

A EUROPEAN COMMUNITY — WHY?

# Europe, our future



## European File

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**I**s the European Community our future? Yes, for five good reasons: it is a dynamic force; it is pressing forward with new technology; it is already part of our everyday lives and will become ever more so; the Community is a stabilizing influence in the world; finally, it is a simpler and more effective way of getting things done.<sup>1</sup>

## **Towards the large market: Europe as a dynamic force**

The Community of the Rome Treaties is 30 years old. The designs of its founding fathers were twofold: political and economic.

Europe was coming out of the Second World War. There was a need to reconcile old adversaries and to show that, in spite of the events of recent decades, what they had in common outweighed what divided them. It had to be ensured that such a conflict could never break out again. Is there anyone today who does not find the idea of a war between countries of the Community so unlikely as to be absurd?

The European Community had peace as its ideal. It was also a pragmatic venture, not only taking common interests into account, but also striving relentlessly to strengthen them:

- By stimulating economic activity through the development of trade. From the fairs of the Middle Ages to the common market, Europe has remained true to its calling as a ground for trading and communication.
- By uniting its forces to forge a successful future.

Europe has been profoundly altered since 1957. Behind the change is the European Community, working along with its Member States, its businesses and, of course, its citizens. The Community is the motive force in the process, both through its own initiatives and through the knock-on effect of the framework it has set up. A few facts:

- The Community has given rise to a real trade boom. Since the signing of the Treaty of Rome, trade among member countries has grown at a great rate. Between 1957 and 1986 it increased sevenfold, while trade with the rest of the world tripled. With this growth there was a corresponding increase in the prosperity of Community countries, whose citizens have had a spectacular increase in their purchasing power (Gross domestic product per head has practically doubled in 30 years, while it grew by only 70% in the United States of America). We need to remind ourselves of the revolution accomplished in the elimination of customs duties between Community countries, accompanied by the suppression of various technical barriers to trade: a refrigerator used to be subject to customs duty of 15% on entry to France and of 23% going into Italy, and these duties naturally affected consumer prices. Technical barriers often gave rise to complex conflicts, over such matters as the packaging of margarine.

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<sup>1</sup> This file replaces our No 1/79.

- Gradually a stronger and more integrated industrial fabric has been established. The productivity of Community industry tripled overall between 1957 and 1986; that of the United States barely doubled in the same period. Apart from well-known successes like Airbus and Ariane, which showed how efficient Europeans can be when they decide to combine their skills and resources, there has been improved cooperation and coordination in most sectors. The car industry is an example: Fiat and Peugeot jointly developed the Fire 1000 engine, Renault and Volkswagen provided transmission gear to British Leyland and gearboxes to Renault etc.
- Europe's agricultural sector has become the largest in the world. In 1957 European agriculture was marked by under development and substantial product deficits. Today the Community is the world's top agricultural power and is amply self-sufficient in food. It has doubled its agricultural potential in 30 years, while the number of people working on the land has shrunk by half. Of course this great leap in output, stimulated by technological advances, had led to excessive surpluses for some products, with world consumption growing at a slower rate. The Community is applying itself to correcting these excesses, but we must not forget the deficits that were there to begin with and the strategic value of a strong agricultural sector capable of supplying our needs.
- A common fisheries policy has been instituted: a highly integrated policy, quite unique, which makes the Community one of the great fishing powers. This policy is based on the joint management and conservation of stocks and on the negotiation at European level of fishing rights in non-Community waters.
- Energy problems have drawn a joint response that has proved to be a joint success. In 1973, before the first oil crisis, imported oil accounted for 62% of the Community's total energy consumption. That share has been reduced to 31%, and the vulnerability of European economies reduced accordingly. The Community encouraged its Member States to provide themselves with strategic stocks and then, from 1974, supplied a framework for national energy policies by setting objectives, which have been met. Alternative energy sources have been developed and considerable energy savings achieved: energy efficiency has been improved by more than 25%.
- National economic policies have been brought closer together. Very quickly the increased overlapping of national economies created a need to coordinate economic and monetary policies. The need was all the more keenly felt because of the breakup of the world monetary system. That gave the Community countries the incentive to create the European monetary system, which proved a pole of stability as the monetary world was unsettled by uncontrolled fluctuations of the dollar. It led European governments to adopt anti-inflationary policies and to consolidate them.

