

**Background Paper**

**BP-240E**

**THE PATHBREAKING POLITICS OF  
EUROPEAN INTEGRATION**

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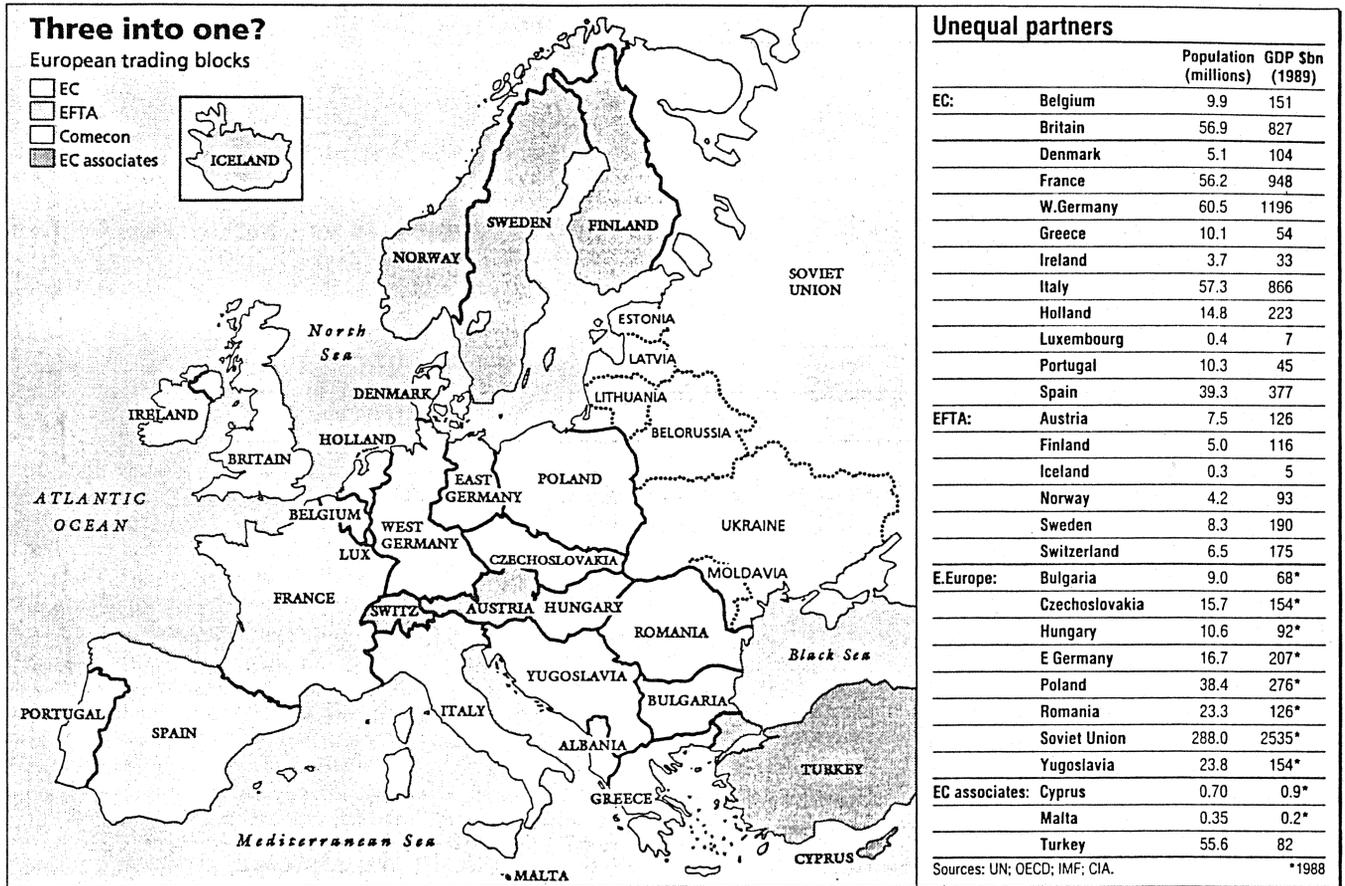
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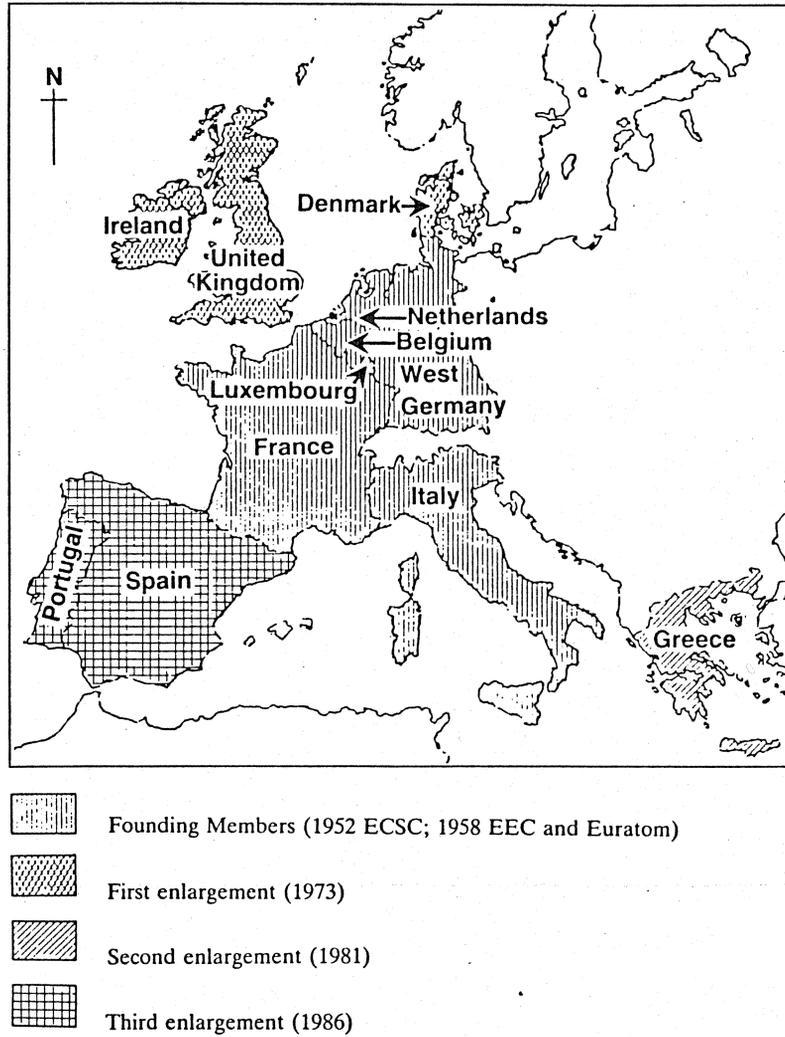
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MAP OF THE "COMMON EUROPEAN HOME" SHOWING ECONOMIC BLOCS  
AND NATIONAL DISPARITIES AT THE CLOSE OF THE COLD WAR



