THE EUROPEAN COMMUNITY: PROGRESS OR DECLINE?

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Preface

This is the first time that the Institutes for International Relations of a group of member countries of the European Community have collaborated to produce a common report on matters of concern to the nations of Western Europe and their citizens. The Institutes as such, however, are not responsible for the contents of the report, which commit only its five authors, personally as well as jointly. Not every member of this group of five necessarily endorses every detail in the paper, but all agree that it presents the issues and policy choices in a balanced and fair way.

The report is the fruit of many hours of intensive discussion, not least with the members of our advisory group, who came not only from our own five countries but from other actual or prospective Community member states, and who, in a purely personal capacity, gave most generously of their time and knowledge.

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1 Why This Report?

1.1 This report is born out of a sense of alarm and urgency. The authors, with their different backgrounds as citizens of large or small member states of the European Community,* coming from the north or the south, all share the conviction that Western Europe is drifting, that the existence of the European Community is under serious threat. In sharp contrast with only a decade ago, the position of Western Europe seems to be challenged from all sides. If nothing is done, we are faced with the disintegration of the most important European achievement since World War II.

1.2 The great success story of economic and social development, the continuous upward movement ever since the early 1950s, has been halted if not reversed. The essential relationship with the United States has come under repeated and serious strains. The relative stability reached in relations with Eastern Europe and the Soviet Union, exemplified by détente, the emergence of arms control negotiations and agreements, and growing economic cooperation, has been upset by political turmoil (Afghanistan, Poland, massive deployment of new Soviet missiles) and economic setbacks (the inability of several countries in Eastern Europe to fulfil their financial obligations).

1.3 The world monetary situation has been increasingly characterized by chaotic fluctuations of the main currencies, which in turn have aggravated the destabilizing, vehement movements of the price of energy to which the world has been exposed since the first 'oil shock' of 1973. The international credit system, after having been able to help absorb much of this disturbance, has now itself come under considerable pressure; emergency measures have to be devised to prevent its collapse, which would have catastrophic consequences. All this affects in particular the third world, upon which Western Europe depends so much for its well-being.

1.4 Unstable and volatile political situations in certain parts of the third world, particularly in the Middle East, have created major risks for the security of Europe and the international system as a whole.

1.5 It is against this troubled international background that the nations of Western Europe have to cope with the most severe and prolonged economic crisis since the 1930s, causing ever rising unemployment figures and agonizing pressures on their industrial structures in sectors like steel, textiles, shipbuilding, and gradually even in the newer and innovative branches like electronics.

1.6 The economic and social problems facing Western Europe are thus interlocked with political and security issues of a global nature. This does not of course excuse the individual countries from pursuing sound domestic policies; but for each of the countries of Western Europe, locked as they are in the same geopolitical position on the fringe of the Eurasian continent, the simple

*For the purposes of this report, the distinction between the three separate legal entities — the European Community for Coal and Steel, the European Economic Community and the European Atomic Energy Community — is not relevant, and the term Community will be used.

truth is that several crucial determinants of their well-being lie *outside* their domestic framework and are beyond their individual reach.

1.7 Being small or medium powers in a world of global challenges, what they lack in comparison with the actual or prospective great powers (in size, in bargaining power, in economic strength, in strategic capacity) can be made up only by closing their ranks and pooling their forces and their resources. They cannot change their geography or their population, but they can improve their degree of cooperation and thereby their internal effectiveness and external influence.

1.8 Without in any way belittling the contribution of the Council of Europe, of the European Free Trade Association or of Western European Union, or the stimulus for intra-European cooperation arising from the activities of larger organizations like OECD and NATO, which count very important nations outside Europe in their membership, there can be no doubt that the centrepiece of West European efforts at integration and structured cooperation is to be found in the Community. It is around the Community that the network of economic agreements with the EFTA countries and with other nations in southern Europe has been built. It is on the basis of their common work in the Community that the member countries have entered the field of European Political Cooperation, a structured intergovernmental cooperative enterprise in the realm of diplomacy. It is through applications for membership of the Community that first Greece, then the Iberian countries, have sought to consolidate their removal of dictatorial regimes and their entry into the comity of West European democracies.

1.9 This report aims at taking a hard look at the Community (from now on we shall use this term in its broadest sense, encompassing the Communities proper as well as European Political Cooperation, etc.). Any reasoning about the future must begin with a close and sober examination of the present situation.

1.10 By any objective standard, the very existence of the Community is a great asset, especially in these turbulent times. But its existing policies have come under strain, or are difficult to implement adequately. And, clearly, additional new policies are needed, in particular to face the challenge of the current economic crisis; the Community has been very slow in starting that process. Moreover, there is by now a real danger of sliding backwards on the old policies; true, no single government is willing to bring the Community down, but the net effect of members' actions, or lack thereof, risks causing exactly that, daily, in little ways. If the Community were allowed to collapse, there would be nothing to replace it, least of all national policies of an uncoordinated nature.

1.11 There is a lot of hypocrisy in much of the criticism from national governments, bureaucracies, politicians and pressure groups. The Community is often used as a handy alibi, or as a protective shield, for instance by those who decry protectionism but hide behind the Community to obtain restrictions of certain imports. Complaints about inefficient Eurocrats sound hollow in the mouths of those who ask the Commission for ever more new proposals, without being able themselves to come to decisions, as the Rome Treaty requires them to do.

1.12 The Community is in a sense like the old Spanish inn: the quality of the menu depends on the contributions the guests are ready to make to the

common meal. It is a mechanism to increase the effectiveness of the group through common efforts, not to relieve participants of the need to make an effort. In order to be politically effective — and acceptable — these efforts must cover a wide range of issues. One cannot, for example, be a responsible member of the Community if one likes above all the common agricultural policy, but drags one's feet systematically over all other issues. Similarly, one cannot, without endangering the whole structure, ignore the need for the common agricultural policy, or for the freedoms of the internal common market, and be interested only in the common commercial policy in political cooperation.

1.13 There could be no effective Community either if the member states, at least tacitly, did not have fundamentally the same conception of their geo-political position, with all its implications for their relations with the two super-powers, for their security policies, etc. Temptations of free-riding, in any area of common concern for the Community member states, cannot fail to have a dangerous potential for disruption of their common cooperative framework.

1.14 Is the Community doing what it can and what is necessary in this respect, especially in the prevalent situation of strain and crisis? It is the shared feeling of the five authors that such is not the case, that more should and could be done to vindicate the interests of the nations of Western Europe by adequate collective and integrated action. We hope that this report will contribute to a better understanding of the common interests of these nations, of the strengths and weaknesses of their mechanisms of cooperation, and of the need and possibilities to use them better.

1.15 The report will concentrate on actions susceptible of being undertaken, or at least initiated, without delay, without waiting, for example, for major decisions about institutional matters, such as the recent initiatives of the European Parliament regarding future constitutional reforms and the distribution of powers inside the Community. Not that those wider considerations have no importance, or that the Treaties drafted in 1951-7 are all fully adapted to the problems of today — the contrary is true. But to wait for a fundamental review of the whole construction, in the midst of all the negative pressures of the current recession and the ambivalent attitudes in certain member states towards the Community, would risk seeing irremediable damage done before any new approaches had had a chance of succeeding. Thus what we propose can, with the obvious exception of enlargement, be done without changing the existing Treaties, either by using the full potential of the present framework or by parallel measures.

2 Europe: Then and Now

2.1 At the beginning of this century Europe was the centre of the political and economic world. Forty-five years later, after two tragic and fratricidal wars, it had become little more than an area of confrontation between the two emerging superpowers. The sense of cultural unity, the web of economic and human ties which had linked elites and economies from Paris to Prague, from Rome to Riga, from Westminster to Warsaw, gave way to a continent divided between the subjects of the Soviet Union and the allies of the United States.

2.2 For the West Europeans after World War II, economic recovery and closer collaboration went unavoidably together. The Marshall Plan made European cooperation a condition of its success. From 1950 onwards, the core of this effort to strengthen European economies and societies through ever closer cooperation has been the European Communities: originally six, now ten, soon to be twelve. From the outset, economic integration and the quest for political unity, the pursuit of prosperity and the pursuit of peace, were linked. The preamble to the treaty which established the European Coal and Steel Community

> resolved to substitute for age-old rivalries the merging of their essential interests; to create, by establishing an economic community, the basis for a broader and deeper community among peoples long divided by bloody conflicts; and to lay the foundations for institutions which will give direction to a destiny henceforward shared; . . .
> . . . recognizing that Europe can be built only through practical achievements which will first of all create real solidarity, and through the establishment of common bases for economic development.

2.3 European unification developed under the impulse of three related challenges: the need to accommodate the problem of a divided Germany; the growing threat from the Soviet Union and the transformation of the East European states into satellites; and the commitment to maintain strong and multiple links with the United States in an alliance of democracies. Nevertheless, most of the reviving states of Europe still saw themselves, in the 1950s, as central actors on the international scene. The European theatre was the focus for the East-West conflict, with the Korean War seen as both a warning and a sideshow. Western Europe, together with North America, reasserted its position as a dominant actor in the international economy. Initially some West European states retained most of their extra-European empires, symbols of their global interests and influence.

2.4 The atmosphere in which, during the 1950s and 1960s, the greatest progress was made towards European integration was therefore one of confidence. The passage from empire to association or cooperation, in spite of a succession of colonial wars, appeared to have ended in the establishment of a new

and constructive relationship between Western Europe and the developing world. The position of European economies in world trade was strong. Internal trade increased much faster than world trade, while the Community's rate of growth was second only to Japan's. The European Community shared with the United States in successive negotiations to lower tariffs and enhance international trade. Common policies were agreed and implemented: the customs union, established ahead of the original deadline; the common commercial policy; the common agricultural policy, and the budgetary arrangements which went with it. Success attracted new applicants. The United Kingdom, Ireland, Denmark and Norway, which had held back since 1950 and even developed alternative schemes, submitted their applications for membership in 1961; all except Norway joined in 1973. From 1975 onwards, a second group of applicants began knocking at the door — attracted by the Community as the symbol of Europe's democratic traditions as much as by its stimulus to economic development.

2.5 But the builders of Europe necessarily accepted a number of compromises, ambiguities and contradictions about the purposes and the final shape of their construction. The rules of the ECSC and the EEC reflected successive compromises between free-marketeers and interventionists. The failure of the European Defence Community, in 1954, put an end to the ambitious effort to find a solution to Europe's conventional defence within the framework of a quasi-federal structure. Western Europe remained dependent for its security on the United States throughout the decades following, even while its governments aspired to a more equal Atlantic partnership in economic and monetary matters. The relationship between economic integration and political union remained a contested issue, with the rejection of the Fouchet proposals of 1961-2 and the hesitant acceptance of 'political cooperation' in 1970. For some protagonists, in and out of the member governments, the ultimate objective of economic integration was political federation. For others, the only reality remained the nation-state, and the only practical objective a more structured form of the old European concert of powers.

The transformation of Europe's environment

2.6 The onset of economic recession has undermined the confidence which accompanied European integration throughout the 1960s and early 1970s, and has made it more difficult to ignore these ambiguities and contradictions. At the same time, the changing balance of relations between Europe and the United States, between the Western alliance and the Soviet bloc, and between the advanced industrial countries and the developing world have thrown up problems which the founders of the Community had barely anticipated.

2.7 Successive attempts to redefine the relationship between Europe and the United States have foundered on the gulf between the transformed economic partnership and the unchanging American security role. This unresolved ambiguity remains the source of many mutual misunderstandings. America's continuing role as the leader of the Western alliance makes its politicians consider themselves entitled to demand from their European partners both the acceptance of American pre-eminence and a contribution to Western security

commensurate with their economic strength. At the same time European economic interests and those of the United States have, unavoidably, become more competitive, with continuous transatlantic bargaining about the management of industrial and agricultural trade.

2.8 Divergent European and American perceptions of relations with the Soviet Union have become a major source of contention in Atlantic relations. Towards the Soviet Union and Eastern Europe, Western Europe has in a sense been the victim of its own greatest hopes and ambitions. From the first French initiatives of the mid-1960s to the treaties resulting from the Ostpolitik, they have laid great hopes on the possibilities of dialogue, in the expectation that détente and cooperation would slowly and peacefully transform the communist regimes, through growing interdependence, trade and human contacts. Détente has brought about some important changes in Western and Eastern Europe. Europe has regained a certain sense of unity, as the reaction of public opinion to the events in Poland has shown; interpersonal contacts helped to maintain a feeling of community in a still-divided Germany. The position of West Berlin was stabilized by the Four-Power Agreement. The success of the West European governments, operating as a group through Political Cooperation, in shaping the context and outcome of the Conference on Security and Cooperation in Europe from 1972 to 1975, demonstrated the distinctive West European interests in a European dialogue. But the response from the East has been disappointing. Soviet influence over Eastern Europe has not markedly lessened, while Soviet defence efforts have increased. Repression of political opposition remained a distinctive characteristic of East European societies. Disillusionment with détente in the United States, with its focus on the importance of Soviet activities outside the European theatre, has created a transatlantic difference in perspective that has plagued numerous policies vis-à-vis the East, notably with regard to economic relations.

2.9 The United States' relations with Europe have become part of a triangular relationship between Europe, North America and Japan. Japan has become both a leading member of the industrialized democracies and the principal economic competitor of America and Europe. The Community and its member states have struggled for many years to evolve a coherent policy towards Japan. With the ASEAN states the Community has started a continuing dialogue. But member states have wished both to pursue national initiatives towards Japan and East Asia and at the same time to look to the Community for support when those initiatives fail, thus limiting the effectiveness of the Community's efforts.