What next? One of the essential aims of the Community is to create a great European market free of borders, a vast area in which citizens and businesses will have freedom and scope for development? Why a large unified market? Because there are still

obstacles to trade and cooperation within the European Community and because those obstacles are harmful to economic growth, to employment and to commercial competitiveness.

1992 is the date put forward by President Delors and now inscribed in the Treaty of Rome (as amended by the Single European Act), the date on which the large market is to be a reality. The Community, with its 320 million consumers will be the largest unified market in the world. There will be immediate benefits for businesses. For example:

- Lifts: a European group specializing in elevators has estimated that the costs caused by the disparity of technical standards from country to country accounts for between 8% and 10% of total production cost.
- Telephone switchboards: failure to complete the common market for these has meant costs 8% above United States levels, simply because of cumbersome and numerous procedures for testing and type approval.
- Cellulose: a large French company has worked out the abolition of border-crossing formalities and the associated insurance costs would save nearly 1% of its turnover, more than its current profits.
- SMEs: a survey of 320 small and medium-sized enterprises in Germany confirms that there are considerable costs involved in crossing frontiers: 1.3% of turnover, or roughly the same as the companies' profits.

We have already stated that the large market will be a vast area in which citizens and businesses will have freedom and scope for development.

- It entails the opening-up of public procurement, which in some areas is still highly protected. This protection is the reason for differing technical standards for high-technology equipment. Public procurement contracts represent 10% of the Community's gross domestic product.
- It involves approximating rates of VAT. (All member countries have adopted the same system of indirect taxation – no mean achievement in a very difficult field.)
- It means a European company law, to facilitate cooperation, mergers and the setting-up of subsidiaries.
- It requires total freedom of establishment: for hairdressers, railway workers and lawyers as well as for firms.
- It also means the complete liberalization of the capital market, enabling everyone to borrow, invest and avail of the full range of banking and financial services anywhere in the Community.

The Community is working towards the large market every day. The European Commission has drawn up a list of 300 concrete measures to be taken to achieve it. Already in a year, nearly a quarter of them have been adopted. We have five years to go: the countdown continues.

## **Europe's high-technology drive**

No single Community country has all the experts, all the researchers in all the scientific fields and all the financial resources. Together, though, we have all the know-how and all the resources necessary. If we want to, we can be the leaders in most fields.

There are sectors in which we have fallen behind: we must get moving and catch up. There are other fields in which we have built up a lead: it must be maintained and increased. Technological progress is the key to tomorrow's prosperity and employment. It is a prerequisite for the success of the large market; it is the way to gain control of our future.

The Community has set a course. It was always keenly interested in research and technology but the speeding up of technological progress has made for decisive action. That action involved a choice: efforts were to be concentrated on the most critical aspects. The method adopted was the opposite of bureaucratic management: it consists of involving the people directly concerned and encouraging them to cooperate with each other.

Computer technology, telecommunications, new materials, energy and biotechnology are covered by Community programmes which have already brought substantial results:

- Information technology: the 201 projects of the Esprit programme, although launched relatively recently, have already produced such impressive results as:
  - In microelectronics, the development of gallium arsenide components for the next generation of supercomputers, as well as a new method for designing complex and more reliable chips for compact disc players.
  - In software, the PCTE project provided an answer to the difficult question of compatibility of software tools and is a kind of 'universal joint' for programmers.
  - In 'expert systems', a field in which the United States had a monopoly until now, two high-performance systems were developed in the framework of the Omega project.
  - In the field of integrated office systems, a new standard was drawn up for composite electronic documentation (voice, text and image) under the Herode project, in which a number of European firms are involved.

- The optical computer: a European 'stimulation' initiative enabled eight laboratories in five member countries (United Kingdom, Germany, France, Belgium, Italy) to develop digital circuits and other elements for a future optical computer.
- Telecommunications: The RACE programme, organized on the Esprit model, is part of a strategy to help Europe preserve its lead in this area. Under the programme the structure was decided for the future European broadband network, which will be a veritable highway for new means of communication.
- Industrial technology: four industrial laboratories belonging to leading automobile and aerospace firms (in the United Kingdom, France, Germany and Italy) have joined together under the Brite programme to develop a laser for sheet welding.
- Materials: under a stimulation initiative and the Euram (new materials) programme, 40 European laboratories have linked up to develop permanent supermagnets based on an alloy of iron, neodymium and boron. The purpose of these supermagnets is to replace electromagnets in numerous applications.
- Controlled thermonuclear fusion: the world's first big experimental fusion machine, the JET, is European. In recent trials a temperature of more than 100 million degrees was reached, a further step towards demonstrating the scientific feasibility of this process, which should provide humanity with a sure and practically inexhaustible source of energy.
- Geothermal energy: tests on the use of 'hot dry rocks' for energy purposes are being successfully conducted in Cornwall, under a non-nuclear energy research programme. The technique employed consists of injecting cold water into the rock layer; the water then emerges at high temperature.
- Biotechnology: under a Community programme, researchers at three laboratories (Ghent, Leyden and Cologne) have been the first in the world to succeed with transplants of genetics information in several plants of the class that includes cereals (monocotyledons).

