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The Single Act: A new frontier for Europe
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The Single Act: A new frontier for Europe

Introduction

The signing and forthcoming entry into force of the Single European Act and the accession to the Community of Spain and Portugal (following that of Greece in 1981) have brought with them fundamental changes in the structure of the Community and the obligations of the Member States. The Single European Act improves significantly the institutional system and sets new objectives for the Community, notably the completion of the internal market by 1992 and the strengthening of economic and social cohesion. The realization of these two objectives will also respond to the hopes and needs of the countries which have just joined and which rightly expect that their involvement in the Community should underpin their development and help raise their living standards through a combination of their own efforts and support from their partners.

In order to succeed in its new responsibilities, the Community must first complete the reforms it has started, especially since 1984, with the aim of adapting its old policies to the new conditions: the reform of the common agricultural policy to take account of new production and trade conditions, the reform of the structural funds to make of them instruments of economic development, and the reform of the financing rules to ensure a budgetary discipline as rigorous as that which the Member States impose upon themselves.

Once these reforms have been implemented, the Community will have to have the resources needed to be in a position to achieve the objectives of the Single Act.

By amending the Treaty of Rome in this way, the Member States have set a new frontier for European integration. They have made a qualitative leap forward which must be turned to good account to equip our economies so that they can meet the challenges from abroad and return to more vigorous economic growth trends, creating more jobs.

For this reason, the Commission feels that it should set out the conditions that must be met if this great venture is to succeed. This is the thinking behind the proposals it is laying before the Council and Parliament, and these have a medium-term context, looking towards 1992 as the date by which the large market, without internal frontiers, will be complete.

I — The conditions for success

Before examining the reforms already under way or that have to be undertaken in order to implement the Single Act, it would be useful to review briefly the prospects before us and the conditions governing success. It is hardly necessary to point out that this 'new frontier' entails the simultaneous implementation of the six policies highlighted by the Single European Act: ¹ the establishment of a large market without internal frontiers, economic and social cohesion (in other words greater convergence as regards both the methods used and the results obtained), a common policy for scientific and technological development, the strengthening of the European Monetary System, the emergence of a European social dimension and coordinated action relating to the environment. It is easy to show that these policies have to go hand-in-hand if the single economic area is really to be achieved, which is the only outcome compatible with the overriding idea of European Union, as formally restated in the preamble to the Act. And our efforts will never be crowned with success unless we also have a common, strong and coherent external policy.

A — A common economic area

In political terms, this is not a new idea. Article 2 of the Treaty of Rome provides that the Community should promote 'throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability [and] an accelerated raising of the standard of living'.

In economic terms, it is self-evident that a large market without internal frontiers could not be completed or operate properly unless the Community had instruments enabling it to avoid imbalances interfering with competitiveness and inhibiting the growth of the Community as a whole.

Let us be quite clear. This does not mean transferring all powers in the fields of economic and social policy to the European level. But experience has shown that it is impossible to achieve freedom of movement of persons, goods, services and capital without a common exchange-rate discipline and without increased cooperation between national policies. The recent difficulties of the European Monetary System are proof enough of this, if proof were needed.

In other words, the ship of Europe needs a helmsman. The large market without internal frontiers cannot, on its own, properly be responsible for the three main functions of economic policy: the quest for greater stability (the fight against inflation and external imbalances), the optimum allocation of resources to obtain the benefit of economies of scale and to stimulate innovation and competitiveness, and the balanced distribution of wealth allowing for individual merit.

Thus it is, for example, that the Community will this year take the final step as regards the liberalization of capital movements. The implementation of this step implies strengthening the European Monetary System in such a way as to enable capital markets to be regulated and imbalances to be corrected. Likewise, it will be necessary at the same time to ensure, for the purpose of fair competition, that the basic rules regarding banking legislation and supervisory standards are harmonized. Lastly, national monetary policies should be mutually compatible so that this common financial area is as stable as possible.