Source: "An Expanding Universe: A Survey of the European Community," *The Economist*, 7 July 1990, p. 15.

MAP OF MEMBER STATES OF THE EUROPEAN COMMUNITY  
SHOWING STAGES OF EXPANSION



Source: Neill Nugent, *The Government and Politics of the European Community*, Duke University Press, Durham, N.C., 1989, p. xiv.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION: EUROPE'S NEW AGENDA .....	1
THE CREATION OF THE EUROPEAN COMMUNITY .....	3
APPROACHES TO EUROPEAN INTEGRATION: THEORY AND POLITICS .....	9
CANADIAN POLICY TOWARDS EUROPE .....	17
FROM "EUROSCLEROSIS" TO EUROPEAN RENAISSANCE: THE SINGLE EUROPEAN ACT AND "1992" .....	23
A. Overview .....	23
B. The Political Economy of the Single Market .....	27
C. The Development of European Political Institutions .....	31
1. The European Council .....	34
2. The Council of Ministers .....	35
3. The European Commission .....	36
4. The European Parliament .....	39
5. Legislative Process in the EC .....	43
D. The Social Dimension of Europe 1992 .....	46
1992 AND BEYOND: THE FUTURE OF THE EUROPEAN COMMUNITY IN GLOBAL PERSPECTIVE .....	51
A. Towards a Common European Voice in the Post-Cold War Era .....	53
B. The European Community and the New International Political Economy .....	56
C. The European Challenge to Canadian Policy .....	59

LIST OF FIGURES

FIGURE 1: SCOPE OF THE 1957 EEC TREATY (AS AMENDED BY THE 1986 <u>SINGLE EUROPEAN ACT</u> ) .....	6
FIGURE 2: THE EUROPEAN COMMUNITY SYSTEM FOLLOWING THE ROME TREATIES .....	8
FIGURE 3: THEORETICAL SCENARIOS FOR EUROPEAN INTEGRATION .....	10
FIGURE 4: ESTIMATED MACROECONOMIC CONSEQUENCES OF EC MARKET INTEGRATION FOR THE COMMUNITY IN THE MEDIUM TERM .....	29
FIGURE 5: THE EC COMMISSION'S DIRECTORATES .....	38
FIGURE 6: NATIONAL ARRANGEMENTS FOR ELECTIONS TO THE EUROPEAN PARLIAMENT .....	41
FIGURE 7: PARTY GROUP STANDINGS BY COUNTRY IN THE EUROPEAN PARLIAMENT FOLLOWING 1989 ELECTIONS .....	42
FIGURE 8: MAIN LEGISLATIVE STAGES WITHIN THE EUROPEAN COMMUNITY ....	44
FIGURE 9: THE NEW COOPERATION PROCEDURE FOR ENACTING EC LEGISLATION, EFFECTIVE 1 JULY 1987 .....	45