2.10 Europe has shown vision in its relations with the least developed and developing countries: successive conventions with African, Caribbean and Pacific states, the development of a global Mediterranean policy, the initiation of a Euro-Arab dialogue, the 1975-7 Conference on International Economic Cooperation (North-South dialogue), trade and cooperation agreements with nations in Asia and Latin America. Between the assertive liberalism of the United States and the cynical indifference of the Soviet Union, Europe's refusal of confrontation and its constructive initiatives have at least had the effect of promoting organized discussion between North and South. At the Cancún Summit in 1981, divergences of attitude among the major European countries were nevertheless evident. Moreover, the aim of a constructive European

approach could not be maintained in the face of the difficulties of such industries as iron and steel, shipbuilding and textiles. The MultiFibre Arrangement, an instrument originally intended to assist the orderly process of industrial adjustment to the developing exports of the third world, has become an instrument of protectionism.

2.11 The Middle East and Iran, Central America and the Falklands, were vivid reminders of how deeply Europe's economic, political and security interests are entangled. On each of these thorny problems the European Community has struggled to work together and has often succeeded in working out common positions. But some of its members have time and again been convinced that if they want to take initiatives it is more attractive to go it alone. The issue of the Siberian gas pipeline is also telling. Community members expressed a remarkable unanimity of sentiments, parallel reactions and joint statements. But, in the absence of a Community energy policy, the countries concerned made their agreements with the Soviet Union on a purely national basis, thus minimizing their bargaining power with the Soviet Union.

2.12 In managing relations with the United States and Japan, the development of Seven-Nation Summitry — an initiative which came from Europe — has provided a framework for dialogue at the highest level, though one in which only the Community's larger member states directly participate (the Presidents of the Council and Commission representing the Community as a whole). Relations with the East remain primarily a national prerogative.

2.13 The relative weight of Europe in the world has been shrinking, with the rise of Asia in economic and population terms, with the shift in American emphasis from the Atlantic towards the Pacific, and with the growing importance of the Middle East and the third world. But that is all the more reason for Europe to combine to maximize its influence in the defence and promotion of its own interests, not to minimize it.

The Community today

2.14 The European Community is now an established actor in the international system and in the politics of its member states. But it remains a half-built house, with many of the objectives set out in the Treaties still unattained; and, like its member states, it has proved slow in adjusting to changing economic realities. The customs union still holds, though weakened by national subsidies and administrative barriers. The common agricultural policy has been successful within its own terms, though modified by the development of monetary adjustments and increasingly open to criticism as the surpluses and the costs pile up. The common commercial policy remains the primary framework for trade relations with third countries; but member states have not allowed it to become effective in channelling the Community's economic relations with Eastern Europe. The picture with regard to Japan is not satisfactory either.

2.15 The Community budget remains as an instrument and a symbol of financial solidarity. But the 'own resources' system is threatened by internal controversies on *juste retour*, resulting in particular from rising agricultural production, and falling world agricultural prices. Meanwhile, new challenges have met with only halting responses. Economic divergence between the

member states undermines the sense of common interests and common benefits. National industrial policies undermine the principle and distort the functioning of the common internal market. Unemployment undermines popular confidence in the Community and weakens the fabric of West European society. Little by little, the accumulation of uncoordinated government decisions is eating at the foundations of the structure.

2.16 Yet no member state can do without the Community. There is no alternative national road to economic recovery. No West European economy is large enough to manage on its own the problems of industrial adjustment, technological advance, the creation of new forms of employment, and the conduct of external relations in an uncertain, unstable, and insecure world. *It is not enough to hold on to those common policies that the Community so far has; in order to maintain the benefits which European integration has given to the Community's member states, we have to move ahead with new policies.**

2.17 There was from the outset a link between the Community's internal development and its potential for coherence in its external relations. A common commercial policy necessarily followed from the customs union. In an international environment far more complex than that which faced the signatories of the Treaty of Rome, the link between internal cohesion and external bargaining power is even more important. In some areas — as, for example, the European Monetary System — the Community has moved towards common internal policies without developing parallel external common action. In others, such as relations with the oil-producers, it has attempted to achieve external solidarity without internal unity. The result, too often, has been inconsistency between national policies, criticism of the Community's inadequacies without an accompanying willingness to accept the transfer of sufficient authority to the Community's institutions to achieve the objectives demanded.

2.18 The Community has developed far beyond the traditional international organization in its tasks, responsibilities and institutional arrangements. But continuing disagreements over the balance of authority between the member states and the Community institutions have led to a tug of war between bureaucracies, with the Community hamstrung by the incompatible requirements of national autonomy and Community decision. On the one hand, national administrations obstruct and delay every stage in Community decision-making, even while they demand more rapid and effective Community action. On the other hand, the Commission is already suffering from the ills which afflict all bureaucracies. Fiefdoms have emerged, catering to their own clienteles: Community language has attained heights of obscurity which some countries have taken centuries to achieve. When it comes to implementation, the Commission is once more dependent on the goodwill and cooperation of the member states. The problem of Community decision-making is no longer how to protect the interests of member states; it is how to obtain decisions in the interests of all the members before it is too late.

2.19 So far European unification has developed within three strictly separated structures: the European Community and European Political Cooperation; the intra-European links within the North Atlantic Treaty framework

*In order to avoid duplications and misunderstandings about nuances, the authors have refrained from adding a chapter 'Summary and Conclusions'. Instead, policy directions and recommendations in the relevant chapters are shown in *italics*.

and, finally, the network of bilateral relations among the member states. The development of the European Council of heads of state and government has to some extent supplied an overall framework. But a Community which exists and progresses only so long as its ten heads of state and government meet together will necessarily move slowly. The European Parliament, with the legitimacy which comes from direct election, has usefully begun to address itself to the universe of Europe's internal and external demands. But even with a directly elected parliament, and with the symbolism of the European Council, the Community has become for the peoples of Western Europe a distant and soulless organization. If it is to survive, if it is to maintain and strengthen the loyalty of its member nations and their citizens, it needs to rediscover and demonstrate a sense of overriding common interests, to regain in far more difficult circumstances the dynamism with which it began — before it is too late.

3 Economic and Social Survival

3.1 The core of the whole process of European integration is the *Community* proper, organized around the central concept of the *common market,* with its 'four freedoms' — free movement of goods, but also of people, services and investment capital; with its common policies — most importantly, agriculture, foreign trade and competition; and with its 'own resources'. But the Community and its common market has also become the centrepiece of a vast network of economic arrangements, spreading throughout the world. Through agreements with its neighbours in the European Free Trade Association (Austria, Finland, Iceland, Norway, Portugal, Sweden, Switzerland) the industrial market of the European Community has been extended to the greater part of Western Europe. This is now taken for granted; but few people are aware that these arrangements also provide some elements of common policy. Thus, those EFTA countries which are important steel-producers follow the pricing rules and other disciplines of the ECSC; industrial free trade has been made conditional on the application, in the partner countries, of anti-trust and competition rules similar in their effects to those of the Community. Moreover Greece has become a member, while Spain and Portugal are negotiating for membership; Turkey has had for many years an association agreement. Cyprus and Malta are also close economic associates. The whole of Western Europe is thus linked, in various ways, to the Community.

The place of the Community in the world

3.2 The network of commercial and cooperation agreements that has developed around the Common Market extends much further than this. With the states around the eastern and southern shores of the Mediterranean, Libya excepted, the Community had concluded agreements on trade preferences and financial assistance by the mid-1970s. Since 1980, Yugoslavia has had a similar agreement. Almost all the states of Africa south of the Sahara have contractual links with the Community through the Lomé Convention, providing for financial assistance through the European Development Fund and preferential access to Community markets, as well as support for their export earnings in key commodities through the Stabex and Sysmin schemes. Most of the Caribbean states and a number of Pacific states are also members of the Lomé Convention, which thus includes most of the poorest, and the smaller and more vulnerable, developing nations. Within the framework of the Community's active development policies, the Community has also concluded a number of commercial and cooperation agreements with individual nations in Latin America and Asia, as well as with regional groupings in those continents — the Andean Pact and ASEAN. Community development funds have become available also for programmes outside the Lomé group. In contrast, the state

trading countries have only limited sectoral agreements with the Community, although both China and Romania have concluded general trade agreements with the Community in recent years. Economic cooperation with the non-European Western industrialized nations is pursued on a multilateral basis through the OECD and GATT, and through systematic bilateral consultation; with Canada this has led to a formal cooperation agreement.

3.3 The importance of the Community in the world economy is indicated by the figures in the statistical appendix. Excluding internal Community trade, the ten member countries account for nearly a quarter of total world trade. For the year 1980, Community external trade amounted to EC imports of US $380 billion, and EC exports of US $310 billion, on a gross domestic product of around US $2,400 billion. The USA, with a roughly comparable GDP, accounted for some $220 billion of exports and $240 billion of imports in the same year. Japan's trade figures were well over half those of the United States. The Community is thus a vital element in the international trading system. The United States is its most important single trading partner, with around 15% of its total external exports and imports. But, as a region, non-Community Western Europe is a far larger trading partner than the whole of North America, with some 33% of the Community's total external trade. The Comecon countries account for some 7%, of which about half is for the Soviet Union. Asia accounts for 20%, Africa for almost 15% and Latin America for almost 7%. Japan has only a small share of Community exports (2%), but is distinctive in the disproportion between those exports and its 5% share in Community imports, creating an imbalance which has led to much alarm. The developing world as a whole shares over 40% of the Community's external trade; it should be noted that the OPEC countries as a group have become a far more important trading partner than the United States.

3.4 These figures, reinforced by the ratio of Community trade to its domestic product, reflect the Community's extreme dependence on orderly international economic relations. In order to obtain the energy and raw materials which it needs, its members have to export goods with high value added to reliable markets with sufficient purchasing power. Among the major entities in the international economy, only Japan is more dependent on the international exchange of goods and services. For the Community as for Japan, the retreat to protectionism and semi-autarky is incompatible with a living standard anywhere near its present one, let alone with aspirations for further growth. A number of third-world countries have become powerful competitors in certain industrial sectors, causing adjustment problems for Community industries but at the same time generating new purchasing power in expanding markets. The importance that the Community has placed on the North-South dimension of its external policy is thus well-founded. *The Community must continue to play its constructive role to promote better equilibrium between the industrialized West and the third world.*

Inside the Community

3.5 Roughly half the total foreign trade of the member states takes place within the Community — though the proportion reaches as much as 70% for

some of the smallest member states. This high orientation of foreign trade to other Community partners of course reflects the functioning of the Common Market itself, over an extended period. All the member states have a vital stake in the proper functioning of the common internal market.

3.6 The internal situation conditions the external one, and vice versa: it is the free flow of goods within the Common Market which attracts third countries to negotiate for access, which in turn makes it possible for the Community to claim better access to third markets. If there is no really free flow of goods within the Common Market, the attraction for third countries to negotiate with the Community, rather than to seek deals with individual member states, disappears. Similarly, the Community's ability to negotiate rules to control industrial and export subsidies with other industrialized countries depends upon its ability to monitor and control the subsidies which its member states provide for industries in difficulties.

3.7 There are indeed a number of cases — especially in commercial relations with Japan and Eastern Europe — where the Community has not been able to replace the thicket of national import restrictions and voluntary export restraints with a common regime, so that controls remain in force at borders within the Community. Within the internal market, where the elimination of technical barriers to trade has made much progress, the proliferation of subsidies by national authorities to industries in crisis has not only distorted internal competition but also threatened reactions from the Community's trading partners. Recent tensions with the United States over European steel exports have demonstrated how dangerous such reactions may be. The cohesion of the Common Market, and therefore its position and bargaining power in the world, is thus threatened if member states themselves are allowed to bend the rules of the game. It is essential not to permit this situation to deteriorate further, and to redress it rapidly. *The preservation, consolidation and strengthening of the common internal market is itself a key factor in stemming the rising tide of protectionism throughout the international economy.*

Priorities for the Community

3.8 It would be a grave mistake to expect the Community to take on all areas of economic and industrial policy in which national governments now face intractable difficulties. In conformity with the principle of subsidiarité, the issues transferred to the Community level should be carefully selected, and should be strictly limited to those which national governments are less well equipped to handle on their own. Furthermore, the Community should never be asked to perform tasks without being provided with the necessary instruments of decision-making and implementation. This sounds self-evident, but has constantly been ignored.

3.9 How, then, can the Community contribute better to the solution of the major economic problems of today — the absence of growth, industrial readjustment and, above all, unemployment? Twelve million people, considerably more than that part of the Community's active population engaged in agriculture, are now unemployed. The increasing proportion of unemployed young people, and the lengthening time between jobs for those who do finally

find an occupation, is even more alarming. High unemployment is a very dangerous illness of today's society; it results from rapid and major technological transformation, combined with a shifting new international division of labour. These structural changes have been aggravated by a chain of failures in macro-economic policy and by the collapse of the post-war system of policy co-ordination between the major industrial powers. The governments of the Community face a choice. If responsibility for these macro-economic policies (monetary, fiscal, budgetary, prices and incomes) remains clearly with national governments, in that case the Community can at best provide a framework for renewed and more serious attempts at coordination of national macro-economic policies. It must then make the best of that ungrateful task. If, however, our governments choose that the Community perform significant functions in macro-economic policies, then they must accept a limitation of national autonomy in this field which up to now they have denied.