Concertation, cooperation, complementarity and cohesion: these are the four keywords of European technological advance. 500 teams and more than 2 000 researchers are participating in Esprit and 1 400 national teams are taking part in the Community coordination programme on medical research. In all the various fields the Community is the meeting point, it provides the stimulus, it looks ahead. All 12 member countries are involved, Ireland and Greece no less than Germany and Italy.

### **The Community in everyday life**

'You don't fall in love with a large market' (Jacques Delors). An area without frontiers, technological advance: these are the essential aims, but they must be made to serve the people of Europe, with full respect for their identity and their individual

values. Besides, surely these aims will never be realized unless they muster popular support. The people must be made aware that the Community has adopted many measures that are of direct interest to them, in such areas as:

- The preservation of our surroundings and the maintaining of a balanced environment.
  - In 30 years, European agriculture has become highly efficient. With the aid of the common agriculture policy this has been done without changing the nature of rural life or the countryside, working on the principle of preserving family farms and making them more efficient. 11 million farmers have stayed on the land, local life goes on, tourism has developed and other activities have taken root there.
  - There has also been a series of concrete measure to protect the environment, measures that can be meaningful and fully effective only at European level. More than 100 pieces of Community legislation have been adopted, to purify waters and coastlines, to fight air pollution and noise, to manage waste, to protect nature and to facilitate information and research on ecological problems.
- The establishment of solidarity among the people of Europe.
  - The principle of equal rights for men and women was set down in the Treaty of Rome. Several Community directives were adopted to make member countries change their laws. Equal rights are now guaranteed in regard to pay, employment, vocational training, working conditions and social security.
  - Community rules to protect workers have also been drawn up. They cover employer-worker relations – collective redundancies, safeguarding rights in the event of transfer, ensuring payment of wages when a firm goes bankrupt – as well as hygiene and safety: the use of asbestos, lead and benzene is controlled, noise levels at the workplace are limited etc.
  - Every year the European Social Fund supports the vocational training of 2 million people, most of them young.
  - Solidarity also means reducing disparities in regional levels of development and helping to redevelop declining industrial regions. The Community's 'structural' funds are valuable instruments in this regard: they must be increased. With the integrated Mediterranean programmes, the European Commission is reinforcing the impact of the funds, while at the same time inaugurating a new form of direct dialogue with the regions in order to develop the infrastructure they need.
- Introducing the reality of Europe into education. The Commission is engaged in launching:

- The Erasmus programme, which will give thousands of students a chance to study for a time at a university in another Community country.
  - The Comett programme, which will enable thousands of students at the end of their studies to undertake a period of training in industry in another member country.
- Consumer protection. One of the benefits of the common market has been to give consumers a wider choice of products, a choice which will be further enlarged when the great European market is completed.
- However, the Community also has rules to govern free competition: commercial rivalry within Europe does not mean cut-throat competition at the expense of the consumer.
  - Community legislation requires sell-by dates on frozen food and a number of other foodstuffs, as well as compulsory display of the list of ingredients. Rules have also been established for the composition, manufacture and designation of honeys, fruit juices, chocolate, jams, mineral waters etc.
  - The Community has banned certain hormones, additives and colourants; it has proscribed the sale of children's pyjamas containing inflammable or carcinogenic fibres; it gives every citizen the legal right to challenge misleading advertising.

So every day every one of us uses products bearing the seal of the Community. Yet how many are really aware of the fact? How many of us know that 60% of national regulations on measuring instruments, cars, and the food industry are determined by Community law? Who is aware that the same is true for all regulations on electrical products and on the labelling of chemicals?

### **Europe: a stabilizing influence in the world**

- The European Community has become the world's leading commercial power: its share of world trade is greater than of the United States and twice that of Japan. Far from being closed off to the outside, it applies one of the lowest customs tariffs in the world: less than 5% for industrial products. Protectionism is not its style.