LIST OF APPENDICES

APPENDIX I: GLOSSARY AND ACRONYMS OF KEY POST-WAR INSTITUTIONS OF EUROPEAN INTEGRATION	
APPENDIX II: MEMBERSHIP IN WESTERN AND WESTERN EUROPEAN ORGANIZATIONS	
APPENDIX III: CHRONOLOGY OF KEY EVENTS IN EUROPEAN POLITICAL INTEGRATION AND THE DEVELOPMENT OF THE EUROPEAN COMMUNITY	
APPENDIX IV: SELECTED BIBLIOGRAPHICAL SHORT LIST FOR FURTHER READING	



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THE PATHBREAKING POLITICS OF EUROPEAN INTEGRATION

INTRODUCTION: EUROPE'S NEW AGENDA

"In view of the profound transformations in Europe, of the establishment of the internal market and of the achievement of economic and monetary union, we think it necessary to accelerate the political construction of the 12-member Europe."

- Letter of Helmut Kohl and Francois Mitterrand to Charles Haughey, President of the European Council, 19 April 1990

Canadians, like people everywhere, have been amazed by the revolutionary tide of change sweeping Eastern Europe and the Soviet Union. In recent years, Canadians have also been advised to pay closer attention to the renewed commercial dynamism of the Western European Community (the EC's "Common Market"). In particular, the focus has been on the economic challenge of the EC's ambitious program to complete the creation of a single market by the end of 1992. But "Europe 1992" ought not to be confined to the business pages. It is taking place at a historic moment when the post-war division of Europe is breaking down and new political forces are at work. Although the economic dimensions of the 1992 project have their own logic and momentum, they cannot be fully understood except as part of the larger, multi-faceted movement of European integration, perhaps leading towards European unification (or "federation") on a scale unthinkable only a short time ago.

From the first strivings for a united, peaceful Europe in the difficult years of post-war reconstruction, the European project has been political and social as well as economic. Along the way there have been great achievements, but also many disappointments. Even as the

Community enlarged its membership and institutions, through much of the 1960s, '70s and early '80s there was a growing sense of "Europessimism." That drift has since turned around in dramatic fashion, especially since the entry into force of the *Single European Act* in 1987. More dramatically still, Soviet President Gorbachev's call for a "common European home" became more than mere diplomatic rhetoric as one by one the satellite Communist regimes of Eastern Europe crumbled and new democratic governments turned towards the West. The fall of the Berlin Wall in November 1989 opened new possibilities for the entire continent, climaxing a period of virtual "Europhoria." Yet it is apparent that the construction of a stable, unified Europe with a reunited Germany at its centre is a monumental task with profound and often perplexing implications for the international order as a whole.

It is beyond the scope of this paper to address all of the issues raised by these breathtaking developments. The focus of the analysis will be on the European Community as it now exists, and as it may evolve in coming years, because the EC is the major vehicle of political and socio-economic integration in Europe. Following on the decisions of recent EC summits, an historic intergovernmental conference is to be held in Rome in mid-December 1990, to deal first with the issues of economic and monetary union, and then even more ambitiously with the matter of EC constitutional development leading to political union. French President Mitterrand and German Chancellor Kohl, whose appeal is cited above, want Europe to speak with one political as well as economic voice by 1 January 1993. But not everyone, notably former British Prime Minister Margaret Thatcher, shares their vision. The future course of EC integration is far from assured and encompasses many contentious questions of national sovereignty, supranational governance, democratic accountability, regional devolution, federal or confederal structures, social adjustment costs, and so on -- questions which are not without some relevance to Canada's own constitutional future within an increasingly economically-integrated North American region. Canadian policymakers must also respond to the external challenges posed by Europe's new agenda.

Part I of the paper briefly reviews the formative years of the European Community and Part II introduces the theories that have been

developed to explain the process of European integration. Part III looks back at Canadian policy towards the emerging EC. With this context established, the rest of the paper concentrates on the current evolution of the EC, specifically the political and institutional aspects of integration. Part IV examines the genesis and consequences of the *Single European Act*. Part V looks beyond Europe's borders and beyond 1992 to assess the wider implications of the movement towards European union, for the world and for Canada.

#### THE CREATION OF THE EUROPEAN COMMUNITY

The devastation of two world wars had an enormous impact on those political leaders who had the task of rebuilding a divided Europe after 1945. With the failure of the old League of Nations fresh in their minds, many, particularly those who had been active in the Resistance movements to Fascism, were searching for radically new pan-European arrangements to prevent such terrible events from happening again. Nationalism centred on the nation-state was tarred by the general revulsion against what "National Socialism" had wrought. There was some support, therefore, for a "United States of Europe" along democratic, federalist lines. (1)

Influenced by federalist new thinking, a congress of prominent Europeans gathered at the Hague in May 1948 issued a call for European political and economic union. While that hope proved unrealistic, intergovernmental discussions on Western European cooperation did produce more modest results. Ten states signed the Statute of the Council of

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(1) For a firsthand account of the popular movement for federation see Altiero Spinelli, "European Union and the Resistance," in Ghita Ionescu, ed., *The New Politics of European Integration*, Macmillan, London, 1972. The phrase "United States of Europe" was actually used by Winston Churchill in a speech in 1946. But like France's De Gaulle, he had in mind a new international organization of nation-states, as indeed the Council of Europe and the United Nations were to become.

