The program and list of participants are appended. (YB)
with its cultural values that can subvert the indigenous culture and may lead to cultural hegemony. To reach some balance with the United States in the cultural, media import/export of television programs, the European Economic Community has adopted "Television Without Frontiers" or "Broadcast Directive." This directive is one of the outgrowths of Single European Act (SEA) 1986. Examining the impact of this directive on U.S. television programs, while taking into account the increased global market, less favorable trade arrangements, and cooperation or agreements between U.S. and European firms, leads to the inescapable conclusion that U.S. television production companies must learn to think in global terms. They should: (1) make themselves at home in all three of the world's most important markets--North America, Europe, and Asia; (2) develop new products for the whole world; (3) overcome parochial attitudes; and (4) find allies in markets that they cannot penetrate on their own. It appears that "Television Without Frontiers" is indeed stimulating United States television production companies to seriously consider the benefits of tailoring their programs for audiences on both continents (forty-four references are attached).

(Title)

Author (PA)

AX: FID16731
AU: Oels-Monika; Seeland; Suzanne
TE: Equality of Opportunity and Vocational Training Five Years on...Vocational Training Measures for Women in the European Community Synthesis Report and Recommendations
CS: European Centre for the Development of Vocational Training, Berlin (West Germany)
PY: 1985
AV: U NPLB, 4664-1 Assembly Drive, Lanhfild, MD 20780-2301
(Catalogue No. HA 4358-5080-1) N.C. 57(10)
NT: 97 p.
PR: EDRS Price - M101 PC01 Plus Postage
AB: This document outlines the importance of open distance learning in a broad range of education and training activities for the European Community (EC) and its Member States. It refers to actions in this area already taken and shows how EC programs complement and are complemented by actions in the open distance learning field being taken within the context of existing programs. The paper indicates a need for policies and actions at institutional and Member State level that would extend the scope, power, and application of open distance learning. It also refers to areas in which a sharing of experience and expertise and possible joint actions at the European level could be taken within the framework of the creation of trans-European infrastructural networks for vocational and professional training (R&D).

AX: FID16729
TE: Opportunity 1992: College Courses and the Single European Market
CS: Further Education Unit, London (England)
PY: 1989
NT: 7 p.
PR: EDRS Price - M101 PC01 Plus Postage
AB: The completion of the single market by the end of 1992 will remove internal obstacles to the free flow of goods and services within the European Community. The implications for education and training, and in particular for those colleges selling customized updating and similar courses to organizations, are far-reaching. This bulletin identifies those aspects of the 1992 reforms that are likely to affect colleges and other providers of education and training. It also considers changing training needs and looks at some models for curriculum development, with the emphasis on the kind of short course training being promoted by the United Kingdom's Department of Education and Science in its PICKUP updating skills program. Three case studies, involving community law and training, language training, and quality assurance, are included in the paper.

AX: FID16757
AU: Preston, Jill
PY: 1991
AV: Kogan Page Ltd., 120 Pentonville Road, London N1 9NX, England, United Kingdom (22.50 pounds)
NT: 304 p.
PR: Document Not Available from EDRS
AB: This book is intended to assist educational and research organizations and others interested in education, vocational training and/or research and development (R&D) in taking full advantage of the initiatives and opportunities of membership in the European Community (EC). Discussed in Part 1 are various aspects of the policy context of Europeanization. Part 2, which is intended to provide a step-by-step guide to applying for EC funding, outlines the main EC education and vocational training programs. Part 3 contains a chapter discussing R&D cost sharing, contracts, research and development, and costs of participating in R&D programs and a directory of the primary R&D programs in the EC. Discussed in Part 4 are the various organizational issues facing further and higher education (FHE) institutions as a result of EC membership. Part 5 contains seven case studies of good practices taken from HFE and the private sector, and Part 6 presents concluding observations on the challenges of the single European market for organizations in the United Kingdom. Annexes are annotated lists of contact points for specific EC training and R&D programs and sources of general information on EC policies and programs and suggestions for finding partners for education and training and R&D programs.
AB: It is proposed that a European variety of English without native speakers is emerging as a language of international communication in Europe. This is a consequence of many factors, including the strength of the American economy, the breadth and depth of American research in science and technology, the pervasive influence of American-style popular music, mass tourism, and foreign language policies pursued by European education authorities. The European version of English is functioning as a lingua franca for native speakers of other languages to communicate with each other, as a second, not foreign, language. The users of this new European variety

graphs of the number of years and hour one or two second
languages are taught to pupils aged 6-18. This summary is fol-
lowed by a description of the situation in each member state,
including provision of modern foreign language teaching in
elementary and secondary schools (languages taught and for
how many hours per week), initial training of foreign lan-
guage teachers (including exchange programs), in-service
training of language teachers, and pupil exchanges. Enrolment,
teachers, and exchange data are included wherever possible.
In addition, data on the European Community's FINLA program of action in support of language teaching are included. (AISF)