The European Monetary System

3.10 In this context, the existence of the EMS, even in its present incomplete state, has become an essential asset. Not only has it created a zone of relative monetary stability — which stretches even beyond the boundaries of the Community itself — in a period of international monetary turmoil, but it has also put pressure on the participating member states to exercise the self-discipline needed to maintain their currencies within the system.

3.11 Notwithstanding domestic difficulties, resulting, *inter alia,* from differing approaches to contemporary economic and social dilemmas, policy adjustments *have* been made and common actions *have* been taken by successive European governments to hold the EMS together, even though exchange-rate adjustments have been accepted too easily and too frequently. Bitter experience has taught governments that none of them can, with impunity, remain too much out of step. *A common market with common policies can be viable in the longer run only within a coherent framework of macro-economic and monetary policies.* Monetary instability and incoherent or divergent economic policies create unpredictability, and thus hamper longer-term trade planning and investment; they make it impossible to reap the full benefits from the existence of the market.

3.12 *It is therefore essential to improve coordination of member states' economic policies, not simply to exchange information.* The necessary instruments do exist on paper in the Council of Finance Ministers and the Monetary and Economic Policy Committees. They must be used. *Progress along this road must be undertaken in order to enable the Community to pass as fast as possible to the second phase (the so-called 'institutional phase') of EMS,* providing for the pooling of reserves, the creation of an effective European Monetary Fund, and leading to a significant role for the ECU. The Fund would in turn contribute in a major way to the strengthening of economic policy coordination.

3.13 A further goal of EMS is to create conditions for a common European policy towards the US dollar and the Japanese yen, as well as an effective European input to efforts to re-establish a more orderly international monetary system.

3.14 *The EMS must therefore be regarded from now on as a central element in Community policies, rather than an optional extra. This implies that, of the three Community member states that are not fully integrated in the system, the United Kingdom in particular must assume all the responsibilities and the obligations of full membership.*

3.15 As a parallel policy, renewed and concerted efforts must be made to promote greater economic convergence between member states and regions. Within the scope of existing instruments, facilities are available to the Community (such as the Regional and Social Funds, the European Investment Bank and the New Community Instrument). Through such instruments, the Community can, admittedly to a limited degree, contribute to a reduction of the structural differences between the richest and the poorest regions.

Completing the internal market

3.16 But *the single most important action the Community can take in response to rising unemployment and falling GDP is to save the Common Market from pernicious anaemia.* We remind those who indulge in the go-it-alone rhetoric of national protectionism of the main types of welfare benefits that follow from participation in the Common Market, which would be lost by its disintegration:

- 'trade creation' effects through the establishment of the customs union;
- the effects of economies of scale directly linked to the effects of intra-trade within industrial sectors, leading to increased specialization among Community firms and enhanced competitiveness in world markets;
- increased technical efficiency in previously sheltered sectors;
- mitigation of the effects of *de facto* monopolies;
- larger choice of product varieties for the consumer, at lower costs;
- the benefits of increased direct investment between Community countries themselves (which has reached a level approximately equal to American direct investment in the Community).

Even such an outline list gives an idea of how much is at stake in terms of welfare and employment when we speak about defending and developing the Common Market.

3.17 It is time to breathe new life into those parts of the EEC Treaty which have not yet been implemented. *The Community must at last take seriously its own Treaty obligations about the freedom to provide services, such as banking and insurance.* The way in which this part of the Treaty has been neglected, especially by those who proclaim themselves the strongest advocates of a free economy, is unacceptable and detrimental to the cohesion of the Community.

3.18 *The Treaty provisions about a Common Transport Policy must also at last be implemented,* in order to remove another important obstacle to the proper functioning of the internal market. Then there are still manifold technical and administrative barriers to the free flow of goods, stemming from differences in safety, health and other standards between the member states. Only through an appropriate harmonization of the national provisions in question can these — old, but also new — obstacles to economic dynamism be removed.

Long queues of lorries at the border posts within the Community bear witness to what still has to be achieved. *The programme for the unity of the internal market, drawn up by the Commission and endorsed by the European Council in Copenhagen in December 1982, must now be implemented without further delay.*

Industrial policy

3.19 The persistent recession, combined with the rising share of the developing countries in world industrial exports, has confronted industries in the Western countries, in a growing number of sectors, with rapidly diminishing markets. Market forces alone have often failed to bring about the necessary restructuring of such industries. Even those governments which profess their commitment to economic liberalism have been unable to resist pressures to maintain obsolete structures, rather than smoothing and assisting the necessary transition. This has led to an unprecedented funding of industrial losses by national treasuries, and to the mushrooming of uncoordinated interventions by member governments. A dangerous situation has arisen in at least two respects:

- for the functioning of the Common Market, conditions of competition being distorted and 'renationalized';
- for the future of European industry, the national framework becoming simply too narrow in many cases to allow the development of an appropriate industrial policy in such new sectors as computers and information technology.

But it has often seemed easier to achieve industrial integration with entities outside the Community than with the firms of other member states. *Industrial policy at Community level should vigorously pursue efforts to curb the self-defeating and costly financial interventions by member governments, allowing only temporary state aid according to rational criteria clearly defined.*

3.20 Apart from steel, in which the Community plays an important role, industrial sectors where a restructuring process is under way include, notably, shipbuilding, oil-refining and the production of bulk chemicals. *Community industrial policy should systematically promote the development of European industrial structures adapted to the present and prospective realities of the world markets, taking full advantage of the dimension and the potential of the European Common Market.* The motor car industry, still organized predominantly on national lines, also faces the need to adapt to a rapidly diversifying and intensely competitive international market. Also in sectors with a high potential for innovation and growth, integrated — or at least coordinated — approaches are necessary instead of development within the national framework of member states. These sectors include, *inter alia,* aerospace, microelectronics and biotechnology. Industrial restructuring programmes do of course require the full cooperation — if not the initiative — of industry itself, which implies thorough consultation between the social partners.

3.21 Apart from its classical 'referee' role, implying continuous scrutiny over national aids and subsidies, *the European Commission should concentrate on the following policy approaches:*

- *standing ready to play a conceptual role,* encouraging and helping the sectors concerned to devise new strategies and to implement the necessary programmes, if necessary through authorization of *ad hoc* restructuring arrangements on an industry basis;
- *harmonizing standards,* as well as environmental requirements, to eliminate distortion of competition and fragmentation of markets;
- *promoting a European dimension to public purchasing policies,* especially where relevant to advanced technology;
- *when necessary, assuming the 'fireman' task* in relation to industries in full crisis, as it has in steel, in terms both of internal and of external measures;
- *devising appropriate social measures,* to ease the process of adjustment for redundant workers by means of Community funds.

3.22 The Community has already done a considerable amount to promote and help finance research and development. The ESPRIT programme in the field of information technologies provides a valuable recent example of Community activity, for which the preparatory phase is now in process of final approval by the Community institutions. This has been worked out in close contact with industry, and the precompetitive R&D projects will be open to the participation of all interested parties, with the Community paying up to 50% of the costs. In addition, without any major extension of its current powers, the Community could and should enlarge its programmes through, for example:

- *increased support for basic science and its applications,* promoting joint research programmes in such areas as microelectronics and biotechnology;
- *encouragement for training and retraining in technology and applied science* — particularly important as a European initiative in a time of recession and unemployment.

3.23 The Community's financial instruments — the European Investment Bank, the New Community Instrument, and the Community itself through ECSC and Euratom funds — must play an increasingly important part in promoting European industrial policy through the financing of investment. The Community's financial instruments have been, and are currently, mobilizing substantial funds for earmarked investments in new industries.

Energy policy

3.24 In view of the political, economic and social importance of energy in the modern world, the Community's inability to develop and implement a vigorous, effective energy policy represents its most outstanding failure in the 1970s and 1980s. Community energy policy has never developed beyond a piecemeal approach, with a series of incentives for research and development, a framework linked to the IEA for sharing supplies under crisis conditions, a number of general targets aimed at reducing dependence on imported oil, and priority for investment funds under the New Community Instrument. Even without a coherent overall approach on a Community-wide basis, the dependence on OPEC oil has been significantly reduced through innovation, investment and conservation.

3.25 The momentum of reducing dependence on imported oil must be maintained. This can be done only if the extremely expensive and risky exploration and exploitation of the new resources, oil and gas as well as alternative energy, is not frustrated by short-term fluctuations in oil prices. This is going to be extremely difficult now that the oil market has become volatile, like most raw material markets. In the current downward phase a number of large projects are being put off, increasing the risk of later price upswings. *There is therefore a strong case for Community policies to contribute to more stability in oil prices. The Community should now prepare a contingency plan for a possible collapse of prices. One solution would be a floor price system.* A Community stand on this matter is also vital, with a view to the coordination of policies within the International Energy Agency.

3.26 As we argued above, the Community has suffered through its failure to treat the gas deal with the Soviet Union as a matter of common policy. This should serve as an incentive to develop *a Community, rather than a national, approach to the future exploitation of northern Norwegian gas reserves. In the context of future North Sea development, it is also important to link the United Kingdom to the continental gas grid.*

3.27 Reduction of dependence on imported oil remains a priority objective of the Community. Failures or successes of individual member states in such ventures affect the Community as a whole. Nuclear energy constitutes an available energy alternative, besides coal, to reduce oil imports, without having the short-term consequence of coal for acid rain or the possible long-term impact on climate change as a result of burning fossil fuels. Significant differences in developing nuclear energy among Community member states could, moreover, affect competition within the Community by creating significant cost advantages for countries with high shares of nuclear energy.

Employment

3.28 It seems evident that even the boldest policies to strengthen the Common Market, to stimulate innovation and investment, and to regain growth do not offer the prospect of absorbing Europe's very high rates of unemployment within a reasonable timespan. The search for remedies on the supply side of the labour market will therefore become stronger and stronger. It is essential that the ongoing debate about these problems is carried out, not in isolation, but in common. No individual European nation could allow itself to embark upon policies of work-sharing, significant reductions of working hours and working life, with probably unavoidable reduction in real income, without a very strong degree of coordination with the other member states. Without that coordination, competitive positions would be destabilized, creating additional strains on the fabric of the Common Market itself — which would threaten to worsen the unemployment situation, not improve it.

The common agricultural policy

3.29 The shortcomings of the CAP have often been attributable more to its implementation than to its principles. It is too easy to attribute the creation of

surpluses to the bureaucrats in Brussels, when the responsibility for the compromises on price levels and on the management of import and export mechanisms lies with the unanimous decisions taken by representatives of the member states in the Council of Agricultural Ministers and elsewhere. Heads of state and government who wish to criticize uncontrolled increases in spending should take their protests to their own colleagues in government.

It is undeniable that reform of the CAP and of its management is now necessary. To take the example of milk products, from which so many of the surpluses arise: there is no practical limit to potential milk production using modern techniques, relying almost totally on imported feedstuffs, no longer dependent on the size of the farm or the quality of the grazing. There is thus no reason why the productivity figures reached in some of the Community's northern countries could not in time be matched throughout the Community, creating an untenable situation. The Community must therefore limit, by some means or another, the quantities for which it will give a full price guarantee. Indirect limitation of these quantities solely through holding down the price-level would lead to unacceptable reductions in the incomes of small farmers; these would need to be supplemented by other measures of income support.

Analogous problems arise, in less acute form, for other products; and Spanish entry will raise really difficult problems unless new policies are adopted for the olive oil market. *There is no alternative to bringing, and keeping, output under control; there can be no open-ended commitment for surplus production. Nor can the Community dissociate its price-level too much from world prices.*

3.30 We do not advocate abandonment of the CAP; that would be politically impossible, apart from being economically undesirable. The renationalization of agricultural policies would result in a fierce competition between subsidized national regimes, greater disorder on international markets and most probably increased overall expenditure. The CAP has therefore to remain an essential element of the Common Market, adapted to meet the altered circumstances of the 1980s.

3.31 The Community has begun to address itself to adaptation and reform in recent years, but it has much further to go. The Commission has played a positive role, with the Council of Agricultural Ministers systematically dulling the edge of the measures proposed, and the European Parliament inclined to plead for excessive price-levels for agricultural voters rather than address itself to the wider issues.

The emerging awareness of the dangers of the CAP getting out of control is evident in a number of policy elements contained to a greater or lesser degree in recent market regulations:

- the concept of maximum production targets, leading to punitive measures if that target is exceeded;
- the mechanism of co-responsibility levies, imposed on excess production, which amounts to a reduction of the price guarantee beyond a certain level of production;
- a graduated price guarantee mechanism, reducing the price guarantee beyond a given level of production and eliminating it at a level beyond that — so far only included in the regulation of the sugar market;
- the concept of income support for small farmers, totally new within the

framework of the CAP, allowing the Community to fix prices at a lower level than would otherwise be possible.

It is essential that mechanisms along these lines be further developed and made fully operational in order to avoid costly surplus production, to eliminate the need for aggressive export policies and to stabilize the agricultural expenses under the Community budget. These objectives are vital for the internal functioning of the common agricultural market as well as for the international position of the Community, which has encountered problems as a result of its agricultural export policy. The confrontation with the United States demonstrates that there are limits to the Community's ability to resolve internal difficulties by pushing surplus products on to the world markets.