Europe in May 1949.<sup>(2)</sup> Another important factor was strong American support for joint European action, both for economic and strategic reasons. Marshall Plan aid was conditional on recipient countries seeking closer economic cooperation among themselves. In addition to the creation of the Bretton Woods and United Nations system, an Organisation for European Economic Cooperation (OEEC) was established in 1948. (In 1961 it expanded to include non-European members and became the Organisation for Economic Co-operation and Development - OECD.) With the beginnings of the Cold War, the United States also sought European collaboration to share the burden of resisting the Soviet threat. The setting up of the North Atlantic Treaty Organization (NATO) in 1949 cemented that alliance.

The rapid rehabilitation of the Federal Republic of Germany within the Western sphere allowed other elements of integration to go forward. Much of the impetus at this critical stage came from a farsighted Franco-German understanding as old enmities were laid aside in favour of mutual interests and a shared vision of a unified Europe. With the backing of French President Charles de Gaulle and West German Chancellor Konrad Adenauer, French master economic planner Jean Monnet and foreign minister Robert Schuman devised a plan which eventually resulted in the 1951 Treaty of Paris establishing the European Coal and Steel Community (ECSC). Italy and the "Benelux" countries also joined as founding members. The ECSC was to be much more than just a sectoral economic initiative. It was to begin the construction of a supranational community. Stated Jean Monnet during the negotiations: "The indispensable first principle of these proposals is the abnegation of sovereignty in a limited but decisive field." West German Chancellor Konrad Adenauer agreed when he told the Bundestag that

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(2) Despite not living up to expectations, the Council remains as the oldest and largest of the post-war European political institutions. It also oversees the European Convention for the Protection of Human Rights and Fundamental Freedoms. See Appendix I for a list of all the major institutions of European integration and their acronyms. Appendix II gives the current membership of key European bodies and Appendix III provides a chronology of key events in the growth of the European Community.

"the importance of this project is above all political and not economic."(3)

The ECSC created four central institutions which have carried over into the present EC. A "High Authority" charged with executing community objectives was given a clearly supranational character. But it was checked, and increasingly so, by a "Council of Ministers" representing the interests of the national governments. There was also a "Common Assembly," forerunner of the European Parliament, although in practice its appointed members had only an advisory role. Finally, there was a "Court of Justice" with overriding jurisdiction over all disputes relating to the community.

The ECSC enjoyed early economic success but its effectiveness did not last. Its founders' grand integrationist designs were not fulfilled and suffered setbacks in other areas. In 1952 the same six governments signed a draft treaty to establish a European Defence Community (EDC). The original plan was again put forward by France, but the treaty was ultimately rejected by the French National Assembly in 1954 on a close vote. In place of the EDC a much looser Western European Union (WEU), including the United Kingdom, was incorporated the next year.

The failure of the EDC meant that the proposed European Political Community which came to be associated with it was also stillborn. Yet this was not to be the end of the story. Instead, the ECSC "Six" gave renewed consideration to intensifying economic integration as a slower but perhaps surer means to political integration. Several years of negotiations produced the landmark Rome treaties of 1957. One created the European Atomic Energy Community (Euratom) to manage the peaceful development of nuclear energy. The more important treaty created the European Economic Community (the EEC or "Common Market") as a customs union with a common external tariff and commercial policy. The scope of the EEC was far greater than that of the ECSC as Figure 1 shows.

However, in institutional terms, it was clear that supranational ideals had been tempered by intergovernmental realities. The

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(3) Quoted in Neill Nugent, *The Government and Politics of the European Community*, Duke University Press, Durham, N.C., 1989, p. 32.