AN: 1D317561
AU: Weiss, M. & Others
TI: Prospective Trends in the Socio-Economic Context of Education in European Market-Economy Countries
CS: United Nations Educational, Scientific, and Cultural Organization, Paris (France), Dir. of Educational Policy and Planning
PY: 1990
NT: 75 p.; Prepared for the UNESCO International Congress on Planning and Management of Educational Development (Mexico City, Mexico, March 26-30, 1990)
PR: EDRS Price - MB01 Plus Postage. PC Not Available from EDRS
AB: The purpose of this study was to project and analyze the prospective long-term trends in the socioeconomic context of the educational systems of European market economies and to outline in general terms the probable implication for education and training in the future. Composed of three chapters, the chapter 1 focuses on projected long-term demographic changes: the quantitative development and age structure of populations and their basic determinants up to the first half of the next century. The direct and indirect impact on education and training is discussed in detail. Chapter 2 looks at the social and cultural context of education, highlighting value changes in various fields (e.g. work, family, religion, politics) and societal effects. The consequences of socio-cultural change and multi-cultural societies for formal education are outlined. Chapter 3 gives a detailed overview of past and expected future developments in the economy (economic growth) and the labor market (labor force participation, unemployment, new forms of working). The implications of structural change in the economy, and the introduction of new technologies for future qualification requirements are summarized. A 66-item list of references is included as are number of appendices. (Author DB)
will choose it over standard British English because of their varied needs, cultural diversity, differing ethnic identities, and the process of economic and social integration in the European Community. Characteristics of European English include diminished distinctions between adjectives and adverbs, absence of mass/count distinction (e.g., much, many), enlargement of the range of existential "there" structures, absence of the inflections "-er" and "-est" (e.g., "more clear, most rich"), adjustments in the use of clausal and sentential connectives (e.g., "however, therefore"), shifts in use of the present perfect tense, and lexical changes due to absorption from other European languages or from technological advancement. (MSF)

AN: ED352500
AU: Wissel, Ulrike, Ed.; Grootings, Peter, Ed.
TI: "Eurotrain for Training." Proceedings of a European Congress on Continuing Education and Training (4th, Berlin, Germany; Warsaw, Poland; Prague, Czechoslovakia; Budapest, Hungary; Vienna, Austria, October 5-9, 1992).
CS: European Centre for the Development of Vocational Training, Berlin (Germany).
PY: 1992
JN: CEDEFOP-Hash; n4 Dec 1992
NT: 13 p.
PR: EDRS Price: MF01/PC01 Plus Postage.
AB: A "travelling" congress was conducted in five European cities (Berlin, Warsaw, Prague, Budapest, and Vienna) to promote a mutual exchange of views between east and west. The participants stressed the growing European Community interest in current examples of cooperation with neighbors in central and eastern Europe. In addition to promoting dialogue and the exchange of views and ideas, the "Eurotrain" was developed as a venue to promote western endeavors to support eastern Europe. The congress participants traveled by train for study visits and workshops in the five cities. Each national conference had an opening event in which experts at national and community levels provided participants with an insight into the educational and employment situations in the various countries. Experts from western Europe and the United States provided examples of local structural developments, the development of further training programs, and the planning of integrated training concepts. Workshop participants in the five cities each worked on six topics: international cooperation in training and continuing training; training and migration; training and training in enterprises; vocational training and continuing training in the context of regional, structural, and development policies; training of women; and training at school in the context of adult training. Examples of programs on these themes were provided for each of the five countries. The "Eurotrain" concept of learning exchange was explored and endorsed. (KC)
Chapter 9

JOURNAL ARTICLES IN ERIC ON EUROPEAN UNIFICATION

Vickie J. Schlene
The following annotations of articles from journals in the ERIC database represent an extensive sample of articles written on this important topic. All of the annotations appear in the Current Index to Journals in Education (CIJE), which is published on a monthly basis and is available at larger libraries throughout the country. The annotations are intended to briefly describe the contents of the articles in general terms. Therefore, it is suggested that the reader locate the entire article in the journal section of a larger public or university library. Reprints of the article may be available from University Microfilms International (UMI, 300 North Zeeb Road, Ann Arbor, MI 48106, 800-248-0160).

Readers are encouraged to complete their own searches of the ERIC database to discover new articles which are constantly being added to the system. Educators will find these articles a valuable resource for fostering understanding, application, and evaluation on the wealth of information being published concerning European unification.

AN: EJ65594
AU: Ager, Dennis E.
TI: Language Learning and European Integration.
PY: 1992
JN: Language and Education; v38 n1 p149-64 1992
NT: Special issue, "Language, Culture, and Education."
AB: Concepts of identity and ethnicity, and their applicability to Europe through language, religious and cultural criteria are reviewed. It is noted that thoughts of an integrated Europe must acknowledge both behavioral and ethnographic approaches to difference and particularly the contrasts between dominance and difference theories. A European language learning policy is considered. (17 references) (Author/BL)

AN: EJ1405728
AU: Berchem, Theodor
PY: 1989
JN: European Journal of Education; v24 n4 p365-70 1989
AB: Concern about the impact of the completion of the European Single Market in 1992 on patterns of cooperation between member and non-member countries is expressed, and it is cautioned that member institutions must not ignore opportunities for cooperation inside or outside the European Community, particularly with developing nations. (MSW)