3.32 Monetary compensatory amounts were introduced to take account of currency fluctuations. Their excessive and prolonged use has led to artificial trade flows and thus to artificially enhanced production. This distortion of the internal market must be checked. *Monetary compensatory amounts must be degressive and strictly limited in time after each adjustment in exchange rates.*

The Community budget

3.33 It is essentially the high figure of expenditure on agriculture — well over 70% of the budget in 1977, and by now under 65% — which has given rise to British complaints about its share in the Community budget, which in turn have led the Federal Republic to claim a reduction of its otherwise big share in the compensation given to the United Kingdom. The Community has spent an inordinate amount of time and energy on this matter. Worse than the problem itself have been the rigidity of the positions taken and the rhetoric used to defend them; that rhetoric has done more harm to the Community idea than any previous dissension between member states. It has spread more widely the notion that net payments into the Community budget, or net receipts, are a correct yardstick for the overall benefit which countries draw from Community membership. The heart of the Community remains the common market, not the limited budget; the budget itself does not account for the important financial flows generated by the European Investment Bank, the New Community Instrument, the funds of Euratom and the European Coal and Steel Community and of the European Development Fund. Now that a temporary arrangement has been found for compensation to the United Kingdom and Germany, Community leaders must avoid further repetition of this haggling over the budget, which could well embitter the whole atmosphere of the Community and distract attention from any constructive approach to the major social and economic problems confronting the Community.

3.34 We have argued above for increasing expenditure on other Community policies than agriculture, in, for example, the Social and Regional Funds, and in the framework of energy and industrial policies, particularly on research and development. But the relatively small share of these other policies in the current budget, and their low redistributive effects, limit the extent to which they can provide a counterweight to agricultural expenditure — even if the Community were to succeed in freezing the sums spent on agricultural support from now on. It is therefore impossible to resolve the budget problem within

the foreseeable future by reorienting expenditure alone within the limits of the present ceiling of the 1% VAT contribution. *The moment is approaching when that ceiling will have to be raised in order to accommodate the further development of Community policies and the needs of the third enlargement.* However, the necessary precautions will have to be taken in order to permit only very gradual increases during the present period of severe budgetary pressure for all national governments.

3.35 *The Community must therefore reconsider the revenue side of the budget, as well as expenditure. This becomes even more important in the perspective of Portuguese and Spanish accession.* Portugal will indeed encounter similar problems of budgetary disequilibrium to those of the United Kingdom within the existing Community system.

3.36 Of the three main sources of Community revenue (currently nearly 25 billion ECU) — agricultural levies (some 9% of the total), customs duties (30%) and a share in each member country's VAT (55%) — the agricultural levies and customs duties stem directly from Community policies, and are collected by the country where the product passes the customs, rather than in the country where it will be consumed. By contrast, the VAT contribution, at present just under 1%, comes directly from the economies of the individual member states, and is directly linked to sales of goods and services in those countries. The system adopted in 1970 was based on a flat single rate; in a Community with very different levels of prosperity, as the Community of Twelve will be, a strong case can be made for a progressive system of taxation, for instance by varying the VAT rate according to the GDP per head in the different member countries. The exact modalities of the system are less important than the principle: *what counts is to have an objective and equitable system,* instead of horse-trading each year about arbitrary levels of compensation and counter-compensation.

3.37 On the basis of purchasing power parities, and of the 1980 data for GDP per head in OECD countries, the variation among the present and future member states is significant. Taking 100 as the Community average, West Germany stands at 115, France and Denmark at 111, and the three Benelux countries at 106, 105 and 120, all above the average; below the average are the UK at 93, Italy at 88, Ireland at 62, and Greece at 57. Spain stands at 71, and Portugal at 45. *These differences justify a progressive revenue system* if the notion of fairness and equity which is accepted within nation-states is extended to the Community, in other words if the Community is a real community. As its logical counterpart, the notion of Community implies acceptance and observance of the common rules and disciplines.

3.38 Such a system, combined with new areas of expenditure — oriented, *inter alia,* to assist the poorest regions — and with Britain's increased share in agricultural expenditure, would go a long way to end the budgetary quarrel, as well as to anticipate the budgetary problems of new members. Since the change in system will require ratification procedures in the national parliaments, it would be logical to combine it with the accession treaties; once agreement on the long-term principle is reached, it will become easier to devise transitional arrangements geared to that principle.

Enlargement

3.39 The Spanish and Portuguese applications for membership are predicated on their accession to a dynamic Community capable of accommodating their economies within the framework of the Common Market. Their applications raise some very difficult problems for the Community, and complicate issues already on the Community agenda. In order to make the third enlargement a success, the Community will have to be flexible, accepting rather more systematically than hitherto a differentiation of policies geared to the particular characteristics of the Spanish and Portuguese economies. Transitional arrangements will also have to have a degree of flexibility, taking into account the risks inherent for both sides in the current world recession. But at the same time these arrangements must not undermine the nature of the Common Market which Spain and Portugal are joining, which is characterized by integration, not just by cooperation: the discipline of Community rules and procedures is even more essential in a Community of Twelve than in a less diversified and heterogeneous Community of Six. The Community *acquis* must be accepted by all; but the defence of the *acquis* by the existing members must focus on the essentials of the Common Market, and not on fringe benefits. As we argued above, in the context of enlargement, if not before, the 1% ceiling for VAT contributions to 'own resources' will have to be raised. The member states have committed themselves in principle to the accession of the Spanish and Portuguese democracies to the European Community. *It is imperative to break the stalemate of negotiations in the current year.*

4 Peace and Security

4.1 The creation and evolution of the Community cannot be dissociated from important considerations of peace and security; but many argue that security is too sensitive to become a subject-area of European policies or institutions. Did not European unification suffer its gravest setback when it tried to tackle the issue with the European Defence Community? Others argue that today any addition of security functions would be fatal to the Community.

4.2 In reviewing this problem, we take as our point of departure a modern notion of security which comprises not only the dimensions of military defence but those of economic survival, internal freedom, and the lowering of tensions and management of conflicts.

4.3 Since security remains the most sensitive of all the national policies where traditionally national sovereignty and independence have been adamantly defended, we are aware that in this area, even more than in others, the diversity of positions and policies among Community members is likely to render any attempt at Community approaches very difficult indeed: two members are nuclear powers, permanent members of the UN Security Council, and still have some responsibilities outside Europe; none of these characteristics apply to the others. Nine countries are NATO members (with France and Greece outside military integration); Ireland has adopted a particular form of neutrality. Perceptions and priorities as to relations with the United States, with the Soviet Union, or regional priorities differ considerably. None the less, we believe that developments in the contemporary world call for a considered attempt to advance towards Community approaches in the field of security policy.

4.4 *We share the belief that the time has come for the European Community to examine the problem of peace and security, to clarify the issues at stake, and to develop and assign new responsibilities in this field to European groupings and institutions within the framework of common Western approaches.* We feel encouraged in this belief by the ongoing public debate in which some of the established concepts of conventional and nuclear defence and their underlying philosophy are questioned. For we are convinced that by introducing a European dimension into the debate the chances for rationality and the re-establishment of consensus could be improved.

4.5 With the enlargement of the European Community to ten members and the forthcoming accession of Portugal and Spain, a new constellation emerges: for the first time in post-war history the European Community (leaving on one side the case of Ireland) comes near to comprising the European members of NATO (except for Norway and Turkey). Hence the possibility of a more balanced alliance between North America and Western Europe comes into view, in which the European Community would become the basis for the European pillar. Though this structure does not yet correspond to the 'partnership of equals' once evoked by John F. Kennedy, the logic of a two-pillar alliance

should encourage the Community states to reach joint policies in the field of peace and security.

4.6 The member states of the Community have worked together on many aspects of foreign and security policy, since 1970, through the informal framework of *European Political Cooperation,* which in fact is a structure for diplomatic cooperation. This loose network of meetings of foreign ministers and officials first demonstrated its value in the Conference on Security and Cooperation in Europe, in Helsinki and Geneva, between 1973 and 1975. It suffered in its early years from the insistence of some member states on a rigid separation between consultations within the EPC framework and the Community's external relations, which has hampered the development of coherent European policies towards the outside world. Since the mid-1970s it has developed a more extensive pattern of exchanging information, of regular consultation and of common action: concerting votes in the UN General Assembly, making common reports and common démarches in third countries. In 1980 it served as the framework for European initiatives on Afghanistan and the Middle East.

4.7 We acknowledge the useful but limited contributions which European Political Cooperation has made to concerting national responses to external developments. It has enormously improved the level of information which member governments have of each other's attitudes and intentions, and has thus raised the level of mutual understanding and trust. *We welcome its closer links with the Community proper, with the acceptance of Commission participation in EPC working groups, and with the abandonment of rigid distinctions between Councils of Ministers and foreign ministers' meetings. European Political Cooperation is, after all, a supplement to a Community structure the effectiveness of which depends on the strength and further development of the Community and its policies. It can thus be open only to full members of the Community.*

4.8 We regret that successive recommendations to strengthen the commitment to common conclusions and common actions, from the Tindemans Report of 1975 onwards, have been ignored by heads of state and government. *The Genscher-Colombo proposal, which builds on the London Report adopted in 1981 and provides for a minimum of desirable improvements, in particular the inclusion of security questions in European Political Cooperation, must be supported.* Political Cooperation, in its current state of development, provides a useful starting-point for common European action in foreign and security policy; but it is only a starting-point.

THE FORGOTTEN FUNCTIONS

Europe as a peacekeeper

4.9 Many have forgotten that the desire to create lasting conditions of peace within Western Europe was the most important driving force behind the creation of the European Community. The containment and dissolution of the 'classical' aggressive intra-European nationalism that had been responsible for a history of wars and bloodshed, of suffering and destruction, had been the prime target of the European movement, and of the political majorities in

Western Europe that backed the courageous politicians who created the first European institutions. The Schuman Plan that led to the European Coal and Steel Community not only treated Franco-German reconciliation as the centrepiece of a new structure, but explicitly aimed at the creation of conditions which would make war among the participants improbable, if not impossible. Today violence in the form of war between West European countries has become unthinkable, absurd or ridiculous, depending on the viewpoint. Western Europe today forms a genuine 'security community'.

4.10 European integration has become the indispensable precondition for a *modus vivendi* on the German problem and thereby a crucial element of stability in Europe. The European Community provided an essential framework for the resurgence of West Germany as a respected member of the international community and became both a focus and a field of activity and successes for its national energies and aspirations. West Germany's integration in the Community therefore weakened, for the Western part of the country, Germany's historical position of being placed between East and West by establishing manifold and intricate links between the Western democracies' system of values, political life and economic well-being and Germany's. It is hard to imagine how this state of affairs could have been reached without European integration.

4.11 Few in the younger generation who have made peace their prime concern, and to whom the creation of the Community is a matter of history books, today realize that the European Community represents the greatest success of that early post-war European peace movement which grew out of the bitter experiences of occupation, fratricidal conflict and extermination programmes of World War II. Peace within Western Europe is taken for granted by the children of the same Europeans who were called upon to kill each other. Few also are aware that the European Community is the embodiment of many years of hard labour to turn Western Europe into a zone of peace.

4.12 The Greek-Turkish tensions represent a deviation from this pattern. They existed outside the Community; with the accession of Greece to full membership, the Community will have to be concerned more directly with their ramifications and, hopefully, will help to resolve them.

4.13 To many young people concerned about peace, the positive meaning of Europe comprises little more than freedom of movement and a community of life-styles, combined with some vague negative notion about a distant bureaucracy in Brussels. But the European Community is the centrepiece of the structure of peace within Western Europe, and one that exists, not as a permanent gift from heaven, but as a man-made work which needs constant support from all those who want to preserve its achievements.

4.14 Yet achievements and progress need not be permanent! Too many cemeteries testify to the foolishness of men who forgot the lessons of history. Nobody can predict with certainty what would happen if the European Community were to fall apart. But one should not assume that a Western Europe in which nationalism continues to be an active force in politics would not be capable of lapsing into a state of disintegration and growing conflict if the European institutions were undermined or destroyed.

Europe as a guardian of democracy

4.15 Security comprises not only protection against external aggression but a capacity to determine freely ones' own domestic policies. Such a freedom can be realized only in a democratic system whose freedom of self-determination cannot be restricted by pressure from outside or social and political instability from within.

4.16 In terms of probability, threats to West European security arise less from external military pressure on the central front than from the inability to solve urgent social and economic problems, and from the resulting potential for internal instability. To be sure, the military element of the Atlantic alliance forms a protective shield behind which the members can deal with these problems. However, they cannot be solved by soldiers or military equipment, but only by adequate social and economic policies that promote prosperity, and by measures of Community solidarity.

4.17 In this sense the European Community has become, in addition to NATO, a decisive precondition for preserving democracy for all those countries that face the potentially destabilizing impact of grave social and economic problems — and these comprise not only the present and future Community members to the south.

4.18 The relevance of the Community to the socio-economic preconditions of democracy becomes obvious if one imagines for a moment what would happen if Community policies disintegrated and the previous barriers to economic interaction were re-established. The result for the interdependent economies would be a disastrous disruption of economic life. It is doubtful whether the democratic order would withstand the ensuing strains. A functioning European Community, therefore, remains an essential socio-economic precondition for securing the internal freedom of West European societies against a breakdown of democratic order.

NEW DIMENSIONS OF EUROPEAN SECURITY

Détente and arms control policies

4.19 During the 1960s and 1970s the previous definition of security as protection against Warsaw Pact attacks through appropriate defence was increasingly complemented by a second meaning of security: a lowering of tension and of the probability of conflict through diplomacy, arms control and limited cooperation with the adversary. The Western notion that under modern nuclear conditions the prevention of war, in particular of nuclear war, should be a common goal of East and West was in the profound interest of Western Europe. For in Europe the two alliances confronted each other with the greatest concentration of military power anywhere in the world. If war were to break out here or spread to here, destruction in the densely populated areas of Europe would be enormous. This interest has remained a persistent trait of European diplomacy, up to the present transatlantic dialogue on East–West relations.