FIGURE 1: SCOPE OF THE 1957 EEC TREATY (AS AMENDED BY THE 1986 SINGLE EUROPEAN ACT)

	<u>Articles</u>
Preamble	1-8
Part One - Principles	
Part Two - Foundations of the Community	
Title I - Free Movement of Goods	9-11
Chapter 1: The Customs Union	
Section 1: Elimination of Customs Duties Between Member States	12-17
Section 2: Setting Up of the Common Customs Tariff	18-29
Chapter 2: Elimination of Quantitative Restrictions Between Member States	30-37
Title II - Agriculture	38-47
Title III - Free Movement of Persons, Services and Capital	
Chapter 1: Workers	48-51
Chapter 2: Right of Establishment	52-58
Chapter 3: Services	59-66
Chapter 4: Capital	67-73
Title IV - Transport	74-84
Part Three - Policy of the Community	
Title I - Common Rules	
Chapter 1: Rules on Competition	
Section 1: Rules Applying to Undertakings	85-90
Section 2: Dumping	91
Section 3: Aids Granted by States	92-94
Chapter 2: Tax Provisions	95-99
Chapter 3: Approximation of Laws	100-102
Title II - Economic Policy	
Chapter 1: Conjunctural Policy <sup>1</sup>	103
Chapter 2: Balance of Payments	104-109
Chapter 3: Commercial Policy	110-116
Title III - Social Policy	
Chapter 1: Social Provisions	117-122
Chapter 2: The European Social Fund	123-128
Title IV - The European Investment Bank <sup>2</sup>	129-130
Part Four - Association of the Overseas Countries and Territories	131-136
Part Five - Institutions of the Community	
Title I - Provisions Governing the Institutions	
Chapter 1: The Institutions	
Section 1: The Assembly	137-144
Section 2: The Council	145-154
Section 3: The Commission	155-163
Section 4: The Court of Justice	164-188
Chapter 2: Provisions Common to Several Institutions	189-192
Chapter 3: The Economic and Social Committee	193-198
Title II - Financial Provisions	199-209
Part Six - General and Final Provisions	210-240
Setting Up of the Institutions	241-246
Final Provisions	247-248

<sup>1</sup> Under the *Single European Act*, a new Chapter 1 is inserted: "Cooperation in economic and monetary policy (Economic and Monetary Union)." It is made up of a new Article 102a. Chapters 1, 2 and 3 above become Chapters 2, 3 and 4 respectively.

<sup>2</sup> Under the *Single European Act*, three new Titles are added here:  
Economic and Social Cohesion (Articles 130A to Article 130E)  
Research and Technological Development (Articles 130F to 130Q)  
Environmental (Articles 130R to 130T).

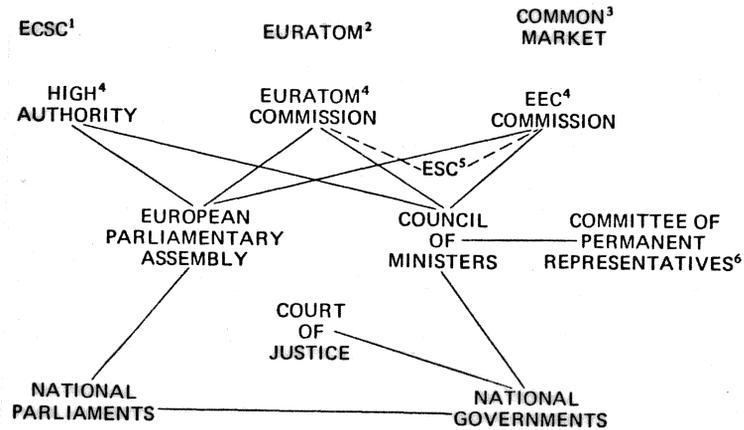
EEC's Council of Ministers would be the principal decision-maker and the Community's executing Commission would be less powerful than the ECSC's High Authority. A parliamentary assembly (to be directly-elected only after a transitional period) and a court of justice were to be common to the ECSC, Euratom and the EEC. The diagram in Figure 2 shows the basic framework of the Community system following the Rome treaties.

This period of constitutional creativity was not to be matched for nearly 30 years until the *Single European Act* (SEA). There were, however, some significant amendments to the treaties. In 1967 there was a merger establishing a single Council of Ministers and Commission for the three communities, which became known collectively as the EC. In 1970 the parliament gained some powers within a budgetary procedure for the Community, and in 1975 a Court of Auditors was created. The EC also expanded from six to twelve members, beginning with the U.K., Ireland and Denmark (1973); then Greece (1981), and Spain and Portugal (1986). The EC acquired a sizeable professional bureaucracy - though not particularly large considering its workload - and spawned a vast network for consultation and lobbying on Community policies, notably agricultural and trade matters. A partial European Monetary System (EMS) was instituted in 1979.

Nonetheless, European idealists were frustrated by the pace and equivocal nature of Community development during these years. The European Parliament was not directly elected until 1979 and seemed to have little real authority. For a long time French President Charles de Gaulle played the resisting role which Prime Minister Margaret Thatcher took up in the 1980s. The difference is that de Gaulle was more successful in getting his way, and indeed blocked British entry into the EC until the 1970s. (Britain had actually participated in the early negotiations leading to the EEC treaty, but preferred a simpler and looser free-trade arrangement than the eventual Common Market. The U.K. then joined the Nordic countries, Switzerland and Austria in a European Free Trade Association (EFTA). But this was only an interim stage in the face of the growing logic of British membership in the EC.)