AN: EJ429320
AU: Berggreen-Ingeborg
PY: 1990
JN: Zeitschrift fur Bildungswissenschaft; v30 n4 p27-47 Nov 1990
AB: Discusses consequences of European unification in the Federal Republic of Germany. Focuses on the relationships between the European Community, the federal government of Germany, and the German states. Suggests that the German states are aware of their responsibility to give education and culture a European dimension. (ND)

AN: EJ404100
AU: Birchley, A. L.
PY: 1990
JN: College Teaching; v38 n1 p10-12 Win 1990
AV: UMI
AB: Project 1992, the Single Market Act that will lift all trade barriers between the 12 member states of the European Community (Belgium, Denmark, Federal Republic of Germany, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom), needs to be included in the college curriculum. (MLW)

AN: EJ400895
AU: Blankenship, Glen
TI: Germany, the Search for Unity. Pull-Out Feature.
PY: 1994
JN: Social Studies and the Young Learner; v6 n4 p1-3 Mar-Apr 1994
AV: UMI
NT: Theme issue topic: "Global Perspectives in a New World."
AB: Asserts that the reunification of Germany and its significance in the European Community provide a catalyst for U.S. social studies teachers to include instruction about Germany at all grade levels. Includes a teacher resource page with information about schools and student life in Germany. (CFR)

AN: EJ430156
AU: Bode, Christian
PY: 1994
JN: Higher Education Management; v3 n2 p128-36 Jul 1994
AB: Research projects within the European Community (EC) have used different strategies and instruments for information dissemination and lobbying on national and international levels. The scientific community must have stronger autonomous representation in Brussels as an equal partner of the EC bureaucracy, similar to that in some member states. (Author/MSE)

AN: EJ488806
AU: Bonekamp, A. W. F.
TI: Courseware Evaluation Activities in Europe.
PY: 1994
JN: Journal of Educational Computing Research; v11 n1 p71-90 1994
AB: Describes the ECOSSET project, developed by the European Community to collect data on the current state of formative and summative evaluation activities regarding courseware used within the classroom in Europe. Evaluation instruments and evaluation techniques are described, and their cultural embeddedness and curricular dependencies are discussed. (Contains 12 references) (JLR)
NT: Special issue, "Language, Culture, and Education."
AB: In the new Europe of greater cooperation and integration between states, the relationship between national identity and national language will require reappraisal. This paper argues for language teaching that includes culture learning because intercultural communication includes political and ethical issues. (19 references) (Author/LB)

AN: EJ442163
AU: Cerych,Ladislav
PY: 1991
JN: European-Education; v23 n2 p77-87 Sum 1991
AB: Discusses problems that European higher education will face as a result of European Community programs. Warns that resistance to change could marginalize higher education and reduce European integration to a purely economic, technical, and political phenomenon. Addresses diversity versus uniformity, the nature of expected change, and general requirements for changing higher education. (DK)

AN: EJ405524
AU: Cerych,-Ladislav
PY: 1989
AB: Three types of change in higher education resulting from the establishment of the European Community and related educational initiatives are examined: (1) those that are compulsory or unavoidable; (2) those that will be facilitated or encouraged; and (3) those for which the approach of 1992 represents an exceptional opportunity. (MSE)

AN: EJ408819
AU: Cerych,-Ladislav
TI: EC '92: What Will It Mean for Higher Education?
PY: 1990
JN: Educational Record; v71 n2 p38-41 Spr 1990
AV: UMI
AB: Changes in higher education resulting from the official emergence of the European Community in 1992 are discussed, including those that will be more or less mandatory, those that will be facilitated and/or encouraged, and those for which 1992 will represent an exceptional opportunity. (Author/MSE)

AN: EJ443403
AU: Chepesiuk,-Ron
PY: 1992
AV: UMI
AB: Examines the attitudes of librarians in the 12 member countries of the European Community (EC) toward the removal of technical and economic barriers among EC members on January 1, 1993, and the impact of this development on libraries. Topics addressed include information technology development, librarian mobility, a pan-EC library association, and library cooperation. (MESH)

AN: EJ481791
AU: Collis,-Betty
PY: 1994
AV: UMI
AB: Discusses the application of communication and information technologies (C&I) in education and vocational training for 12 member states in the Commission of the European Communities (CEC). Highlights include funding sources; major activities; the DELTA project, which supports training through new technologies in an open learning environment; and university and business collaboration. (Contains six references) (SLW)

AN: EJ471107
AU: Collis,-Betty
TI: The Impact of Computing in Education in Europe.
PY: 1993
JN: Educational-Technology; v33 n9 p37-42 Sep 1993
AV: UMI
NT: Special issue on the status of computing in education worldwide.
AB: Discusses information technology (IT) in member countries of the European Community. Topics addressed include IT in the curriculum of primary and secondary schools; activities sponsored by the European Community relating to IT in schools; IT projects; IT in post-secondary education and training; and future plans. (Contains 15 references) (LRW)