4.20 A second element of Western détente policy has been the attempt to introduce limited, mutually advantageous, cooperation in various fields such as trade, investment, technology transfer, cultural and scientific interchange, increase in communication, emigration and travelling. The purpose was to lower the human cost of the East-West division, to produce mutual benefits and hopefully thereby to work towards stabilizing the East-West relationship. Western Europe has always taken a special interest in the cooperative element of détente policy because of the strong historical links with the peoples of Central and Eastern Europe, particularly pronounced, of course, in the case of Germany.

4.21 In the Conference on Security and Cooperation in Europe (CSCE) the European Community has, for the first time acting as a group in a major East-West conference, jointly conducted security policy. To be sure, all moves were closely coordinated with the Western partners, notably the United States, but for the first time the Community developed a will and a profile of its own in this area. The field of arms control — with the exception of confidence-building measures in the CSCE — has so far been treated by members of the Community only in their individual capacity or as members of other groups, such as MBFR. But the other areas of East-West relations have since then remained the subject of European Political Cooperation, notably in the CSCE follow-up conferences in Belgrade and Madrid, thus reflecting a new role of the Community in a vital area of security policy.

Economic security

4.22 The European Community as well as the Atlantic alliance could initially afford to ignore questions of economic security and dependence on outside supply; vulnerability to interruptions of supply was not an issue. Although the Arab-Israeli wars of 1956 and 1967 should have thrown the comfortable assumptions on safety and growth into question, the lessons were soon forgotten.

4.23 Ironically, the very success of the build-up of the European Community and the Western system of economic cooperation enhanced, indeed created, the problem of security as we see it today. The preceding chapter has shown how the European and Western economies became more and more dependent on each other as well as on the outside world. By the beginning of the 1970s, the functioning of the European Community had come to presuppose economic security: i.e., a state of affairs that secures the orderly functioning of sources of supply and markets which are so essential that their interruption or closure could lead to a breakdown of social and economic order (with potentially grave political consequences).

4.24 The Arab-Israeli war of 1973, the ensuing oil boycott and the (perceived) shortage of oil turned economic security into a major concern of European and Western policy. In the absence of a Community energy policy, a number of governments sought salvation in national unilateralism. Since then the Community has taken steps in the right direction, through the establishment of some common mechanisms, together with other Western states, in the framework of the International Energy Agency and OECD.

4.25 Nevertheless, the question of economic security remains a paramount political concern for the Community, for the following reasons. First, given the internal interdependence of the Community's members, there can be no isolated national economic security policy. Consequently, the functioning of the Community is a precondition for the economic security of its members. Second, in relation to the Community's dependence on outside sources of strategically important supplies, its bargaining power as a group is infinitely higher than that of single members. Third, the conditions of supply are in the last analysis unpredictable in a real crisis, and under those circumstances the existence of a Community with a common approach would prove a valuable asset.

Crises in the Middle East

4.26 For about three decades Europe was the central focus of the East–West conflict. European contingencies, notably a Warsaw Pact attack in Germany, were the prime concern of the West, resulting in institutions, military structures and habits of cooperation. This picture drastically changed in the 1970s. In terms of probability of conflict, today the greatest threat to stability arises, not in the area of Central Europe for which NATO was originally created, but outside its perimeter in the Middle East. This is reminiscent of the Balkans situation at the beginning of the twentieth century and its relevance for the outbreak of World War I.

4.27 The threat is of a twofold nature. First, any conflict in the Middle East involving the Soviet Union could escalate and spill over into Europe. Second, Europe's dependence on the supply of Middle East oil is so considerable that any interruption in the flow of oil would quickly cripple the European (and Japanese) economies. The United States could survive for longer because of its lower dependence on the Middle East. This does not, however, mean that it would be an entirely European and Japanese matter to try to secure the supply of oil from the Middle East, for a breakdown of the economies of Europe and Japan, America's two most important allies, would have serious repercussions for the United States as well. It would therefore be not only 'European oil' that America would be called upon to protect.

4.28 Whereas a relative stability between East and West in Europe is secured by a functioning deterrence system based on nuclear and conventional defence, on clear demarcation lines and on effective political authority with relatively rational behaviour on the part of politicians and bureacracies, all of these factors are in great shortage in the Middle East. It is the combination and accumulation of four sources of conflict which make this region extremely volatile: (i) the possibility of an East–West confrontation in the Middle East; (ii) national, religious and ethnic rivalries; (iii) revolution or internal disruption; and (iv) war between Israel and the Arabs.

4.29 These threats cannot be dealt with by expanding the geographic scope of NATO to the Middle East. Leaving aside that such a proposition would not find domestic majorities on either side of the Atlantic, a proposal of this kind is almost impossible to implement, for it is not clear who is to be protected against what.

4.30 However, the members of the European Community can no longer afford to neglect what has become as important a security risk as the military challenge in Central Europe. In most West European countries, plagued by economic recession in the midst of a debate on nuclear weapons, these issues have been sidestepped, played down or given little attention. Although there have been some elements of a concerted approach (to which we shall return later), the prevailing tendency in Europe is still to wish a crisis away or to hope that the United States will somehow take care of it and allow Europe to enjoy its 'free-rider' position. Nevertheless, it can be taken for granted that there would be sharp criticism in Europe if the United States, left more or less alone to act, were to do so unilaterally.

Changing perceptions

4.31 Differences of opinion on issues related to security matters have grown in number and scope between Europe and America. To some extent this is an inevitable, if not a natural, process; for the alliance relationship has developed since the days when only matters of East–West relations in Europe were at the centre of internal relations. Today global politics, including relations between North and South, regional crises in every part of the world and notably various crises in the Middle East, have also become the content of alliance diplomacy. Not surprisingly, the items of divergence have grown as a result, though the media and the public debate have tended to exaggerate their importance in comparison with the strong common interests which remain.

4.32 Nevertheless the various differences of opinion reveal a certain pattern which suggests that there are now more distinctively European perceptions — different from, sometimes even opposed to, American perceptions. In some cases they reveal distinctive interests.

4.33 Détente policy of the 1970s is not seen in the same way on both sides of the Atlantic: whereas prevailing opinion in the United States tends to regard it as a failure, the majority of Europeans are inclined to acknowledge that it has had limited, though notable, successes in a number of areas. Many Europeans would even argue that it had benefited the United States, for example with regard to the stabilizing effect of the Four-Power Agreement on Berlin. This difference of opinion is related to a stronger European interest in preserving a modicum of the achievements of this period, particularly in the Federal Republic of Germany, but also in the rest of Western Europe.

4.34 On economic relations with the Soviet Union differences of opinion between the United States and its European allies are equally pronounced and quite burdensome. The United States and Europe agree that the West should not provide militarily relevant technology to the Soviet Union; however, the application of the principle becomes difficult in a number of grey areas. More important, the prevailing American opinion that trade can be used to extract political concessions from a Soviet Union that is considered to be in deep economic crisis is not shared by a majority of opinion in Western Europe. West European opinion is not homogeneous on the issue of credit terms, but on the question of the effectiveness of sanctions there is a West European consensus which is opposed to the views of the US Administration.

4.35 As a result of these basic differences and of the operational disagreements in the wake of the Polish crisis, dissatisfaction with its European allies had grown to unprecedented proportions in the United States. For the first time, even conservative columnists and politicians have begun to express public doubts about the value of NATO — a question that has not been raised from this quarter on the European side. This growing impatience and decreasing tolerance of differences with Europe is probably a long-term trend, related to the shift in American politics to the West and the South.

4.36 In Western Europe there is a corresponding dissatisfaction with recent developments in the United States. American scepticism about détente, arms control and continued economic relations with the Soviet Union, in combination with a vigorous policy of rearmament and a certain carelessness in talking about the prospect of limited nuclear war in Europe, as well as Administration attitudes towards the third world, have strengthened a strand of opinion in Europe, not limited to the peace movements, that is highly critical of the prevailing ideological stand of US policy.

4.37 Although it is difficult to predict how these changes in perception will develop, they point to *a differentiation between the United States and Europe,* involving a certain decline of Europe in the American security perception, and some strengthening of the European distinctiveness in important areas of security policy.

A EUROPEAN SECURITY POLICY

An independent European defence?

4.38 Any thinking on European defence has to take as its point of departure the continued relevance of the conflict between East and West in Europe. Contrary to the hopes of the 1970s, the confrontation between the Soviet Union and the West is going to stay, both in terms of a power struggle between two superpowers present on European soil and in terms of a conflict between two irreconcilable ideologies, that of a totalitarian system and Western democracy.

4.39 There has never been a powerful movement for independent European defence, independent and separated from the Atlantic security structure with the United States and Canada. Even the European Defence Community, in fact backed by the United States, was part of an Atlantic scheme. What was a matter of debate since the 1950s was only the degree of European identity and role within an Atlantic set-up. After all, the Western European Union, the only example of European efforts, has existed in its present form ever since Germany became a member of NATO.

4.40 Today there are once again voices arguing that there should be a European defence structure as a reinsurance policy against a withdrawal by the United States from present commitments. Are there not the beginnings of a revived campaign for troop withdrawal in the US Senate, though still significantly weaker than Senator Mansfield's efforts in his days? Do not the growing disagreements, the increasing impatience and anger with Europeans, suggest that a turn in American policy may be coming in the future for which Europeans should be prepared?

4.41 To be sure, any such tendencies are vigorously fought both by the Administration and by a majority of opinion in the Congress and the media. But the groundswell is there. There is little doubt that such a course of action would jeopardize essential American interests and would potentially bring about a gigantic shift of the global balance of power at the expense of the United States (and, of course, with Europe as a victim). History shows that nations are capable of committing awful blunders, and why should the United States be immune to repeating the mistakes of others?

4.42 If one accepts, for the sake of argument, such a pessimistic hypothesis as a working assumption, what would a completely independent European defence then look like? To paraphrase Senator Mansfield: why should not 270 million Europeans, prosperous and technologically highly advanced, be able to deal with 270 million Soviets who also have to deal with a billion Chinese at their back? Let us pursue the argument: A European defence would presuppose a totally integrated defence and command structure (implying in particular a reversal of French policy); a forward deployment of non-German troops to compensate for the American contingents, from Britain, France, Italy, Belgium, Denmark and the Netherlands; and an increase of land-based European troops by around 300,000 (raising the Bundeswehr to the politically controversial figure of around 650,000) — that is, if Europe is willing to accept the conventional imbalance in favour of the Warsaw Pact; but the figure would have to be increased by another 100–200,000 troops if conventional balance is to be achieved without lowering on the Eastern side.

4.43 A European defence structure could not compensate for the loss of the American presence if it were to copy the present NATO arrangement of sovereign nations reserving their right to decide in case of attack (though substantially restricted through troop presence and integrated military structure): a unified system would be necessary with a common will, i.e. a genuine federation with a European government, a European defence minister and a European supreme commander at the top of a European defence force. Moreover, a European nuclear strike force would be necessary, which would provide a minimum deterrent consisting of a strategic force for second strike of sufficient strength to deliver unacceptable damage to the adversary, and of a tactical force with medium- and short-range nuclear weapons for deterrence in Europe.

4.44 Can such a theoretical option be implemented? Will it provide security, and can the conditions be created necessary to realize the various components? If at all, the entire set-up would have to be implemented in all its components. But a number of powerful arguments can be advanced against such a proposition:

4.45 The geopolitical asymmetry of European security cannot be removed: first, the world power Soviet Union with all its might extends into the heart of Europe *today,* whereas a united Europe aiming at creating an adequate politico-military counterbalance can emerge only after a transitional period in the *future.* But, even then, a united Europe would face a Soviet Union which is both a European continental and a world power. If the Soviet Union were to concentrate the capabilities of both functions in a hostile action vis-à-vis an isolated Europe, it is doubtful whether Europe could survive.

4.46 The proposition of an independent European defence structure, deal-

ing alone with the Soviet Union and the Warsaw Pact, thus presupposes the existence of a United States of Europe, i.e. of full political unity. This cannot be achieved within the foreseeable future. The post-war history of European unification shows that West European nations — governments much more than publics — resist any attempt to transfer substantial national competence to European groupings and institutions. Only a change of attitudes of historical proportions, in the wake of some catastrophe, could change this state of affairs.

4.47 All historical evidence points against a withdrawal or reduction of Soviet forces. A European option therefore presupposes a European nuclear force that can act independently with strategic and tactical means. Assuming for a moment that France and Britain would be able to contribute their own nuclear forces to a multinational force (that willingness is not visible now), and that the United States would assist technologically, the build-up of such a force could take at least a decade and, probably more important, would meet fierce resistance from the Soviet Union.

4.48 The double task of creating a European nuclear force and of substantially increasing conventional forces can be implemented only by drastically expanding defence budgets in orders of magnitude that go beyond any increases that have taken place in the last decades, and by approximately doubling the share of defence in national budgets within the next few years much as the United States is trying to do. In view of the fact that most European governments have great difficulty in preventing a real decrease of defence expenditure under the prevailing conditions of prolonged recession, any such programme of drastic increases is hardly imaginable except under conditions of extreme crisis.

4.49 These considerations — which leave contingencies outside Europe out of account altogether — demonstrate not only that a self-contained European defence without the United States is an unrealistic proposition but that it would gravely jeopardize European security.