De Gaulle was determined as well to hold in check supranational ambitions within the Community in favour of a "Europe des

FIGURE 2: THE EUROPEAN COMMUNITY SYSTEM FOLLOWING THE ROME TREATIES



1 European Coal and Steel Community

2 European Atomic Energy Community

3 European Economic Community

4 Executives

5 Economic and Social Committee

6 Committee of Permanent Representatives

Source: Ghita Ionescu, ed., *The New Politics of European Integration*, The Macmillan Press, London, 1972, p. ix.

patries" ("Europe of states"). Although the EEC treaty had provided for qualified majority voting in the ministerial Council, de Gaulle was able to preserve the national governments' right of veto on all questions they considered important (confirmed by the "Luxembourg compromise" in the mid-'60s). In short, decades after the visionary declarations of the founders of the ECSC, the Community still resembled much more a complex, functional interstate organization than an incipient supranational level of European government.

#### APPROACHES TO EUROPEAN INTEGRATION: THEORY AND POLITICS

Post-war Europe provided a crucial "laboratory" for modern theories of integration. The region which gave birth to the nation-state system seemed to be moving towards a new form of cooperative organization "beyond the nation-state," to use the seminal phrase of leading theorist Ernst B. Haas. The shape and dynamics of this integrative movement gave rise to a rather untidy mass of interpretations and speculations. As Canadian scholar Charles Pentland stated: "All it seems possible to say is that international political integration is a *process whereby a group of people, organized initially in two or more independent nation-states, come to constitute a political whole which can in some sense be described as a community.*" (4) There was little agreement as to the prime causative agents of integration, or the final institutional end-product of the process. With regard to process, some emphasized the indirect influence of a need for practical, functional responses to solve collectively new

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(4) Charles Pentland, *International Theory and European Integration*, Faber and Faber, London, 1973, p. 21. For another survey of the field see Reginald Harrison, *Europe in Question: Theories of Regional International Integration*, George Allen & Unwin, London, 1974. Key early works include Ernest B. Haas, *The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957*, Stevens, London, 1958; *Beyond the Nation-State: Functionalism and International Organization*, Stanford University Press, Stanford, 1964; Leon Lindberg, *The Political Dynamics of European Economic Integration*, Stanford University Press, Stanford, 1963; Karl Deutsch, *Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience*, Princeton University Press, Princeton, 1957.

problems of industrial and social development. Others insisted on seeing integration moving forward by direct political and constitutional means. With regard to end-product, some adopted a loose "community model" in which Europe would remain a pluralist association of states; others envisaged the creation at some ultimate stage of a single European federal state. These divergent approaches were schematized by Pentland in the following matrix:

FIGURE 3: THEORETICAL SCENARIOS FOR EUROPEAN INTEGRATION

		END-PRODUCT	
		STATE-MODEL	COMMUNITY-MODEL
INTEGRATIVE PROCESS	DIRECT - Political Variables	Federalism	Pluralism
	INDIRECT - Socio- Economic Variables	Neo- functionalism	Functionalism

Source: Pentland, *International Theory and European Integration* (1973), p. 23.

The pluralist approach was exemplified in the writings of Karl Deutsch and other theorists of social communication and transnational interaction. It saw the European community evolving into a highly-developed international organization of states, perhaps with some confederal elements, but with only very limited common structures. Integration was a matter of increased communication and coordination among states to achieve shared purposes; it was not an exercise in supranational state-building. Pluralism therefore protected state sovereignty within a community framework. This perspective was congenial to those such as de Gaulle who wanted close concertation at the level of "high politics" -- i.e., on matters of security and diplomacy -- but otherwise few common policies or constraints on their freedom of action.

Pluralism also helped to allay British fears that Britain might be swallowed up by a continental European entity. During the 1980s, Prime Minister Margaret Thatcher was the leading defender of a pluralist

approach which sees the agenda of European cooperation as essentially limited (in her case the focus was on economic liberalism), and to be decided as a matter of political negotiation among sovereign states. The pluralists have long been the bane of those working for a more centralized, cohesive European community. While pluralism supports political integration in some fields, it is seen as obstructing real progress towards European political union.

The functionalist approach grew out of the work of a group of theorists about international or world government, of whom the most representative from the 1930s on was David Mitrany. (His *A Working Peace System* published in 1943 had a large influence on Canadian thinking on how the United Nations should operate.) The functionalists argued that the rapid growth of technological links and economic interdependence among nations necessitated a new peaceful multinational regime to govern these relations. The globalization of the issues facing politicians and governments would inevitably require the creation of integrated political structures as well as specialized functional institutions to tackle specific common problems. European functionalists saw European integration as in a sense the "avant-garde" of this movement. The European community would be a milestone on the road to a functioning system of world governance.

Events as we know turned out rather differently. The functionalists, with their anti-nationalist, technocratic solutions driven by supposed technological and economic imperatives, made the mistake of assuming far too much in the political sphere. Experience proved that functional cooperation based on mutual interests would not irresistibly bring about political union. Moreover, functionalism failed to account for the fact that the growth of state interventionism in the post-war period might increase the powers of national governments as well as pressures for integration.