AN: EJ44. 7
TI: The Contribution of the Educational System to the Achievement of the Internal Market.
PY: 1991
JN: European-Education; v23 n2 p18-27 Sum 1991
AB: Describes European Community attempts to foster awareness of cultural unity. Explains that efforts include curricula and classroom instruction, educational materials, teacher training, and international contacts between teachers and students. Lists three objectives: (1) determining how the educational system contributes to the creation of the internal market; (2) strengthening ties between education and science; and (3) lessening regional differences. (DK)

AN: EJ430157
AU: Contzen, Jean-Pierre
TI: European Integration and University Research: An Overview.
PY: 1991
JN: Higher-Education Management; v3 n2 p37-44 Jul 1991
AB: A discussion of European cooperation on research looks at the role of university research in Europe, European Community (EC) research and technological development projects, indirect effects on research of other EC efforts, and the prospects for university research after the EC becomes established, including new industrial and political opportunities. (Author/MSE)

AN: EJ449987
AU: Doornekamp,-B. Gerard; Van-kesteren,-Botker-Jel.
TI: Primary School Teacher Training in the European Community: An Overview of Recent Developments.
PY: 1991
JN: European Journal of Teacher Education; v14 n3 p241-51 1991
AB: Dutch colleges of education for primary school teachers have undergone several mergers. The article examines how to fully utilize primary teacher education characteristics in large institutions of higher vocational education. It describes studies of integration and differentiation in other countries, concluding that mergers threaten the educational identity of teacher training. (SM)

AN: EJ442156
TI: ERASMUS: European Community Program for the Development of Student Mobility in the European Community.
PY: 1991
JN: European Education: v23 n4 p5-14 Win 1991
AB: Describes the European Community's efforts to unity Europe and enhance competitiveness in world markets by improving use of available intellectual potential. Discusses ERASMUS, the European Community Action Scheme for the Mobility of University Students. Explains the role of Inter-University Cooperation Programs (ICPs), a course credit transfer system, and complementary measures. (OK)

AN: EJ43656
AU: Garrido, Jose-Luis Garcia
TI: European Education in a World Civilization.
PY: 1992
JN: European Education: v23 n4 p5-14 Win 1991-92
AV: UMI
AB: Discusses problems facing European education as the world continues to become more interconnected through politics, communication, and economics. Stresses the need to maintain national values without regressing to nationalism. Examines teacher training, history instruction, and the role of television as areas where divisions can be lessened. Warns against seeing Europe as opposing the rest of the world. (OK)

AN: EJ44635
AU: Garcia-Garrido, Jose-Luis
TI: Open and Non-Formal Education: New Paths for Education in a New Europe.
PY: 1992
JN: Comparative Education: v28 n1 p83-89 1992
NT: Theme issue (special number 14) with title 'Educating the New Europe.'
AB: Defines "nonformal education" as encompassing the educational influences of all of society's institutions. Argues that nonformal education may be the best approach to aid for development in developing nations, as well as for lifelong learning in European and other developed nations. (SA)

AN: EJ405586
AU: Goodey, Peter
TI: Development of Learning Technology at the European Level: The DILETA Programme.
PY: 1989
JN: Educational and Training Technology International: v20 n4 p335-41 Nov 1989
AV: UMI
AB: Describes the European Community's Development of European Learning Through Technological Advances (DILETA) program, which is concerned with the technological resources needed to support open and distance learning in continuing or higher education. Activities in the United Kingdom are emphasized, and several DILETA projects are described. (RW)

AN: EJ465786
AU: Grimm, Francis
TI: European Economical Integration and the Fate of Lesser Used Languages.
PY: 1983
JN: Language Problems and Language Planning: v17 n2 p101-16 Sum 1983
AB: The consequences of economic integration for Europe's lesser-used languages are examined. Applying theoretical predictions to a set of 12 minority languages, this paper shows that will likely remain in a more favorable position. May lose as a result of economic integration, and no clear effect can be predicted for the remaining 3 (18 references) (Author: LB)

AN: EJ443435
AU: Guinan, Jean
TI: The Implications of European Integration for Higher Education Institutions in Non-EC Countries.
PY: 1990
JN: Higher Education Management: v2 n2 p202-12 Jul 1990
AB: Institutions in non-European Economic Community countries will have to find ways to maintain and strengthen their relations with EC institutions to avoid a situation in which Europe develops at two different speeds. The author suggests strategies to avoid isolation, to improve communications, and to open programs to wider participation. (Author: MIW)

AN: EJ442161
AU: Hansen, Georg
PY: 1991
JN: European Education: v23 n2 p58-68 Sum 1991
AB: Discusses the problems of intercultural education in the European Community. Specifies that for education not to discriminate, both majority and minorities must experience common learning processes and have opportunities to acquire relatively unbiased information about each other. Examines educational policy, school structure, and language policy. Compares the European Community outlook with nationalism. (OK)

AN: EJ449732
AU: Heate, Derek
TI: Education for European Citizenship.
PY: 1992
AB: Argues that European schools must begin to deal with the issue of citizenship education in light of the emergence of the European Community. Concludes that both preservice and inservice teacher training will be critical to success efforts to promote European citizenship. (CR)