The necessity for a European security policy

4.50 *There is, nevertheless, a growing need for a European security policy.* The notion that Europe, in achieving further unity, should become a 'civilian power' has been rendered obsolete by events. This notion, which played a certain role in international discussions during the late 1960s and early 1970s, suggested that Europe, in pooling its resources and advancing towards greater unity, would have a special mission, different from that of the superpowers. Its mission would be achieved by exercising influence, not in traditional superpower fashion — by power politics and military means — but by inscribing itself into the growing web of interdependence, notably with the third world, and by giving top priority to the non-military and democratic values embodied in its own culture and history.

4.51 This notion of Europe assumed that it could partially disentangle itself from the prevailing East–West confrontations and the ensuing choice of political and military means. This underlying belief in a certain superiority on the part of Europe and its values, as well as the desire to disentangle it from the quarrels of the superpowers, are precursors of the present notion (to be found

in the European peace movement) that both superpowers, in their 'immoral' pursuit of competition and power politics, are equal and that Europe should drop out of the system of East–West competition and its ensuing dangers, notably the danger of being dragged into a nuclear war which 'the superpowers' might fight 'by proxy' on European soil.

4.52 Those who today advocate Europe's establishing equidistance to the superpowers and opting out of the East–West struggle have lost sight of reality: the old antagonism between repressive systems that have no respect for individual liberties and Western democracy is as pronounced as ever. The events in Poland and the harshly repressive character of various regimes in Eastern Europe provide daily evidence of this. Whatever criticisms Europeans may address to American politics and specific policies, for example support for right-wing regimes, the American superpower is a democracy whereas the Soviet Union is not. For Europe there can be no equidistance between the superpowers. Its place is in the democratic camp, though it may differ in policies, ambitions or power from the United States.

4.53 *Europe cannot disentangle itself from competition between the superpowers,* since most (though not all) of the issues at stake are of immediate relevance to its own survival, such as the freedom of West Berlin or continued peace and stability in Western Europe itself and in the Mediterranean. But also the 'new issues' outside Europe are by no means matters that can be treated as superpower competition from which Europe can afford to stay away. In many cases central interests of Western Europe are immediately involved, for example the functioning of West European economies through adequate oil supply, the preservation of genuine independence of states crucial to Europe (rather than falling into the sphere of Soviet hegemony), the prevention of a spillover of military conflict from the Middle East into Europe.

4.54 If Europe cannot dissociate itself from the power politics of the contemporary world, why, and to what extent, must it then pursue a security policy in the name of a European identity? There are two reasons:

- First, there is a demand for a European contribution to the stabilization of critical regions. This is particularly obvious in the Middle East. If countries in the third world want to have an alternative to the overwhelming presence of one or both superpowers, the only alternative available in many cases, and responding to their own needs, is Western Europe acting as a group.
- Second, although Europe and the United States share vital interests, there are differences in priorities and interests in some areas. This is, for example, true for the Middle East, where Europe seems to put a greater emphasis on non-military approaches, such as diplomacy and economic cooperation. When it comes to concrete problems, such as measures to deal with the Arab–Israeli conflict, Europe usually agrees with the United States on the goals to be achieved, although it may differ on the means.

4.55 *At a time when forces in our society increasingly question the consensus on peace and security policies, Europe should try to become a forum to re-create such a consensus,* and to mobilize, within a European framework, the responsibilities and resources necessary to maintain a durable peace. *A stronger European dimension to security policy is particularly important to demonstrate to the smaller nations that their participation is valued and essential.* And vis-à-

vis the United States, *a more distinct European security profile could help to dissipate the distorted notions that certain American circles entertain about the European defence effort.*

4.56 The European allies furnished in 1982 91% of the ground forces, 80% of the main battle tanks, 80% of combat aircraft and 66% of major surface combat ships in the NATO area of the alliance. The 1981 *Western Security* report* had already brought out, to the genuine surprise of many non-specialists in America and in Europe, that the European share in total NATO expenditure had risen from 21.7% in 1969 to 41.6% in 1979. But the absence of a European profile in security matters prevents the importance of the aggregate European contribution, in absolute and in relative terms, from standing out in a visible fashion.

4.57 *A European identity in security policy within the framework of a co-ordinated Western approach is thus more necessary than ever before. For Europe this encompasses a contribution to both dimensions of security policy: defence as well as arms control and détente policy. The European Community must make a deliberate effort to become the European pillar of Western security policy in this sense.*

Strengthening the European pillar of Western security policy

4.58 Despite the general identity of basic interests between Western Europe and the United States and the necessity of a strong joint security policy, the differences of priorities and approaches between Western Europe and the United States, as well as the growing need for a European contribution *as Europe* in the Middle East, suggest that the European Community should make a vigorous effort to establish and strengthen a European identity in security wherever useful and reconcilable with common Atlantic defence and to strengthen the European contribution to the Atlantic alliance.

4.59 In reviewing possible measures within NATO, we must distinguish between policy formation — where a stronger European identity appears desirable — and the operative defence level, which is unthinkable outside the integrated Atlantic military structure; though in the latter area, too, there is room for some strengthening of the European contribution. *With regard to security outside Europe, we believe that Europeans should play a greater role both at the level of policy formation and at the operative level.*

4.60 The south-eastern periphery of the alliance remains a major area of challenge. With the accession of *Greece* to the Community and the increasing strategic importance of *Turkey,* the Community must make a systematic effort to keep the Greek–Turkish relationship peaceful and to transform it into a constructive one. At the same time the growing importance of the Middle East has underlined even more the importance of Turkey's place in the Western effort, though we deplore the undemocratic features of present Turkish politics. Since Turkey's membership in the Community is, for the foreseeable

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future, not a practical possibility (see Chapter 5), the Community should make a major joint effort to offer it a long-term viable alternative that helps to secure its close integration in the West. This would, of course, become much easier if the Turkish government were moving towards the re-establishment of civil and political liberties.

Towards a greater European identity in NATO

4.61 *Within the NATO framework, the European identity in security should be strengthened at the policy level by building on the 1981 London Agreement to discuss political aspects of security policy in the framework of European Political Cooperation.* Such discussions should take place in parallel with those of the NATO Council as regards matters of basic policy, but excluding matters of military operations. Such an attempt at coordination should extend, as already mentioned, to *both* major areas of security policy: defence, as well as détente and arms control policy.

4.62 A streamlining of European institutions appears desirable to achieve greater effectiveness in the field of security policy. Western European Union, because of its strong commitments to mutual assistance, should be reinforced as an instrument of European policy by offering membership to those members of the European Community who are willing to undertake that stronger commitment to European defence and policy coordination. At the same time, the functions of the Assembly of Western European Union should be re-examined in relation to those of the European Parliament, which has already taken the initiative of debating security matters. The next chapter discusses further the establishment of closer links between the two Assemblies. Whether, in the longer term, a merger of the two Assemblies could be considered, is another matter: it would in any case require identity of membership and treaty revisions, and as such would fall outside the scope of this report. As to the European Parliament: since the Community ministers deal with security matters in EPC, they should in turn increasingly adopt the habit of communicating regularly on issues of security with the Parliament, which could then debate and vote on these issues, as guidance for European Political Cooperation.

4.63 Cooperation on security should evolve organically by strengthening the present system of European Political Cooperation as the central instrument of coordinating and defining policies and views of the European Community in the field of peace and security. In this respect, we welcome the Franco–German dialogue on a closer cooperation in security matters and suggest that such positive steps should be imitated by other European nations. *We support the Genscher-Colombo proposal for regular meetings of the European ministers of defence within the European Political Cooperation framework.* European Political Cooperation, thus enhanced by the participation of defence ministers, should address the entire range of security affairs — from defence to the topical issues of arms control and détente policy.

4.64 A strengthening of European Political Cooperation, in order to be effective, must avoid paralysis through the veto. The EPC group should therefore proceed with prudence so as to be able to express consensus opinions and arrive at common action even if one or two members abstain.

Security policy outside Europe

4.65 As to security policy outside Europe, in the Middle East the Community has already played a significant role through its various trade and cooperation agreements in the area, the Euro–Arab dialogue, its repeated initiatives on the Arab–Israeli conflict and its development aid. The Community sanctions against Iran and Argentina showed that it is capable of swift action expressing common interests. *In appropriate cases, those members of the Community who are willing to participate and have the capacity to contribute significantly, should form a core group to define and implement measures in the field of diplomacy, economic aid, peace-keeping and if necessary military measures, e.g. task forces. But a habit should be made of referring these matters back to European Political Cooperation in order to get a modicum of backing, if not a mandate.* The European contribution to the Sinai peace force in 1982 was an important step in this direction. Here again, the Community cannot act on the basis of unanimity but will have to try to give adequate weight both to those nations that can and are willing to play a more substantial role and to the other members of the Community.

4.66 The Community must further evolve its policy on the Arab–Israeli conflict on the basis of the Venice Declaration and recent political developments, and should energetically support policies that induce the parties involved (a) to accept Israel's right to a secure existence, and (b) to move towards a Palestinian entity on the Gaza Strip and the West Bank, preferably in close association or confederation with Jordan. The Community should offer substantial aid and (as already hinted at in Venice) a peace-keeping presence to support a long-term settlement.

4.67 Policies and measures of the Community outside Europe should in practically all cases be taken in cooperation with the United States — and sometimes Japan — as a contribution to concerted Western approaches. *If Europe wishes to prevent others from acting for it without consultation in areas of central importance to European security, it has to organize itself, define a policy and participate through concrete measures.* We are aware that a more active role for the Community in foreign and security policy may cause difficulties for some non-aligned countries of the third world. We emphasize that this new role has to be based on strict observance of the principles of independence and of genuine non-alignment.

The strengthening of European conventional defence

4.68 In the field of conventional defence, the European members of NATO should take steps to reduce the conventional imbalance in Europe and thereby strengthen a deterrence that has so far preserved peace.

4.69 Two approaches are available:

- Reinforcement of the Western conventional structure: besides improvement of quality and possibly enhancement of quantity on the Western side — in any case to be done within the framework of NATO — the Western posture could be significantly improved by strengthening the links of France with the Western conventional defence structure. That could be done

through an increased cooperation with AFCENT and with the Federal Republic of Germany in the field of defence.

- The possibilities of specialization and division of labour in the military field remain, basically, unexplored. The maintenance of the full range of military functions becomes highly uneconomic for some countries. Others, such as Germany, have inhibitions about military involvement outside NATO. Some have special capacities and experience that are useful for Europe and the West, such as Britain's and France's familiarity with, and capacity to act in, certain areas outside Europe. The West European countries should therefore undertake a deliberate and energetic effort to rearrange by mutual agreement — as well as in consultation within NATO — priorities and structures of their armed services to make more effective use of their resources.

A European dimension to nuclear deterrence?

4.70 In the field of nuclear defence, the existence of British and French nuclear deterrents, as NATO declared (in Ottawa in 1974), adds to the security of Western Europe. These national deterrents play a deterrent role of their own and contribute to the overall strengthening of the alliance. If one contemplates change in this area, in theory the following basic options are conceivable:

4.71 A European nuclear force: such a force would consist of genuinely integrated European nuclear strategic and tactical forces, incorporating existing British and French forces, but adding new weapons systems. As discussed earlier, this option presupposes a United States of Europe. A European nuclear force therefore remains, for the time being, a purely theoretical possibility.

4.72 A merger of British and French nuclear forces: Britain and France could merge their nuclear forces in order to pool scarce resources and increase effectiveness. Such a force could, in theory, be assigned a European function, but it presupposes a complete merger of decision-making and political will, if not a British–French political union. Here again, the political conditions for such an outcome do not exist.

4.73 A Europeanization of national deterrents: Britain and France could strengthen the inherent European function of both nuclear deterrents by discussing the role of their national deterrents in a body like the Nuclear Planning Group, by inviting other European countries to join in planning of targeting, and possibly by inviting a financial contribution while maintaining the exclusive national decision on the military use of these nuclear weapons. Simultaneously, an explicit nuclear guarantee could be given by both countries to cover the territory of their European allies. While such an option requires important changes, particularly in British and French policy, it may have a chance if addressed without pressure of time. Therefore, the European countries involved might usefully open discussions concerning such an option towards the second half of the 1980s.

4.74 The *status quo* option: the two nuclear deterrents could remain totally independent as they are. But it must be noted that there are logical inconsistencies between positions of total independence and the necessity of security/solidarity within Western Europe. All countries, including France, should make unequivocally clear where they would stand in the hypothesis of a con

ventional attack on the Federal Republic of Germany, including encroachments on the freedom of West Berlin. It is only by strengthening conventional defence and internal West European solidarity that a continuation of the nuclear *status quo* could become really convincing.

A European Arms Procurement Agency

4.75 A European structure for arms procurement becomes an increasing necessity. At times of lasting recession and extraordinary budgetary difficulties, in combination with the exploding cost of modern conventional weaponry, it appears uncertain whether the present conventional structure and size of forces can be maintained. Unless new ways are found to cut costs drastically, or successful East–West negotiations lead to reductions of military forces, the conventional posture in Western Europe could be seriously weakened. The answer that this question could be solved by a substantial real increase of the defence budget remains somewhat theoretical. Most governments in Europe are able, at best, to maintain the level of their defence spending (in real terms) and are under constant strong political pressure to cut defence expenditure. The only significant possibilities for substantial cost reduction lie in far-reaching standardization and division of labour among the participating nations of NATO. Unless we have one tank, one plane, one gun, etc., the cost explosion is likely to overwhelm us.