The development of the EC was both more complex and more uncertain than either pluralism or functionalism could explain. Two more challenging, contending approaches have therefore come to predominate in recent decades - neofunctionalism and federalism.

Neofunctionalism, associated particularly with the work of Ernst Haas, attempted to theorize directly from the actual development of the ECSC and the EEC. While recognizing the functional/economic impetus for integration, Haas was much more precise and exacting than the older functionalist tradition about its political orientation: "Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states. The end result ... is a new political community, superimposed over the pre-existing ones." Haas posited that a distinctive supranational entity had emerged to take its place alongside more familiar political forms within international society: "Supranationality, not federation, confederation or intergovernmental organization, seems to be the appropriate regional counterpart to the national state which no longer feels capable of realizing welfare aims within its own narrow borders, which has made its peace with the fact of interdependence in an industrial and egalitarian age."<sup>(5)</sup>

Crucial to neofunctionalists' explanation of the progressive dynamics of supranational integration has been the concept of "spillover." The implementation of collective community goals creates problems which also spill over into other areas (e.g., adjustment costs, demands for equalization of benefits, harmonization, etc.), and which can only be solved effectively by an intensification and/or expansion of the mutual commitment of the community's constituent partners. Spillover requires management by the supranational authority, so that "the initial task and grant of power to the central institutions creates a situation or series of situations that can be dealt with only by further expanding the task and grant of power."<sup>(6)</sup> However, as optimistic hopes for coherent Community

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(5) Quoted in Pentland (1973), p. 101-3.

(6) Lindberg, quoted in Pentland (1973), p. 119.

development suffered setbacks over the years, neofunctionalists moderated and qualified their claims. The forward movement of integration was not automatic or necessarily linear, they acknowledged. Europe's political destiny was perhaps not so manifest after all.

Integrationists in general have been criticized for having romantic notions of "community engineering." Integration theories seem to assume rather too easily that more integration is desirable, even though it may not proceed by inevitable, consecutive stages. There is also a tendency to assume a benign, liberal and positive role for state authority, transferred to the European level in which governments, business and labour increasingly collaborate for the community good. This Euro-corporatist consensus model has been challenged by significant opposition forces on both the right and the left of the political spectrum.

Nonetheless, neofunctionalism retains considerable analytical power, especially in light of the ambitious single-market program established in the 1980s. As David Mutimer argues in a recent reassessment, the spillover thesis clearly applies to many aspects of the *Single European Act* and the push for economic and monetary union. As a result, he concludes:

1992 promises to be a profoundly important date. Not only will a new economic entity emerge, with the potential to alter the balance within the international political economy, but a new political entity may well follow it. We have experience with large single markets - the United States' market will still be comparable to Europe's even after 1992 - but the new European politics promises to be unique. In the 1950s, Ernst Haas promised that international integration would lead beyond the nation state, but subsequently he argued that the lessons of the 1970s were that the nation state was not yet ready to be surpassed. It is at least possible that 1992 will act the midwife to the birth of the world's first truly transnational political organization. (7)

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(7) David Mutimer, "1992 and the Political Integration of Europe: Neofunctionalism Reconsidered," *Journal of European Integration*, XIII:1, Fall 1989, p. 101.

While even Mrs. Thatcher could embrace the "negative" integration of the 1992 project -- i.e., freer trade and freer markets -- it is the connection to the agenda of "positive" political integration that is at issue here.<sup>(8)</sup>

The most unabashed proponents of positive political unification have been European federalists. Although the creation of a federal Europe is still viewed by many as an impractical pipedream, federalist ideas have figured prominently in the philosophies of Community founding fathers Jean Monnet and Altiero Spinelli, the writings of theorists such as Amitai Etzioni and Carl Friedrich, and in various reports and proposals from the EC Commission and the European Parliament, notably the draft European Union Treaty (EUT) of 1984. The federalist school of European integration stresses conscious political design in the building of the Community.<sup>(9)</sup> In other words, the completion of the European project requires direct, constitutional steps; it is not enough to rely on uncharted intergovernmental responses to various internal and external pressures (i.e., technological, economic, strategic) on Community members, although these pressures may play a role in galvanizing political action. Federalism, it is claimed, offers the only workable model of political unity for a region as diverse as Europe. Yet, at the same time, only two of the twelve current EC members, Germany and Belgium, have actual experience with federal structures.

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(8) "Negative" in this context refers to a primary emphasis on reducing the burden of inefficient state regulation across national borders -- in effect, an economic "Europe without borders." "Positive" integration refers to the addition of new institutions and forms of regulation at the Community level. For an argument which sees negative and positive integration as necessarily linked processes within the EC context, see John Pinder, "The Single Market: A Step Towards European Union," in Juliet Lodge, ed., *The European Community and the Challenge of the Future*, St. Martin's Press, New York, 1989, p. 107-8.