AN: EJ442150
AU: Heidemann, Winfried
TI: Qualification and the Internal European Market.
PY: 1981
JN: European Education: v23 n2 p32-46 Sum 1981
AB: Discusses effects of integration of the European Community and internal market on qualifications for occupational activity. Describes German objections to the Community's attempts to set educational policy. Urges common community definitions of professions and recognition of vocational qualifications to facilitate freedom of movement of the work force. Presents a proposed training level structure. (OK)

AN: EJ442162
AU: Heidemann, Karl Heinz
TI: Education and the Internal Market.
PY: 1991
JN: European Education: v23 n2 p106-76 Sum 1991
AB: Discusses European attempts to standardize academic and vocational qualifications. Expresses concern that the internal market threatens the cultural sovereignty of states. Characterizes
the consequences of teacher mobility for the German education system. Concludes that more openness is necessary for the European Community's educational policymaking to overcome the mistrust of state education ministers (1R)

AX: 1H402167
AU: Hensle, Colm
TI: European Community Databases Online to Europe
PY: 1989
IN: Database v12 nsp 15-32 Dec 1989
AV: UMI
AB: Describes three groups of databases sponsored by the European Communities Commission Eurobib, a textual database of the contents of the "Official Journal" of the European Community; the European Community Host Organization (ECOH) databases, which offer multilingual information about Europe and statistical databases. Information on access and fees is included. (ECBI)

AX: 1H45347
AU: Jones, Hywel-C
TI: Education in a Changing Europe
PY: 1982
IN: Educational Review v44 n3 p25-33 1982
AB: Reviews implications of a frontier-free Europe in terms of human resources, mobility, vocational education training for young people, continuing education and training, and the role of higher education institutions. (SK1)

AX: 1H46030
AU: Jones, Hywel-Ceri
TI: Promoting Higher Education's Contribution to the Developing European Community
PY: 1991
IN: Prospects v21 n5 p41-54 1991
AV: UMI
AB: Examines the role of higher education as the European Community moves toward economic, monetary, and political union. Reviews several programs designed to bring more uniformity and equality to educational opportunities in all member nations. Concludes that higher education has assumed a leadership role in bringing about political and economic union. (CR1)

AX: 1H48508
AU: Khan, A. N.
TI: European Common Market and Education
PY: 1988
IN: Journal of Education v21 n1 p17-30 Win 1988
AV: UMI
AB: The European Common Market is striving toward harmonization of its member countries in many aspects of their lives. Explains some of the recent developments in the European Common Market and practice affecting education particularly those that have taken place in Britain. (M1D)

AX: 1H580150
AU: Kissmeyer, Linn
TI: European Integration and University Research
PY: 1991
AB: A 1990 Institutional Management for Higher Education workshop on university research in the new European Community is summarized. The report focuses on potential changes in university research structures and patterns and implications of these changes and strategies to keep research vital including development of international computer networks and fiscal issues. (CG1)

AX: 1H41204
AU: Knapp-Karlstedt
TI: Common Market - Common Culture
PY: 1990
IN: European Journal of Education v25 n1 p55-60 1990
AB: This paper discusses some cultural differences that may affect cooperation in Europe. It maintains that it takes a least one year before a multinational working group begins to be productive. It also special provision is taken to minimize communication problems and to integrate the different cultures involved. (MIW)

AX: 1H47512
AU: Kedron-Christoph
TI: European Dimension, Multiculturalism and Teacher Training: An Experience in a Network of Training Institutions
PY: 1993
IN: European Journal of Teacher Education v16 n1 p95-7 1993
AB: Explains the development of a network of teacher training institutions within the European Community designed to promote the European Community's goals in education by direct cooperation between trainers and their institutions. The paper focuses on the European dimension and multiculturalism. (SM1)

AX: 1H453714
AU: Koster, H.-L.-C.
TI: Higher Education in Europe: A Many Faceted Question
PY: 1986
IN: Higher Education in Europe v11 n1 p28-34 1986
AB: The activities of UNESCO, the Council of Europe, the Organization for Economic Cooperation and Development, and the European Economic Community to promote academic mobility and international recognition of credits and degrees are outlined, and problems still to be solved are discussed. (MI1)

AX: 1H47565
AU: Largi-David-Clay
TI: Germany in Europe, 1947-92: A Historical Overview
PY: 1993
IN: Social Education v57 n5 p32-4 Sep 1993
AV: UMI
AB: Presents a historical review of German relations with European nations from the end of World War II until 1992. Claims that Chancellor Willy Brandt's efforts to improve East-West relations set the stage for German reunification. Concludes that Germany's role in a united Europe has yet to be determined. (CTR)

AX: 1H43470
AU: Letter, Gerhard
TI: Europe 1992: A Language Perspective
PY: 1991
IN: Language Problems and Language Planning v15 n3 p282-96 Fall 1991
AV: UMI
AB: Argues for the survival of the federalist language formula in the European Community through a modified, more restricted form so as to be more functional and open to the demands of worldwide communication. It is suggested that despite its weaknesses, it more adequately reflects the mosaic-like cultural heritage of Europe. (eight references) (CG1)