A further example drawn from past experience: the economic integration brought about by the large market will entail considerable economic benefits. However, all regions of the Community ought to be able to share progressively in these benefits. It is no easy matter to bring the fruits of progress to all, whether as regards technical progress, the effect of competition in bringing cheaper and better quality goods and even as regards the financial innovations that are essential for investment and development. It is for this reason that the 'transparency' of the large market should be facilitated by supporting the efforts of regions with ill-adapted structures and those in the throes of painful restructuring. Community policies can be of assistance to these regions, which in no way absolves them from assuming their own responsibilities and from making their own effort. The Commission has conceived the 'structural' policies in this spirit, firmly resolved that they should have a genuine economic impact and that they should not consist merely of budget transfers, which would be far too costly and inadequate as well.

To put it plainly, Community instruments must cease to be seen as mere elements in a system of offsetting payments. Their role is the central one of bringing about the convergence of national economies alongside and in harmony with national and regional policies.

¹ Supplement 2/86 — Bull. EC.

Community action must be more closely related to real economic circumstances and there must be closer cooperation between national policies: it is on the basis of these two conditions that we can hope to reap all the benefits—for all concerned—of a large market without internal frontiers. But in striking to the heart of the problem, i.e. by leaving the fullest scope for decentralized measures, the 'new frontier Community' has greater need of selective incentives and schemes than of any further proliferation of intervention and regulations. Common sense dictates and the large market demands that it be so.

If Community action and decentralization are to be effectively reconciled, a number of adjustments are proposed. These include:

(i) as regards the large market, the most important measures should be selected to ensure that the necessary impetus is provided, such as the liberalization of public contracts and capital movements. The principle of mutual recognition of standards and rules should be adopted in the place of an endless and fruitless search for agreement on common standards and rules;

(ii) as regards the control of national aid schemes and the objective of cohesion, the necessary steps should be taken to ensure that the conditions for fair competition are met, and in this context to take account of the level of development of the regions to show the flexibility necessary to take account of the evaluation of the local context;

(iii) the concept of 'programme' should replace, for the most part, that of 'projects'. Rather than being responsible for the management of thousands of dossiers, the Commission would fix its attention, as is the case with the integrated Mediterranean programmes,¹ on supplementing the efforts of the multiannual programmes drawn up by backward regions and regions undergoing restructuring;

(iv) social policy should be concentrated on one or two main priorities and the Community should now avoid a wide scatter of individual schemes born of a plethora of objectives and criteria. But these priorities should become the building blocks of Europe and effective sources of innovation, and should be perceived as such by their beneficiaries and by public opinion. What is the central issue, the most harrowing problem that faces us?—unemployment. The Community must show through the implementation of two major policies that it is able to help solve this problem; on the one hand, through a specific policy aimed at helping young people to find their first job and, on the other hand, by

taking measures to tackle actively long-term unemployment.

B — More vigorous economic growth

The Commission is not afraid of disequilibria which the introduction of the large market could entail. But it has been studying the Community's short history—with its successes, but also its failures, with its ambitious ideas, but also the obstacles which have hampered their implementation—and its conclusion must be that a background of weak economic growth has severely inhibited progress. This is one of the reasons why a cooperative growth and employment strategy was proposed in 1985 enabling more rapid development of activity and employment to be achieved throughout the Community, through the specific contributions of each country.

This strategy is still relevant, given the rather disappointing results achieved by our economies, despite the stimuli from the fall in oil prices, and, initially, the decline in the dollar. The strategy is needed all the more because it would make it possible, as a result of the additional wealth created, to provide substantial assistance to each country in carrying through the necessary adjustment to the large market and the new world economic pattern.

This is not a question of legislation, although the Council's decision of 18 February 1974 on convergence will have to be reviewed.² This decision, it must be recognized, has not lived up to the expectations of its authors. Indeed, it has got bogged down in routine and sterile procedures. What is really at stake is political will and economic imagination. Are the member countries really determined to go beyond their short-term view of the situation and outdated concept of independence with regard to economic and financial decisions? Will they be reasonable enough to discern and accept the network of interdependence of which their own activities form part and will they be in a position to turn this situation to best account by a sort of 'positive sum' game?

In addition, the slowdown in world trade over the past decade makes it more necessary than ever to exploit the internal potential for growth within the Community. This is what is at stake in the effort to achieve completion of the large internal market.

¹ OJ L 197, 27.7.1985; Bull. EC 7/8-1985, point 2.1.106.

² OJ L 63, 5.3.1974.

