

Nicholas MOUSSIS



# Handbook of European Union

5<sup>th</sup> REVISED EDITION





# **HANDBOOK OF EUROPEAN UNION**

Institutions and policies

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# INTRODUCTION

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**T**he purpose of this book is to examine a unique experiment in human history: the economic integration of different nations. That experiment is unique by virtue of its objective of establishing the basis for an increasingly closer union between European peoples. It is also unique because of its institutions, which have no equal in other international organizations. Lastly, it is unique on account of its achievements: never in human history have different nations cooperated so closely with one another, implemented so many common policies or, in such a short space of time, harmonized ways of life and economic situations which differed so greatly at the outset.

This book attempts to provide the reader with an overall view and the perspective necessary for understanding the complex organization, which the European Union is. It aspires to being a practical manual for **any student of European integration**, whether academic student of the economic integration of Europe, jurist interested in Community law, which is ceaselessly growing and modified, economist wishing to acquire the latest information on European economic policies, historian wanting to understand the recent history of the continent or businessman seeking to understand the mechanisms of the large market in which he operates. It is therefore an interdisciplinary, pragmatic approach, which is somewhat distinct from the precise lines of each of its constituent disciplines.

More specifically, this book examines the policies led by the European Union in all fields. Some of these policies are regarded as horizontal, as their effects extend to the entire Community economy (regional, competition, etc.). Others are sectoral policies, as they concern certain sectors of economic activity (industry, transport, etc.). Some are "common policies" (agriculture, fisheries, foreign trade), as they take the place of the essential aspects of national policies. Most, however, are "Community policies" which support and supplement national policies. The hypothesis which is tested in this book is that all of these policies and the legislative acts, political measures and economic programmes that constitute them create **an ever closer union among the peoples of Europe**.

Although the book covers the activities of the Union in all fields and follows their development in time, it is of necessity compact. It focuses on the main objectives, means, problems and attainments of each policy. Should the reader require more details in respect of any one area of Community activity, however, he/she is advised to consult the selected bibliography at the end of each chapter and especially the official texts of Community acts, referred to in the footnotes, as published in the



**Official Journal of the European Communities (OJ).** This book is also based on Commission publications, and in particular the monthly **Bulletin of the European Union** and the annual **General report** on the Activities of the European Union.

## European integration

The beauty of the European edifice lies in its originality and simplicity. The method of construction chosen, namely **the voluntary integration of different nations**, had never before been tested in human history. Although it is simple in its conception, it is very difficult to put into practice. It involves, by means of instruments voluntarily adopted by all, the gradual creation of imperceptible, but innumerable, links between the nations taking part in the experiment. Simple and flexible as it is, inasmuch as it can adjust its tempo to the peaks and troughs of the international economic situation, economic integration can nevertheless come about only between willing and democratically governed nations. For that reason, all attempts at integrating different nations by authoritarian methods have already failed in the past and are doomed to failure in the future. That is why European integration could only be achieved between nations free of all tyranny.

The simplicity of the method of construction ensures **the solidity of the Community edifice**. The links already created between the nations taking part in its construction are so solid that they cannot now be loosened. They can only be broken, but at enormous economic and political cost to the nation concerned, which would yet again be isolated. The Community edifice cannot, therefore, but grow larger in the future: wider through the accession of such other European countries as will accept its constraints, and taller by virtue of the construction of new storeys which are more advanced stages of integration.

Simplicity and originality also characterize the architectural plans for construction, as represented by the Community Treaties, and the building materials, as represented by the secondary legislation under the Treaties. Naturally, in common with all Man's works, European integration experiences day-to-day problems, consisting in particular of the difficulty of taking decisions in as large and diversified a family as the Union of Fifteen and of the difficulty of financing the operation. We shall examine these various problems in this section of the chapter, with the second section being given over to the players, the builders of the European edifice.

### Method of integration

To get an idea of the post war period, the young people of today who have not experienced the Europe of hatred, the Europe at war, the Europe in ruins, should imagine a village devastated by a fratricidal war, with the houses more or less razed, with wild men trying to fill the breaches, barricading doors and windows to save their belongings from their enemy brothers. They open those doors only to let in goods they need in exchange for some surplus goods they produce. They watch each other from the windows and on occasion talk to each other, but without venturing forth to visit their neighbours for fear that they will squabble again and renew the hostilities. They produce some goods, to the best of their ability, in their narrow houses and handkerchief gardens. They are all wretched, because they believe that



their neighbours have more goods, and of better quality, than they, which they cannot purchase. They therefore live in envy and fear of one another.

Ultimately, a wise man from the village comes out on to his balcony, calls for the others' attention, and makes a very simple speech to them. Instead of continuing to live in misery and anguish like this, instead of preparing for a war, instead of barricading themselves in their ruined houses, the wise man invites them to build a large communal house in which to live in peace, work together and trade their products at will. By saving their energies in this way, by giving each other a helping hand and by placing all their tools and know-how at the disposal of all, they will become prosperous, strong and, above all, friends.