AX: 1H40211
AU: Lopez-Avajar-R
TI: Database Copyright Issues in the European EIS Community
PY: 1993
IN: Government Information Quarterly v10 n3 p36-54 1993
AV: ERIC
AB: Outlines the current legal structure of the European geographic information system (GIS) database industry, particularly in the area of copyright protection; critiques the impending Commission of the European Communities directive and emphasizes the need for global consensus on the legal structure ability to protect and regulate the flow of information. (Contains 38 references) (JAM)

AX: FI429371
AU: Mulcahy, D.-C.
PY: 1991
AB: In its relatively short lifetime, the European Community has implemented a responsive, developing educational policy addressing many social and economic issues affecting the life of the community. An emphasis on teaching the European dimension is aimed at increasing understanding of the community itself and mutual understanding among fellow Europeans. (SM)

AX: FI447174
AU: McKinnon-Mike
TI: How to Encourage Studying Germany and Europe in the Classroom.
PY: 1993
IN: Social-Education: v57 n5 p231-32 Sep 1993
AV: UMM
AB: Presents two activities from an "Idea Bank for Teaching Germany and Europe U.S. Classrooms K-12." Includes a role-playing exercise involving significant individuals from European history and a student project involving cooperative learning about individual European nations. Provides an address for obtaining a free copy of the "Idea Bank." (ERJ)

AX: FI445925
AU: McKinnon-Mike
TI: Why Study Germany and Europe Now?
PY: 1993
IN: Social-Education: v57 n4 p187-80 Apr-May 1993
AV: UMM
AB: Provides 10 reasons why the study of Germany and the European Community should be taught in U.S. social studies. Argues that the cultural interrelationships between the United States and Germany are historically significant. Contends that the experiences of post-World War II German reconstruction and the reunification after the Cold War can serve as models for other nations. (ERJ)

AX: FI4113457
AU: Martin-Michaela
TI: European Integration and Its Consequences for the Management of IMH-Institutions.
PY: 1990
AB: Two new programs, European Community Action Scheme for the Mobility of University Students (ERASMUS) and European Community Action Program for Education and Training for Technology (COTEMID), will allow for greater student and staff mobility. These programs need to be supported by adequate administrative structures. (ERJ)

AX: FI405527
AU: Neave-Cox
PY: 1989
AB: Implications of the unification of European Community education in 1992 for articulation between secondary and higher education and between higher education and non-university sectors are discussed, placing emphasis on the need to find a balance between competition and collaboration. (ERV)

AX: FI389074
AU: Niederfranken-Annette
PY: 1982
AB: Considers education for the elderly an important issue for the European Community. Discusses demographic, social, and political factors arising from structural changes affecting...
older adult education. Suggests that education of the elderly emphasize self-reliance, communication skills, experience, and life changes. Reviews literature on the capacity and willingness to learn of the elderly. (DMM)

AX: E1462026
AU: Oglesby-K.-K.; Bay-A.-W.
TI: The New Europe: Challenges for European Adult Education
PY: 1993
JN: Convergence v20 n1 p31-38 1993
AV: UMI
AB: Two strategies for creating a unified European identity are (1) unifying educational structures and processes to ensure equivalent educational outcomes and (2) intensifying student trainees and personnel exchanges and building an efficient educational information network. (SK)

AX: E1437064
AU: Raivala-Reijo
TI: Integrating Education for an Integrating Europe?
PY: 1991
JN: Life-and-Education-in-Finland n4 p2-7 1991

AX: E1449555
AU: Rendel-Margherita
TI: Information Policy in the European Community: Balancing Protection and Competition
PY: 1994
AV: UMI
AB: Discusses European Community policy relating to information technology and the information industry. Topics addressed include the information services industry; transborder information flow, including electronic mail, data owner responsibility, and software piracy; digital data networks; electronic data interchange; telecommunications; information industry policy; research and standards; and criticism of existing information policy. (Contains 82 references.) (RWF)

AX: E1469099
AU: Schiele, Gerhard
TI: Immigration in Europe: How Much 'Other' Is Too Much?
PY: 1993
JN: Social Education v57 n4 p181-83 Apr-May 1993
AV: UMI
AB: Examines the increase in immigration and foreign nationals in European countries since the 1980s. Points out that liberal immigration laws made Germany the most popular haven for refugees and others. Contends that Germans will have to adjust to a multicultural Germany within a multicultural Europe. (CFR)
and feasibility of a single market among ECM states. Describes common market for primary school teachers in Scandinavian countries. (PAA)

AN: EJ469700
AU: Stassen,-Donna
TI: A United Germany in a Uniting Europe.
PY: 1993
JN: Social-Education; v57 n4 p187-90 Apr-May 1993
AV: UMI
AB: Presents contemporary view of Germany since reunification and the end of the Cold War. Includes 13 photographs portraying scenes from daily life in Germany. (CFR)

AN: EJ441963
AU: Swing,-Elizabeth-Sherman; Orivel,-Francois
PY: 1991
JN: Comparative-Education-Review; v36 n1 p1-9 Feb 1991
AV: UMI
AB: Theme issue with title “Education in a Changing Europe.” Examines distinct educational trends in Europe as western countries move toward unity and eastern countries shake off socialism. Focuses on educational policy aimed at developing a European identity, the persistence of distinct national intellectual traditions, consequences of expanded higher education, privatization and reactionary reform, and the meaning of educational perestroika. (SV)

