

Scharrer, Hans-Eckart

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Thirty Years EEC Treaty

When the six founding members of the European Economic Community signed the Treaty of Rome on March 25th, 1957, it was understood that this Treaty, while being an important landmark in the economic and political integration of Western Europe, was by no means the final word on economic union. Rather, the Treaty, which reflects both the liberal economic philosophy and the political ambitions and constraints of the 1950's, was considered a framework to be filled out and eventually to be complemented (through the use of Articles 235 and 236) in the course of an evolutionary process of growing interdependence.

Thirty years later, and in the light of the challenges faced by the European Community in our times, the quality of the legal framework can be fully appreciated. The Treaty, designed in the transitional stage from the period of post-war reconstruction to the decade of more intensive growth, has proved to be a strict and at the same time elastic constitution, guiding and advancing economic integration and economic policy cooperation. The Single European Act, which postulates the completion of the internal market by 1992, therefore required no more than a few amendments to the Treaty.

What are the characteristic elements of the Treaty and hence of the Community? Firstly, the Treaty contains a set of binding rules to govern public policy of the member countries and of the Community at large: the five economic freedoms (free movement of goods, persons, services and capital and right of establishment), the principle of non-discrimination on the grounds of nationality, and the rules on competition and distortions to competition, applying to both enterprises and public authorities.

Secondly, the Treaty confers to the Community major powers and competences. They relate to the enforcement of the Treaty vis-à-vis private economic agents and member countries and to the assignment of certain common policies (trade, agriculture, transport, competition). With these supra-national elements the Treaty goes far beyond the traditional pattern of mere political cooperation between sovereign states.

Thirdly, in the antagonism between centralisation and regionalisation the Treaty finds a balance which on the whole continues to be appropriate to present needs. "Monopoly" and "cartel" approaches at the Community level (the harmonisation of technical norms and standards, a generalized system of VAT, regulated exchange rates etc.) are on the whole confined to proper purposes and needs. On the other hand, competition between national approaches to and concepts of economic management finds its limits in the legal provisions of the Treaty, especially the Articles on non-discrimination and the prevention of competitive distortions.

Fourthly, to enforce the provisions of the Treaty and to administer the common policies, the Community is equipped with an authority, the Commission, the powers of which go far beyond the competences of a coordinating secretariat. The Commission is backed (and occasionally also held in check) by the European Court of Justice, which in many rulings has proved to be a powerful motor in the integration process.

Fifthly, the Treaty is elastic enough to enable the Community – through its Articles 235 and 236 – to engage in activities not foreseen thirty years ago. Regional policy, R & D, and environmental policy are the most prominent examples of common policies that were developed under Article 235 but were first codified by the Single European Act.

Today and in the years to come the Community is, and will be, faced with major challenges that relate to both the enforcement of the rules of the Treaty – including the provisions of the Single European Act – and the conduct of Community policies. Indeed, full realisation of the

five "economic freedoms" and the completion of the internal market by 1992 is increasingly turning out to be a thorny process. While the Community's beer dispute with Germany has finally been settled by the European Court, other products – among them sausages, British chocolate, French cheese and even biscuits – are new battlefields. In all cases, national producers find the ready support of their national authorities when it comes to defending established domestic markets against competition from abroad. Ironically enough, producer interests are always camouflaged behind the alleged protection of the consumer – an utterly stupid consumer unable to recognise what is best for him and who therefore needs to be protected against the ills of foreign products.

Another area of concern is public procurement. Earlier attempts to open national markets to other EEC suppliers have met with little success. The Commission has now announced its intention to make a fresh move to address an issue which, rather than being a mere trade issue, is at the heart of the future technological advancement of the Community.

In the field of services, the European Court's ruling that a fraction of the German insurance market be opened to European competition turns out to have changed little, if anything: the supervisory authorities have now passed regulations which, while formally taking account of the Court's decision, may well frustrate all foreign attempts to engage in that market. Here as in other fields the Commission will find it hard to succeed in creating an integrated economy against the resistance of national administrations.

Among EEC policies, a vigorous competition policy will continue to command high priority. A major element of competitive distortions in the Community is state subsidies. Over the period 1970 to 1985 subsidies to enterprises roughly tripled. The most important beneficiary of national transfers has been agriculture, followed by steel and coal. Between 1980 and 1985 the steel industry alone received state aids of ECU 38 billion. The coal industry could, in 1984, draw on ECU 12 billion, almost half of which were earmarked for the subsidisation of current production. Lesser, though still important amounts went to the shipbuilders and to the textiles and clothing industries. In recent years the Commission has increasingly reacted to the flood of national subsidies, although, as the latter's high rate of expansion indicates, with limited success.

Much has been said and written about agricultural policy. It should by now be clear that the reliance on administered prices as the sole policy instrument has led to disaster – not quite as unexpectedly as the agricultural lobby and their representatives, the ministers of agriculture, would like to make the public believe. The approach proposed by the Commission appears to be the only sensible response: to reinstate prices in their role as a market-clearing instrument and to deal with distributional aspects by direct income transfers to farmers. Since the reference basis for farm income targets, incomes in the rest of the economy, shows wide variations from country to country there is a case for national rather than EEC deficiency payments – within a jointly agreed band, as the Commission has convincingly argued.

Progress on the agricultural front should also help solve another major Community problem: the budget. Over the past five years the Community has, budget-wise, lived beyond its means, the deficit being camouflaged by budgetary tricks. By the end of this year, the overhang from the past will amount to ECU 17 billion. This practice, which would rightly be considered unacceptable if pursued at the national level, should no longer be allowed to be followed by the Community. The Commission's proposals on the future financing of the Community and its views on the enforcement of budgetary discipline deserve more than polite applause (or flat rejection): member governments and the European Parliament will have to make up their minds on how to put the Community budget back on a sound footing which allows enough room for manoeuvre to satisfy legitimate demands by the European "South" for resource transfers.

In the 15 months of its work the Delors Commission has demonstrated imagination, skill, and strength in identifying and addressing issues relevant to the Community's future development. If the challenges are to be met this Commission deserves the support of member governments – even beyond its present term.

Hans-Eckart Scharrer