4.76 This task, on which NATO has basically failed throughout its existence, despite the work of the Eurogroup and the Independent European Programme Group, remains extraordinarily difficult. A strong coalition of national defence industries and trade unions has prevented substantial standardization in the name of preservation of jobs and vital industrial structures. But the pressures to tackle this problem grow continuously. So does the awareness, as proposals tabled and debated within the European Parliament demonstrate. Since the only examples of arms cooperation and joint production of real significance can be found within Europe, and since so far attempts at standardization across the Atlantic have dismally failed, new steps towards standardization have a greater chance of succeeding if they are undertaken within the European Community context. It would be a notable advantage if such an approach could be placed within the competence of the existing Community. This would by no means exclude a further coordination with the United States in the field of arms procurement, which, in fact, remains imperative.

4.77 *The creation of a European Arms Procurement Agency should therefore be put on the agenda of the Community, with the aim of pooling parts of the national bureaucracies, including research and development, in order to elaborate and implement a policy of arms standardization within Europe and in cooperation with North America.*

4.78 A merger of arms procurement policy is possible only if it is based on a solidarity of security policy and strategic concepts. An effective arms procurement policy presupposes, moreover, a prior agreement on the strategic and tactical purposes assigned to the weapons systems in question. Within the ongoing debate on new conventional alternatives, which advanced technologies now permit, European governments and industries must make a vigorous effort to prevent the emergence of a one-way street of American arms sales and technology into Europe. This in turn requires a close link between European common policies in civil and military high technologies.

5 The Institutional Dimension

5.1 We have set out in the chapters above some of the tasks which ought now to be at the top of the Community's agenda. It remains to consider what adjustments within the existing institutional framework, and what transfers of authority, are necessary to enable these tasks to be undertaken successfully; in other words, how to close the gap between institutional capacities and policy-making needs. As noted in Chapter 1, this report concentrates on actions which can be undertaken, or at least initiated, without delay, without waiting for major constitutional reforms, such as those currently being prepared in the European Parliament. To wait for a fundamental review of the whole construction would risk seeing irremediable damage done before these new approaches had had a chance of succeeding. True, the Treaties are out of date on certain points, but their authors have had the wisdom to include an open-ended provision for new actions in the form of Article 235 of the EEC Treaty.

5.2 It must be said, moreover, that institutional reform *alone* cannot resolve all the problems of the Community. Some of the disillusionment with European integration over the last decade reflected unreal expectations about the authority of the Commission and about the capacity for decision-making of the Council. It reflected also the application of harsher criteria of performance to the Community than to other more firmly established political systems. The problems of political disillusionment and of institutional ineffectiveness are not, after all, peculiar to the Community. Under the strains of economic recession and changing social attitudes, most member states have suffered challenges to their established patterns of politics and of institutions during the past decade.

5.3 Under conditions of economic crisis no political system works perfectly. The division of powers between different levels of government unavoidably leads to untidy compromises, delay, political conflict and administrative rivalry. Even the established federal system of the United States, with its accumulation of powers at the federal level, demonstrates these failings. It is therefore hardly surprising that a Community in which predominant powers remain very firmly at the national level should display similar tendencies. The Community's existing institutions should not be blamed for disappointments and inconsistencies which stem from wider causes.

The responsibility of member states

5.4 Under present circumstances, member states remain the key to any attempt at more effective functioning of the institutions. The inability of the Community to accept the limited and practical proposals made for reform of the Commission and of the working practices of the Council of Ministers made by successive advisory groups provides powerful evidence of Community

inertia, and of the responsibility of national governments for that inertia. We have argued above that the pursuit of closer integration in a number of fields is clearly in the interest of the different member states and of the Community as a whole. If governments accept this analysis they must also accept its institutional consequences.

5.5 European integration remains for the time being something of a hybrid, with elements of federation and of international cooperation intermingled. But we are saying that *governments cannot expect to achieve the end without permitting the means* ; cannot hope to gain the advantages which they expect — even demand — from European collaboration without providing the support, the authority and the resources necessary to their attainment. There is no painless way of striking a balance between sovereignty and integration.

The public image

5.6 It is, however, too simple to attribute the reluctance of national governments to grant further authority to the Community institutions to a failure of 'political will'. Governments are not free agents; they are themselves circumscribed by the pressures of domestic opinion and the constraints of conventional wisdom. The legitimacy of the Community institutions in their early years rested also on the positive image of 'Europe', the identification of the Community as the 'core' of European cooperation, and the sense that economic integration provided benefits for all, without disproportionately favouring some or penalizing others. Governments thus operated within a political climate which supported and enhanced further integration. The diminished legitimacy from which the Community now suffers is due not only to the reluctance of national governments to yield authority to an outside body, but also to the loss of this positive image among the wider public. There is little sense of representation or participation in a Community dominated by confrontation between national ministers and lobbying by entrenched interests.

5.7 The presentation of Community deliberations to national media and to domestic publics as simple zero-sum games, in which each minister enters battle as the national champion against obdurate opponents and ill-conceived proposals, is destructive of any sense of common interest or of any possibility for compromise, as the self-justifying rhetoric which insists that only one's own country's interests are legitimately to be accommodated rebounds from capital to capital and from national press to national press. Presidents, prime ministers and ministers must show more political imagination, and more courage, in admitting to their publics the limitations of national autonomy and the necessary accommodation of different interests within the wider Community. That is an essential part of political leadership, all the more vital in conditions of recession and instability in which popular pressures to put immediate national interests first and to disregard longer-term considerations are at their strongest.

5.8 *Symbols and rhetoric* are an important part of the framework of authority in any system of government. The Community has done little in recent years to demonstrate to its citizens its relevance to their daily lives, or to associate the Community and its progress with the sense of a common European space and with the development of informal links across Western Europe. Although its

final form after long years of preparation falls far short of the initial expectations, the promised European passport can still provide some sense of common membership within an identifiable Community.

5.9 The continuing existence of internal barriers contradicts the heady rhetoric which calls for 'a common European space' in new areas of policy, before the basis for such a space has been fully established in the shape of a single internal market. *We urge renewed efforts towards the mutual recognition of examinations, diplomas and professional qualifications. We also urge the extension of bilateral and mutilateral exchanges, of students, trainees, teachers and others,* along the lines of existing Franco–German schemes, as a deliberate effort to foster a wider sense of common interest and of mutual understanding throughout the Community, which might in time counterbalance domestic pressures on governments to defend entrenched interests rather than to work for a wider consensus.

The importance of the Community's legal system

5.10 *The most visible sign of Community authority — the most immediate symbol of the common obligations of membership — is the supremacy of Community law.* The supremacy of Community law over national laws within the competences of the Treaties is a precondition of effective implementation of Community decisions, and thus of confidence by member states in the effective operation of the institutions as such. Observation of Community rules and of the judgements of the European Court is thus one of the most visible tests of the governments' commitment to European integration.

5.11 We note that a number of governments have become reluctant in recent years to accept the immediate and automatic supremacy of Community law and some verdicts of the European Court when politically sensitive interests were adversely affected. We emphasize that mutual confidence among member states on the common acceptance and enforcement of Community rules will progressively weaken if this tendency is allowed to continue; and *we remind our governments that there are hard choices to be made between autonomy and integration in the field of law, which cannot be avoided without undermining the Community structure as a whole.*

The hard core of the Community

5.12 Any established political community reflects a clear sense of common obligations, applicable to all, and a clear boundary between those who are subject to these obligations and those non-members outside. The Community of Six had such a basis. The more diverse spread of interests and priorities within a Community of Ten, soon to reach Twelve, has reinforced suggestions that the Community should move towards different categories of membership, carrying differing patterns of participation and obligation. Ideas about a 'two-tier Community', or a Community *à deux vitesses,* closely followed the conclusion of the first enlargement. The European Monetary System, in which Italy accepted a looser discipline than the rest, while Britain — and later Greece —

did not participate in the exchange-rate regime, took the Community some way towards such a development. Ideas of 'variable geometry', in which collaboration in transport, electronic development and production, aircraft manufacture, or nuclear processing are pursued by limited groups of governments within a looser Community framework, have also gained currency. Airbus Industrie is often cited as a model. The question remains, what is the hard core of European integration, which *all* member states must accept?

5.13 The Community rests upon an implicit contract, that its member states accept mutual obligations in return for mutual benefits. Continued respect for that contract requires a sense in all member states not only that the costs and benefits of membership are distributed equitably, but also that the rules and obligations which each has accepted are accepted and observed by all. *The hard core of European integration, which all member states must accept, clearly comprises the common internal market, surrounded by a customs union, implying the principle of Community preference, the acceptance of common policies and rules and of common action towards third countries.* The implications of such a core of policies must logically carry member states along towards consultation and common policies on management of their economies and of their exchange rates. These in turn carry implications for foreign policy and for the limits of domestic political autonomy.

5.14 Beyond this, in, for example, specific sectors of industrial collaboration, there is room for more limited groupings, and within a Community of Twelve there is clearly scope for a range of differentiated policies tailored to particular regions or particular industrial sectors. *But we do not accept that it is possible to have different degrees of Community membership, where member states are allowed to opt out of Community obligations, to pick and choose which common policies they will accept.* It may be necessary as new policies are introduced to allow some members a longer timetable than others for their implementation; but this should not be allowed to deteriorate into permanent opting out.

Coherence and solidarity

5.15 The legitimacy of *any* system of government, and therefore also of the Community, depends upon the acceptance by its members that all benefit in different ways from its existence, and that its operations reflect and fulfil some rough sense of balance and fairness. This is not simply a question of budgetary costs and benefits. *In a diverse Community, with a prosperous central core and a less prosperous periphery, the presence or absence of policies which promote balanced economic development within the Community is obviously vital to the existence of a sense of solidarity.* The language of the preamble and of Article 2 of the EEC Treaty, which committed member states to 'reducing the differences between the various regions and the backwardness of the less favoured regions' through the promotion of 'a harmonious development of economic activities', makes it clear that such a commitment is part of the original contract; though its fulfilment requires different policies within a more diverse Community of ten or twelve from those appropriate to the Community of six.

5.16 *Member states whose economic development benefits from this sense of solidarity must in turn recognize the need to contribute to the benefit of all. Thus, for example, resistance to the extension of European Political Cooperation into the security sphere is in the long run untenable, if one wants to continue to benefit substantially from Community policies in other spheres. One cannot build a more effective or cohesive Community if it contains free-riders.*

The third enlargement

5.17 It is not easy for the Community to develop and adjust its internal policies while at the same time negotiating with further candidates for membership. One of the many reasons for the twelve-year delay between the applications for membership presented by Britain, Ireland, Denmark and Norway in 1961 and the accession of the first three in 1973 was the fear by some of the founder members that early enlargement would undermine the foundations of the Community before they had been firmly established. It is now over six years since the Portuguese application was presented, nearly six years since the Spanish, with the negotiations not yet within sight of completion.

5.18 The commitment in principle to accept the applications for membership from Portugal and Spain was made, by all member states, more than four years ago. The negotiations were originally intended to lead to membership at the beginning of 1983. The date of entry has been allowed to slip until 1984 and beyond; the impression has been given to the applicants that some member states would welcome further delay. Member states are reluctant to recognize, and to explain to their publics, that a commitment to enlargement necessarily involves an adjustment in the current balance of Community policies to accommodate the interests of the new members. Here, as elsewhere, a refusal to provide the means whereby publicly declared ends can be achieved can only bring the whole process of European integration into disrepute.

5.19 Ten years after the first enlargement, the Community is still distracted by the continuing argument over how far Britain was entitled to expect an adjustment of the balance of the *acquis* of the Six to accommodate its distinctive interests. It would be disastrous to repeat the same experience with Spain and Portugal. The Community is entitled to expect reciprocal concessions from Spain, most of all in the opening to external competition of its protected industrial market. But the negotiations must be conducted on the basis that the Community will adjust its policies to accommodate its new members at the same time as they adjust to accept the conditions of membership; and those negotiations should be pursued against a firm deadline, not stretched out to fit the political timetables of different member states.

The Community's European partners

5.20 Full Turkish membership of the Community is not a practical proposition either for the Community or for Turkey for the foreseeable future, even if political and civil liberties were restored. Turkey's level of economic development, the rapid expansion of its population, and the problems of adjusting its

economy and its institutional and industrial structures to Community membership all present major obstacles to entry, except under conditions of substantial and long-term derogations from Community obligations which could hardly be qualified as real accession. *The interests of both Turkey and the Community would be better served, political circumstances permitting, through a deepening of the existing association.* Turkey is, and always was, important to the Community; and the Community can demonstrate that importance through the provision of substantial economic assistance, of continued access to the Community's industrial, agricultural and labour markets, and of explicit support and consultations on political and security issues.

5.21 Norway and Sweden, Switzerland and Austria (the last three because of their neutrality), are not members of the Community, but share in the trade benefits of its common internal market (except agriculture) and accept some (but not all) of its basic disciplines and rules.* Their trade is closely tied to the Community, their peoples share to a great extent the same sense of Europeanness and the same 'European space'. Between the Community and some of these EFTA member states, additional *ad hoc* arrangements have been concluded in some specific fields of mutual interest.

5.22 In conditions of economic recession, political insecurity, and uncertain supplies of raw materials, however, the common interests which these countries share with the Community may need to be recognized more explicitly in terms of wider considerations. It would, for example, be appropriate to invite these partners of the Community to join in the programme of long-term economic assistance to Portugal — currently a fellow member of EFTA — which will be needed to help Portugal adjust to the requirements of Community membership. The overwhelming importance of Community markets to Sweden should induce the Swedish government to accept a degree of constraint and of consultation over changes in its exchange rate which were conspicuously absent in its recent competitive devaluation. The Community offers the most important market for Norwegian oil and gas as well as for other exports; a sense of mutual obligation and consultation ought therefore to be part of the framework of Norwegian gas policy. Further developments in common industrial policy and in extending the common internal market to banking and insurance services — as proposed in Chapter 3 — would raise other questions (particularly relevant to Switzerland) about the appropriate pattern of mutual advantage and mutual obligations which binds these states to the Community.