AN: EJ430135
AU: Walker,-David
TI: European Community Prepares to Establish a "Common" Approach to Higher Education.
PY: 1991
AV: UMI
AB: A far-reaching plan to create a European system of higher education, complementing development of a single economic market, is near approval. Eventually, curricula, standards, policies, and financing would converge in member countries. The political mood is currently supportive, and the plan would extend existing successful cooperative arrangements. (MSE)

AN: EJ469215
AU: Westhoff,-Jurgen
TI: The EEC Electronic Information Services Market.
PY: 1993
JN: Government-Information-Quarterly; v10 n3 p369-78 1993
AB: Describes the European Information Market Observatory and its purpose of gathering and providing knowledge about the European electronic information services market. Topics include the supply and use of electronic information services, size of the market, structure and policy of market operators, and recent developments in new electronic information services. (EAM)

AN: EJ449386
AU: Willems,-Gerard-M.
PY: 1991
JN: European-Journal-of-Teacher-Education; v14 n3 p189-212 1991
AB: Discusses the importance of foreign language teaching in Europe, noting creation of a communicative competence that enhances cultural awareness, open-mindedness, transcultural interaction, and European unification; recommends that Europeans take language courses emphasizing cultural aspects of foreign languages and the development of pragmatic, strategic, and negotiating skills. (SM)

AN: EJ488687
AU: Wilpert,-Calvin
TI: Spain: Europe's California.
PY: 1994
JN: Journal-of-Geography; v93 n2 p74-79 Mar-Apr 1994
AV: UMI
AB: Contends that, as Spain integrates into the European Economic Community, it is considered to be Europe's California. Asserts that making regional comparisons between California and Spain can be an effective teaching method. Provides comparisons in such areas as agriculture and tourism. (CFR)
Appendix 1

European Unification Glossary

Accession - Entrance of a nation into the European Union, usually subject to a popular vote.

ACP - Countries of Africa, the Caribbean, and the Pacific

Benelux - Belgium, Netherlands, and Luxembourg

BEU - Benelux Economic Union

BLEU - Belgium Luxembourg Economic Union

CAP - Common Agricultural Policy. A controversial and expensive system of agricultural subsidies by the EU that currently consumes 55% of the EU's total budget.

Cecchini Report 1988 - A Commission-sponsored study led by Paolo Cecchini that estimates the total potential gain to the community from the completion of the single unified market.

CEE - Central and Eastern Europe

CET - Common External Tariff

CFSP - Common Foreign and Security Policy established under the Union Treaty.

COMECON - Council for Mutual Economic Assistance, the trading bloc of the formerly communist nations.

COMINFORM - Communist Propaganda Agency

COREPER - Committee of Permanent Representatives. These are ambassadors from member states to the EC in Brussels.

Council of Ministers - The principal decision-making body in the Union. Its membership consists of government ministers from the member states (one from each country), who serve explicitly as national representatives. The composition varies depending on the subject matter under consideration.

EC - European Community (or Communities), now generally referred to as the European Union

ECHR - European Convention on Human Rights

ECSC - European Coal and Steel Community

ECU - European Currency Unit. Accounting unit used by the EC, with limited business and private use as well, that may become the single currency for a fully integrated EU.

ECU - Name for the new European currency

EDC - European Economic Community

EFTA - European Free Trade Association. Established in 1960 by the Stockholm Convention and headquartered in Geneva, this association currently has 4 members: Iceland, Liechtenstein, Norway, and Switzerland. Six former members have left the EFTA and joined the EU.

EMS - European Monetary System. Established in 1979, this system of fixed exchange rates is an important building block toward eventual economic and monetary union.

EPC - European Political Community

EPC - European Political Co-operation or PoCo. Forum in which EU ministers of foreign affairs discuss coordination of foreign policy among member countries.

ERP - European Recovery Plan (Marshall Plan)

ERM - Europe's Exchange Rate Mechanism

ESC - Economic and Social Committee

EU - European Union


Europe Agreement - Grants associate member status with the EU to another country and creates closer economic and political ties with the EU, but does not guarantee future membership.

European Commission - A supranational body that plays key roles in initiating new policy proposals and in overseeing implementation of EU law by the governments of the member states.

European Parliament - The parliament of the European Union. Its members have been directly elected by the citizens of the member states—they are not appointed by or responsible to national governments.

Fortress Europe - The concern that the EU will build trade barriers that discourage imports.

FRG - Federal Republic of Germany (West Germany)

GATT - General Agreement on Tariffs and Trade

GDP - Gross Domestic Product

GNP - Gross National Product
Maastricht Treaty - The Treaty on European Union, called Maastricht Treaty after the Netherlands city where the EC leaders concluded the treaty.

NAFTA - North American Free Trade Agreement

NATO - North Atlantic Treaty Organization

OECD - Organization for Economic Cooperation and Development

OECD - Organization for European Economic Cooperation

Phare Program - An EU program of foreign assistance


SEM - Single European Market implemented by the SEA

Transatlantic Declaration (1990) - Set framework for EC-U.S. consultation and cooperation in economic, scientific, educational, and cultural fields and committed both sides to working together on transnational problems such as terrorism, drugs, and the environment.

