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Article — Digitized Version

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Intereconomics

Suggested Citation: Scharrer, Hans-Eckart (1986) : European community: A new dimension, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 21, Iss. 1, pp. 1-2, <https://doi.org/10.1007/BF02925413>

This Version is available at:

<https://hdl.handle.net/10419/140004>

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European Community: A New Dimension

The year 1986 marks a twofold watershed in the development of the European Community. The accession to the EC by Spain and Portugal changes the Community from a monocentric entity with a predominantly Central European character into a bipolar system with a further – to begin with, primarily political – southern focal point. At the same time, the Community of Twelve is, with the active participation of its new members, embarking on a course which is to reach its preliminary end in a common internal market without national frontiers and with free movement of goods, persons, services and capital by 1992.

The fact that the four Southern European countries, Italy, Spain, Portugal and Greece, account for 115 million, i.e. over a third, of the Community's new total population of 320 million, underlines the significance of the geographical shift of emphasis. The population of southern France should also be mentioned in this context. One in six of the labour force in this region is employed in the agricultural sector, whose joint production potential has increased enormously now that the Iberians have joined the EC. The per capita income of all these countries – and, in addition, Ireland – is lower than the Community average, in most cases much lower. They can soon be expected to make their demands for greater consideration in Community policies and to push through these demands with the help of their blocking minority in the Council. The Integrated Mediterranean Programme pushed through by Greece and Italy during the negotiations for accession, involving subsidies worth 4.1 billion ECU and loans worth 2.5 billion ECU for these two countries (and southern France), gives an idea of what can be expected in future.

The problem here is not, of course, the fact that there will be greater transfers of resources in future to the Community's lower income countries. Such a redistribution is in principle desirable in a Community which has set itself the goal of achieving harmonious development by mitigating the backwardness of the less-favoured regions and it should also be feasible within the framework of a 33 billion ECU budget. However, it is to be feared that the support and development programmes for the Community's southern regions will, as part of package solutions, primarily be geared to political rather than economic criteria and that resources will not therefore be allocated in accordance with the original objectives. This applies, on the one hand, to direct financial transfers. The Court of Auditors of the European Communities, for example, only recently once again discovered serious shortcomings in the field of Community-financed projects. Fears are even more justified with regard to transfers within the framework of sectoral Community policies, especially the Common Agricultural Policy (CAP), which absorbs about two thirds of the Community's expenses. In view of the enormous agricultural development potential of the EC's southern states, in particular Spain, it would certainly be irresponsible to try and tackle the problems facing this region using the same (price policy) methods which have already led to scandalous overproduction in the case of northern products and plunged the Community into a permanent crisis.

The risks of politically motivated misallocations of scarce resources can be most effectively averted by a single-minded return to free market principles in Community policies. This not only applies to agricultural policy, where a gradual *lowering* of guaranteed prices towards world market price levels and the provision of income aid in specific cases are indicated, but

equally applies to the major economic sectors, industry and services. The planned creation of an extensive European internal market by 1992, with its positive impact on the growth, employment, innovative powers and international competitiveness of the Community is, therefore, something which cannot be too highly estimated. The fact that Spain and Portugal also support this objective is encouraging. One can only hope that all member states are also willing to bear the consequences of that which they have decided upon, i.e. the dismantling of numerous national protective barriers and the organising of effective inner-Community competition despite massive opposition from sectoral producer interests.

Other than in the case of the setting-up of the European Community itself the Community heads of state and government have, as yet, not fixed a time schedule outlining the goals of specific stages along the way for the setting-up of an internal market. It would be advantageous if this were to be made good soon. In its White Paper the Commission of the European Communities stated that, according to the latest information, over 300 Council Decisions will have to be taken by 1992. This requires tight scheduling. It would be a grave mistake to believe that time alone will bring about change and that an agreement on procedural matters will already guarantee speedy agreement on the issues themselves.

At first glance, agreement would appear to have been reached in Luxembourg on procedural aspects. So far, Council Decisions in numerous fields vital to the achievement of an internal market have, according to the provisions of the Treaty of Rome, had to be taken by unanimous vote. In future, this obstacle is to be removed in most cases, the most important exception being tax harmonisation, and decisions taken on the basis of a qualified majority will become the rule in questions relating to the internal market (providing Danish opposition can be overcome).

Regardless of its fundamental significance, however, the corresponding alteration of the Treaty will remain ineffective in practice if the Council fails to bring about a radical reform of its rules of procedure. At the moment, most of the proposals submitted by the Commission are in fact unsuccessful not because of the obstacle of a contractual commitment to unanimity but because of the lack of willingness among member states to subject themselves to the intended majority decisions. The real problem is not so much the use of the "right" of veto itself, but the perversion of the decision-making process within the Council caused by its existence. In most cases, proposals forwarded by the Commission are only then passed on to the Council of Ministers for a "final decision" if consensus has been reached between member states at the preceding stage of consultations in the Council of Permanent Representatives at senior official level (which is not provided for in the Treaty of Rome) – in many cases after the passing of a number of years and an almost complete loss of substance. Via this shift in powers the Council of Ministers has relinquished its foremost task: making political decisions. The Luxembourg summit evaded this crucial problem for common European policy-making.

One attempt to change this situation was made by the European Council during its meeting in Milan. Nine of the Community heads of state and government wanted to alter the rules of procedure of the Council of Ministers to the effect that the latter should be able to take a vote upon the initiative of the President of the Council, the majority of Council members or the EC Commission. Those members who referred to the 1966 "Luxembourg Compromise" should be subjected to greater pressure to justify their position. This attempt, which failed at that time due to opposition by Greece, promises to considerably speed up procedure, especially as a result of the Council President's and the Commission's right of initiative. It is absolutely essential that this alteration of the rules of procedure be effected and put into practice as soon as possible.

The rationalisation of the Council's decision-making procedures is not only essential for the successful realisation of the internal market. It is also necessary if the Community is to remain able to act in its traditional fields of activity. If the accession of Spain and Portugal finally contributed towards a breakthrough in this respect, one could be more optimistic about the Community's future.

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