In international trade negotiations the Community, represented by the European Commission, speaks for and on behalf of the Member States. In return the Community gives its Member States greater leverage in a world dominated by great economic powers. Is it possible to imagine individual European countries negotiating with the same strength and effectiveness? The balance of forces would weigh heavily against them.

- Not only is the Community an alert negotiator with other major powers, it is also the Third World's closest and most important partner in terms of trade and development aid. As a proportion of gross production, the Twelve give twice as much development aid as the United States.

Cooperation with the Third World extends into such areas as energy, trade promotion and training. Although the Community is putting increasing emphasis on aid for rural development and on promoting self-sufficiency in food, it also supplies countries in difficulty with food aid in the form of cereals (nearly 1 400 000 tonnes in 1985), milk powder (nearly 109 000 tonnes) and other products.

In times of crisis, catastrophe or famine, the Community is the first to come to the aid of those affected. It was first on the scene to help the victims of famine in the Sahel, Sudan and Ethiopia, and following the disasters in El Salvador, Colombia and Mexico. Its emergency aid team is available day and night, on weekdays and weekends.

At a time of severe restraint on public spending, the Community has increased by 60% its aid to the 66 African, Caribbean and Pacific (ACP) countries with which it has signed the Lomé convention. This Convention enables the ACP countries to export their products to the Community free of customs duties; it also provides them with an entirely new system of guaranteeing their export earnings and offers technical and financial support for infrastructural development.

Generally speaking, the Community's aim in regard to the developing countries is partnership within a clearly defined contractual relationship: no missionary zeal, no attempt at paternalism or hegemony, but a desire to supply balance to North-South relations. That benefits the countries of the Third World; it is in our interest too: our exports to them account for 3 million jobs in Europe.

## **The European Community: simpler and more effective**

The Community is sometimes — too often — caricatured as an inefficient bureaucracy. Did you know:

- That the civil servants employed by the Community are fewer than the municipal employees of Birmingham? That the Belgian finance ministry has as many staff as the Community has? That the city of Paris has twice as many?
- That there are 24 Community civil servants to carry out 60 investigations a year into breaches of competition rules, while the United States has 550 people to work on the same number of cases ?

- That for technological research projects a single Community civil servant is responsible for budgets four times greater than those handled by a national administrator working on similar programmes?

When all is said and done...

- Is it better:

- to have 12 different systems of indirect taxation, as we had in 1957, or the single VAT system we have today in all 12 countries?
- To have the numerous different customs tariffs we had in 1957, or today's absence of customs duties between Member States and the single tariff for outside countries?
- To have 70 different customs forms or, as we will have in 1988 – only months away – a single document for trade between our countries?
- To have to fill out a police form and wait in line when arriving at a port or airport of the Community, or to be exempt from that formality, as we are now?

- Is it better:

- To be obliged, as we were in 1957, to take out special car insurance for travel to another European country, or to have today's (green card) insurance, automatically valid throughout the Community?
- To have to pay for health care in the event of illness or hospitalization in another European country, or to get reimbursed as we do today, just as if we were in our own country?
- To be refused permission to stay or work in a neighbouring European country, or to have that right recognized by Community law, as it already is in part and will be entirely in 1992?
- To be in charge of an exporting company and be subject to large and unforeseeable fluctuations in exchange rates, or to benefit from the stability provided by the European monetary system and from the possibility of borrowing in ECU (already the third most important currency for loan issues)?

- Is it better:

- For research on AIDS and cancer to be carried out with everyone working separately on the same subject, or for research to be coordinated and human and financial resources concentrated, as they are under the European Community's programmes?

- To have to wait for a bureau de change to open, when you are out of cash in another European country, or to be able to use your magnetic card in all the cash dispensers of the Community, as you will in 1992?
- To have 12 different sets of rules and technical systems for television broadcasting, or to have matters organized at European level, so that it will soon be possible to receive other countries' transmissions by satellite and to spread abroad the cultures of Europe?
- To have, as we do today, five different radiotelephone systems that are mutually incompatible, or to have, as we will from 1992, a system harmonized at European level that will operate from country to country?

Is it simpler to have a single rule or twelve rules that contradict each other? Is it more effective together to invest twelve ECU in a joint project, or separately to invest each a single ECU in twelve competing projects? Is it better to have a Community or a non-Community?

The answer is self-evident: the European Community is the simpler and more effective way

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