Treaty of Rome (1957) - Established the European Community

Uruguay Round - Most recent round of negotiations in GATT

Velvet Revolution - The fall of the communist regimes throughout Central and Eastern Europe

WEU - Western European Union

VERs - Voluntary Export Restraints
Appendix 2

World Wide Web Sites of Information on European Unification

Europe: The European Union Home Page
http://www.cec.lu/welcome.html

Euro-Info-Sources: Accessible from "Europa"; access route to many other Union sources.

Eurostat: Example of source listed in "Euro-Info-Sources"; major source of EU data.

The European Union: Another site accessible from "Europa"; contains access to information on EU institutions and a list of answers to frequently asked questions ("The European Union and Its Citizens").
http://www.cec.lu/en/eu.html

The European Union and Its Citizens: The Q and A site accessible from "The European Union".

European Union & Internet: Comprehensive listing of internet resources on the EU.
http://www.helsinki.fi/-aunesluo/eueng.html

EU Basics FAQ: Table of Contents: A great list of frequently asked questions; example of source accessible from "European Union & Internet".
http://www.vub.ac.be/SMIT/eubasics/
About the Contributors

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Moore McDowell is Professor of Economics at University College, Dublin. He was educated at University College, Dublin and Worcester College, Oxford and has been visiting professor at the University of Delaware, San Francisco State University, and the University of California, Davis. He serves as Secretary General, Irish Section, of the European League for Economic Cooperation and has been an economic consultant to both the Minister for Local Government in Dublin and the Confederation of Irish Industry. A researcher in industrial organization and applied micro and macroeconomics, McDowell's numerous publications include (as co-author) Privatisation in Ireland - Issues and Prospects and other works on business history. He also contributed "Aids to Industry in Ireland" in Aids to Industry in the European Community, a report of the European Commission.

Steven L. Miller is Associate Professor of Social Studies and Global Education at The Ohio State University. Miller, a former teacher of high school social studies and government, started at the Center for Economic Education at OSU in 1978 and served as its director until 1993. Among his publications are Economic Education for Citizenship: Implications for Curriculum, Instruction, and Materials. Economics and National Security: Supplementary Lessons for High School Courses (co-author and editor); Teaching Strategies for High School Economics Courses (co-author); and The Study and Teaching of Economics (co-author). Miller has played a key role in Education for Democratic Citizenship in Poland, a major civic education program, undertaken by the Polish Ministry of National Education, the Center for Civic Education in Warsaw, and OSU's Mershon Center. He has twice led teams of academic specialists to Lithuania as part of a new Mershon Center civic education initiative in cooperation with the Ministry of Education and Science. Miller has also worked with educators in Bulgaria as part of an economic education program conducted by the Ministry of Education, the University of Delaware, and the University of Cincinnati.

Manfred Stassen, former Adjunct Professor of German Studies and Letters at the School of Advanced International Studies (SAIS) and Senior Fellow in Residence at the American Institute. For Contemporary German Studies (AIRCS) at The Johns Hopkins University in Washington, DC, is currently a Director of the South Asia Office of the German Academic Exchange Service (DAAD) in New Delhi, India.

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George M. Vredeveld is a Professor of Economics at the University of Cincinnati and Director of its Center for Economic Education. The Center provides training for teachers and curriculum consultation for area schools and conducts economic and demographic studies for businesses and public organizations. In addition to his work on the effect of unifying the economies of the European Union, Vredeveld has studied the effects of economic transformation in Eastern Europe. For the past four years, Vredeveld has been working with the Bulgarian government to design a comprehensive economics and business education program for students, teachers, and public officials.
European Unification Chronology

1950  Robert Schuman proposes pooling Europe's coal and steel industries
1951  European Coal and Steel Community Treaty (ECSC) signed
1957  European Economic Community (EEC) and European Atomic Energy (Euroatom) treaties signed
1965  Treaty merges the three institutions of the European Communities
1968  Customs union completed
1973  Denmark, Ireland, and the United Kingdom join the Community
1979  European Monetary System (EMS) becomes operative
1981  Greece joins the Community
1985  European Council endorses plans for single market by end of 1992
1986  Spain and Portugal enter the Community
1987  Single Europe Act enters force
1989  Madrid European Council endorses plan for Economic and Monetary Union
1990  Five Länder of the former German Democratic Republic enter the Community as part of Unified Germany
1991  EC and EFTA agree to form the European Economic Area (EEA)
      Maastricht Council agrees to Treaty on European Union
      Poland, Hungary, Czechoslovakia sign first Europe Agreements on trade, political, and economic cooperation
1992  Treaty on Union signed in Maastricht
      First Danish referendum rejects Maastricht Treaty
1993  European Single Market enters force
      Second Danish referendum approves Maastricht Treaty
      Treaty on European Union enters force on November 1
1994  European Economic Area enters force
      EU accession negotiations completed with Austria, Finland, Norway, Sweden
      Norway rejects accession
1995  Austria, Finland, and Sweden enter the European Union