Some tell him that it's too good to be true. Yes, he says, but there is a snag in all that, a *sine qua non*, namely that the bricks for the communal house must come from their own houses. Each brick they place in the new building, while slightly increasing their rights in respect of it, will enlarge the breach in their little ancestral home and will somewhat restrain their ownership of (that is to say **sovereignty** over) the latter. The quicker they resolve to give bricks for the new building, the sooner it will be completed to house them, whereas henceforth their houses will be open to visits and trade. Some call the wise man a fool and continue to barricade themselves in their houses. Others hesitate, saying that they first want to see the new building before they can believe that it can accommodate them as well. Others suggest an alternative which, without necessitating a new building and therefore the transfer of bricks from their beloved properties, will enable them to open their doors and trade their wares. Very few are those who believe the wise man's words straight away, countersign his architectural plan on the spot and immediately begin bringing their bricks to build the communal house.

The method of construction of the European edifice is as simple as the method of constructing a building. The common laws (regulations, directives,...) are superimposed on and strengthen one another as a result of the common action of the builders (European institutions). They thus form floors (stages of the European integration) and compartments on each floor (common policies). The individual homes of the partners are modified in line with the progress of the common building. One day they will all be unified under the same roof of the European edifice.

The common project is quite sound. In fact, just as it is difficult to remove a brick from the respective national houses to provide it for the construction of Europe, so is it also difficult to withdraw a brick from the latter once it has become a regulation or decision immediately applicable in the law of the Member States or a directive obliging States to adjust their national laws in order to attain the objectives towards which it is directed. Those bricks which have been transferred, sometimes so laboriously, from the national houses to the communal house are quickly forgotten once they have been cemented on to the latter. They can scarcely be seen, just as it is difficult to make out from a distance a brick which is part of a large building. And yet these bricks, which we are spotlighting one by one in the chapters of this book, fashion Community and national policies which govern the Member States' economic activity and influence the day-to-day lives and occupations of the citizens of those States; hence the importance of being able to distinguish them and to know the function each one has to perform in the construction of Europe.

The countries which decided to join forces to build the communal house of the European Community and those, which joined the venture at a later date, have acknowledged that they had sufficient common interests to join up and entrust the management of these to common institutions. As said by Jean Monnet, adviser to the "wise man" Robert Schuman, union between individuals or communities is not



natural; it can only be the result of an intellectual process... having as a starting point the observation of the need for change. Its driving force must be common interests between individuals or communities.

## Integration stages

Europe is constructed brick by brick and storey by storey. The storeys are the stages of economic integration. Once completed, they are clearly distinguishable, but it is possible that, in the course of the building, part of the higher storey may be under construction while the lower storey is not yet finished. This is done because certain objectives of the previous stage can be attained only if the objectives of a more advanced integration stage are pursued at the same time. This sometimes gives a degree of imbalance to the Community edifice, but induces the protagonists to accelerate the tempo of construction in order to finish those parts of the building that they had initially left incomplete owing to the difficulties encountered or, on occasion, to lesser interest in view of structural or economic priorities.

At the outset, especially in a post-war period like that of the 1950s, States erect high protection barriers against foreign trade and therefore against international competition. These may be customs barriers (tariffs, quotas and measures having equivalent effect), fiscal barriers (higher levels of taxation for goods largely manufactured outside the country), administrative barriers (complicated bureaucratic procedures for imports) or other, more subtle, barriers serving, nonetheless, in one way or another, to discourage or even prohibit imports.

Totalitarian regimes apart, such a protectionist system cannot last for long. It leads to great dissatisfaction on the part of consumers, whose choice is very restricted, and on the part of the most dynamic and least protected economic operators, who find their field of activity limited by the barriers. Both parties urge their government to reduce external protection. The latter can do so in two, not mutually exclusive ways: either within a framework of bilateral or multilateral cooperation, an imperfect solution from the economic point of view, but preferred originally by the United Kingdom, because it does not necessitate loss of national sovereignty; or in the framework of economic integration, a radical solution, preferred notably by France, implying the transfer of national sovereignty to common institutions.

In an international organization for **cooperation** such as the Organization for Economic Cooperation and Development (OECD) or the Council of Europe, the Member States undertake to cooperate with their partners in certain areas which are defined in advance, without in any way giving up their national sovereignty. On the other hand, in an organization for **economic integration** such as the European Coal and Steel Community (ECSC) or the European Economic Community (EEC) the Member States declare their willingness to waive part of their national sovereignty to a supranational community or, in other words, to a common sovereignty.

A model of intergovernmental cooperation is the creation of a **free trade area**. In such an area, member countries abolish import duties and other customs barriers to the free movement of products manufactured in the territory of their partners. However, each country retains its own external tariff and its customs policy vis-à-vis third countries. It also retains entirely its national sovereignty.

By contrast, in a **customs union**, which is the first stage of economic integration, free movement concerns not only products manufactured in the territory of their partners, but all products, irrespective of origin, situated in the territory of the member countries. Furthermore, the latter lose their customs autonomy and apply