The European Commission

5.23 The relationship between the Commission and the Council was intended to be the core of the Community's policy-making process. The creative tension between an independent Executive and a body which represents and brings together the interests of the member states has been weakened by the infiltration of specific national influences into the Commission and by the increasing inability of Councils of Ministers to reach decisions. If governments wish to be able to use the Community framework constructively to pursue their shared interests, they will need both to strengthen the Commission (which is

*We do not go into the very special cases of Finland and Iceland here.

appointed by them) and to accept improvements in the workings of the Council of Ministers — and of the European Council.

5.24 Greater coherence, independence and authority for the Commission is the precondition for its enhanced effectiveness. *The key to this is to strengthen the position of its President. He should therefore be given the final word over the appointment and reappointment of individual Commissioners, in consultation with member states. The appointment of the President himself, as a key figure in Community policy-making, should be dealt with in the European Council and made subject to the approval of the European Parliament.* We urge member states both to resist the temptation to lean on 'their' Commissioners to support national positions, and to oppose any attempts by other governments to bring pressure to bear on 'their' Commissioners, as counter-productive to effective Community policy-making and to mutual trust. We particularly deplore the tendency to claim particular portfolios or director-generalships on a national basis. Commissioners' *cabinets* (personal staffs) should be multinational in membership.

The Council of Ministers and the European Council

5.25 From presidents, prime ministers and ministers of various departments to senior and junior officials the frequency and range of European meetings, discussions and consultations, formal and informal, bilateral and multilateral, has risen to a nearly unbelievable intensity over the last ten years. But the variety of these meetings also demonstrates a certain incoherence in European policy-making, a certain preference for consultation without commitment over formal decision-making in the official Council framework, which is incompatible with the demands which governments continue to make of European cooperation. And it has more and more often resulted in meetings not being attended (or only partially) by the ministers in person.

5.26 A more coherent — and therefore more effective — structure of European decision-making must start from the European Council, as bringing together those capable of representing the overall interests of each member state, and thus as alone having the authority to override the particular interests of sectoral Councils of Ministers. It is no more possible to remove all questions of detail from the European Council than it has proved possible to remove all such questions from national Cabinets, in the hope of allowing them to focus only on more strategic issues; but there must nevertheless be a determined and continuous effort to hold down the level at which decisions are taken, in order to avoid swamping European Councils with immediate disputes.

5.27 The rotating Presidency of the Council of Ministers offers a positive symbol, particularly for the smaller countries, of their responsibilities and their status within the Community — if only for six months in every five, and potentially six, years. Its disadvantage, as successive reports have noted, is in the discontinuity of direction within Councils and committees and in the conduct of European Political Cooperation's relations with third countries. The more widespread adoption of longer-term mandates for particular tasks and chairmanships would be beneficial to the Community's effective operation without undermining the symbolic value of the presidential role.

5.28 With regard to the European Council, there is no formal reason why its President must always rotate according to the same pattern as the Community Councils, except in the rare cases when the European Council formally acts as Council of the Community and takes formal decisions. In the interest of both improving the continuity and representing more visibly the solidarity and singularity of the European Community to its own citizens and to the outside world, *the European Council should, as an experiment, elect its own President to hold office through the whole of the following year.*

5.29 It is impossible for the Community to operate within a framework in which national governments have frequent recourse to a veto to block decisions favoured by the majority. *Where existing common policies require to be managed, majority voting in the Council of Ministers must be accepted if the Community's policy-making is not to grind to a halt.* Where major new departures are planned — agreement on new common policies, the acceptance of new obligations — such major decisions must, in the current stage of European integration, reflect a consensus among the member states that the measures adopted represent an equitable balance of interests among them. The strongest argument for reinforcing the formal commitment to majority voting is that it increases the pressure on dissenting governments to rally to a consensus, and strengthens the incentives for governments to resist the demands of particular interests when these block agreements which serve the interests of the Community as a whole.

External institutional questions

5.30 The management of the Community's external relations suffers from a number of institutional and political deficiencies: the separation of the framework for Political Cooperation from external economic relations as managed by the Commission on behalf of the Community, with the consequent dual structure of external representation and negotiation; poor coordination between internal and external policies; the absence, as noted above, of a significant security dimension. As we argued in Chapter 4, the full range of security issues, from defence to arms control and détente, must now be brought within the common European framework.

5.31 The separation of Political Cooperation from Community external relations has been mitigated over time: in the European Council the two come together, as happens more and more at the foreign ministers level. We welcome in particular the by now very close association of the Commission with Political Cooperation. We support the closest cooperation among the missions of member states and the representatives of the Commission in third countries and at international organizations, with the dual aim of presenting a more united position to the outside world and of reducing the duplication of work, accommodation and personnel.

The European Parliament

5.32 The European Parliament gained impetus and status from its direct election in 1979. There is some danger that this will be jeopardized in its re-election in 1984. It may have little to show for its first five-year mandate, apart from a succession of battles with the Council of Ministers over the Community budget. A low electoral turnout, amid an atmosphere of disillusionment, would further weaken the Community's legitimacy in the eyes of its citizens and member states. The Community does not have time to wait for this youthful Parliament to follow the path which many national parliaments have followed in establishing their authority, through long battles over many years with the established Executive. *If the member states are concerned to reverse the trend towards disillusionment with European integration among their domestic electorates, they must be prepared to help the Parliament to acquire greater authority.*

5.33 This could, for instance, be done by giving — without formal changes in the Rome Treaty — the European Parliament the last word in certain matters such as harmonization of legislation (e.g. safety standards or company law). The European Parliament itself should contribute to the process by resisting the temptation of debating a multitude of issues without much direct relevance to the current problems of European integration. But it should make a habit of debating issues related to European security. The value of the WEU Assembly as a focus for debate among national parliamentarians on common problems of European defence would be enhanced by the convening of occasional joint meetings between this Assembly and (commissions of) the European Parliament, as the latter extends its activity in the defence and security fields.

5.34 As recommended above, the European Parliament should approve the President of the European Commission. The Parliament's scrutiny over Community expenditure and over the implementation of Community decisions — both areas where greater accountability is clearly needed — should be strengthened, through closer links with the Court of Audit.

Before it is too late

5.35 In the face of deepening economic recession, of transatlantic frictions, of worsening East–West relations and a turbulent third world, the Community is drifting — making modest progress in one sector as it loses ground in another, without a clear sense of direction or a determined group to steer it. The governments of Europe have tried over the last decade to avoid the necessity of choice: to want both effective cooperation and continued autonomy, to blame each other for lack of solidarity without being prepared to demonstrate solidarity themselves, to demand the ends without willing the means.

5.36 A more coherent Community, operating more effectively across a broader range of common policies, would not of course cure any of these intractable problems in itself. But it would provide a much firmer basis for alleviating their effects and working with other governments to resolve them. Failure to resolve the Community's internal contradictions — of authority, objectives, financial arrangements and institutional functioning — will only

make Western Europe more marginal to the central issues of global security and global economic management. To govern is to choose. Failure to draw the conclusions for common action which follow from our common predicament is itself a sort of choice, by default, for disintegration and decline. *We urge our governments to recollect the half-forgotten premises on which European integration was founded, and to choose effective common action to pursue them.*

Statistical Appendix

Table 1 Population (in millions)

	1950	1960	1970	1980	Projection for 1990
EUR 10	223.9	240.5	260.3	270.9	(274.3)
USA	152.3	180.7	204.9	227.6	(243.5)
JAPAN	82.9	93.2	103.4	116.8	(122.8)

Source: Eurostat (Demographic Statistics); *UN Demographic Yearbook.*

Table 2 GDP at current prices (billion US $)

	1950	1960	1970	1980
EUR 10	124.86	274.6	635.9	2808.7
USA	286.50	506.5	992.7	2633.1
JAPAN	(17.34)*	43.1	203.5	1038.4

*1952.
Source: Eurostat (National Accounts); OECD.

Table 3 GDP per capita at current prices (US $)

	1950	1960	1970	1980
EUR 10	557.7	1141.8	2443.0	10,368.0
USA	1881.2	2803.0	4844.8	11,569.0
JAPAN	(204)*	462.4	1968.1	8890.4

*1952.
Source: Eurostat (National Accounts).

Table 4 GDP per capita: purchasing power parities

	1960	1970	1980
EUR 10	1059	2344	7703
USA	1752	3455	10,601
JAPAN	—	2188	7935

Source: Eurostat (National Accounts).

Table 5 Index of industrial production (1975 = 100)

	1950	1960	1970	1980
EUR 10	30*	56.2	92.8	117.1
USA	—	56.2	91.5	124.8
JAPAN	—	26.0	91.8	141.8
USSR	—	28.0*	70.0	(121.0)†

*Estimate. †1979.
Source: Eurostat; OECD; and *UN Statistical Yearbook.*

Table 6 Rates of unemployment (as % of civilian labour force)

	1970	1980	1981	1982	1983*
B	2.2	9.4	11.6	13.9	14.8
Dk	1.0	6.1	8.3	9.1	8.8
G	0.6	3.4	4.8	6.9	8.3
Gr	—	(2.8)†	(3.1)†	(3.8)†	(4.0)†
F	1.3	6.4	7.8	8.3	9.3
Irl	5.3	8.3	10.5	12.1	14.0
I	4.4	8.0	8.8	9.9	10.5
L	0.0	0.7	1.0	1.2	1.3
NL	1.0	4.8	7.2	10.4	13.1
UK	2.5	6.9	10.6	12.2	12.5
EUR 10	2.0	6.0	7.9	9.6	10.2
USA	4.8	7.1	7.6	9.7	10.1
JAPAN	1.1	2.0	2.2	2.3	2.2

*Projected (October 1982).
†Precise figures not available.
Source: Eurostat; OECD; and Commission projections.

Table 7 Share of world trade (%)

Imports

	1960	1970	1980
EUR 10*	26.7	24.2	24.1
USA	13.6	16.1	15.2
JAPAN	4.6	7.6	8.9
USSR	5.2	4.7	4.3

Exports

	1960	1970	1980
EUR 10*	25.0	23.2	20.2
USA	19.9	18.4	14.4
JAPAN	4.0	8.2	8.5
USSR	5.4	5.4	5.0

*Excluding internal trade.
Source: Eurostat.

Table 8 Official development aid 1981

	Total (billion US $)	% of GNP	As proportion of GNP per head (USA = 100)
USA	57.80	0.20	100.0
JAPAN	31.70	0.28	73.3
EEC	127.04	0.52*	311.1*

*Calculated from EEC GDP on the basis of the exchange rate 1 ECU = US $1.11645.
Source: OECD 1982.

Table 9 Loans granted (million ECU)*

Year	ECSC[a]	EIB[b]			Euratom[d]	NCI[e]		Total
		In the Community	Outside the Community	EMS interest subsidies[c]		Loans	EMS interest subsidies[c]	
1960	44.95	25.5	—	—	—	—	—	70.45
1970	31.66	282.6	15.8	—	—	—	—	330.06
1980	1026.90	2739.0	547.7	167.4	181.3	197.6	29.6	4889.50
1981	387.60	2539.4	486.8	175.1	357.6	539.8	18.1	4504.40
1982	740.56	3453.2	451.5	180.1	357.5	791.0	29.7	6003.56

* Since the units of account used in the period 1960–82 differed, these figures are indicative only.
[a] European Coal and Steel Community.
[b] European Investment Bank.
[c] Interest subsidies granted under the European Monetary System.
[d] European Atomic Energy Community.
[e] New Community Instrument.

Source: Reports on the Borrowing and Lending Activities of the Community (1980 and 1981) and Commission Services.

Table 10 Defence expenditure as percentage of GNP 1981

Belgium	3.3	Luxembourg	1.2
Britain	5.4	Netherlands	3.4
Canada	1.7	Norway	3.3
Denmark	2.5	Portugal	3.8
France	4.1	Spain	1.9
W. Germany	4.3	Turkey	4.5
Greece	5.7	USA	6.1
Italy	2.5	Japan	0.9

Source: IISS, *The Military Balance 1982–1983*, p.124.

Table 11 Defence expenditure per head (in US $) 1981

Belgium	359	Luxembourg	140
Britain	512	Netherlands	348
Canada	205	Norway	401
Denmark	295	Portugal	94
France	483	Spain	96
W. Germany	405	Turkey	67
Greece	237	USA	759
Italy	155	Japan	98

Source: IISS, *The Military Balance 1981–1982*, p.112 (for Greece, Norway and Spain: *The Military Balance 1982–1983*, p.124).

Table 12 Evolution of defence expenditure (in US $m)

	European part of NATO	USA	Ratio
1960	14.6	47.03	24 : 76
1970	24.4	78.40	24 : 76
1980	94.3	143.00	40 : 60

Source: NATO, *Facts and Documents* (Brussels, 1971), p.281; IISS, *The Military Balance 1981–1982*, p.112.

Table 13 Men at arms (in thousands)

	European part of NATO	USA
1970	3,146	3,070
1981	2,805	2,049

Source: IISS, *The Military Balance 1981–1982*, p.112; US Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1969–1978* (Washington, 1980), pp.78, 85, 113.

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