(9) For an introduction to the federalist debate, see, *inter alia*, Carl J. Friedrich, *Europe: An Emergent Nation?*, Harper & Row, New York, 1969; Amitai Etzioni, *Political Unification*, R.E. Krieger Publishing Co., Huntington, 1974; Pentland, *International Theory and European Integration*, chap. 5, "Power and the Supranational State: Varieties of Federalist Theory."

The federalist approach tends to be highly normative and voluntarist, focusing on the political will of Community members. Not surprisingly, federalists have frequently been disappointed at the slow pace of progress towards their goal. Nonetheless, the present constitution of the EC already contains some federalist elements. For example, the European Court of Justice operates as, in effect, a federal court. These elements will very likely be strengthened, and new ones added, in coming years. Several authors argue that, far from being a fringe movement, federalism has been a continuous driving force behind the evolution of the EC and will remain so.<sup>(10)</sup>

It is tempting, but often misleading, to draw parallels between European political integration and possible constitutional scenarios in Canada. Canada is fundamentally a federation, now in danger of *dis*-integration, whereas Europe is a community of pre-existing nation-states which may become a federal union. Although the existing EC might be described as a form of political-economic "sovereignty-association," or as some kind of model of a decentralized intergovernmental "superstructure," the Community does not represent a stable equilibrium. Constitutionally, it is in a period of potentially far-reaching transition. Moreover, the direction of change is centralizing at the supranational level as the constituent states cede sovereignty to the governing institutions of the Community. If there is a model of federal disintegration in Europe it would be the very special case of the U.S.S.R., in which virtually all of the republics have proclaimed some form of independence, yet economic survival may compel them to hang together. Going further to contemplate the rehabilitation of Eastern Europe and the Soviet Union within a cohesive European Community strains the imagination of even the most avid pan-Europeanists.

The more relevant issue from a Canadian perspective may ultimately be the linkage of "negative" (i.e., free market-oriented) economic integration to "positive" (i.e., institutionalized) political and

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(10) Cf. Michael Burgess, *Federalism and European Union*, Routledge, London, 1989; and Ernest Wistrich, *After 1992: The United States of Europe*, Routledge, London, 1989.

social integration. In Europe, where economic union is now imminent, this linkage has been open and explicit. In North America, it has been minimized and usually avoided. But as economic integration proceeds within North America, the question of supranational institutions is bound to arise. This does not mean, however, that the EC is any guide to future political arrangements in North America. Indeed, as John Pinder points out in a useful summary of EC development, none of the approaches to European integration provides a really reliable guide to Europe's own political future --

The Community has come a long way since it was first initiated by the Schuman plan in 1950. While integration stagnated from 1965 to 1985, giving the appearance of a rather complicated customs union extending itself gradually to cover almost the whole of Western Europe, events since 1985 have given a different impression. The internal market programme may have been seen as a framework in which to deal with the urgent problem of competitiveness in the new technologies through negative integration, fitting the liberal trend of the times as well as governmental resistance to the sharing of sovereignty. But it brought with it pressures for positive integration and institutional reform that could prove more important than the single market itself, and which may, given the momentum of the internal market programme, be strong enough to overcome the reaction in defence of national sovereignty.

This sequence of events has given rise to a neofederalist analysis of Community development... There is ... at least a good chance that the end of the century will see an economic and monetary union as well as a common market governed by institutions that can be called federal. Unfortunately, integration theory can hardly be said to have given enough help as yet to the evaluation of this prospect. (11)

To put it another way, Europe's destiny will ultimately be determined by its political leaders, not by theorists of integration.

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(11) John Pinder, "Economic Integration Versus National Sovereignty: Differences Between Eastern and Western Europe," *Government and Opposition*, Vol. 24, Summer 1989, p. 320-21.

## CANADIAN POLICY TOWARDS EUROPE

As a former colony and as a land of immigrants, Canada has strong historical ties to the "mother countries" in Europe. These ties, and Canada's participation in the two world wars fought on European soil, have left an important foreign policy residue, notably in regard to the North Atlantic alliance and the loose umbrellas of the Commonwealth and "la Francophonie." According to historian Kenneth McNaught, Canada also has an essentially European, as distinct from American, political culture -- one that shares parliamentary traditions, ideas of civility and collective rights. He sees Europe's search for political community as a congenial enterprise in relation to the building of Canada's "community of communities":

As Europe herself moves from the Treaty of Rome toward the potentially decisive year of 1992, the political trajectory of Canada seems almost to cross the course of European affairs. While the European Community tries to achieve by constitutional means what successive efforts by military means have failed to accomplish - a continent-wide government without diminishing national differences - Canada pursues a similar goal by re-emphasizing the significance of cultural individuality under a continent-wide government already in place. Each trajectory differs from that of the USA in its conception both of democracy and of nationalism.(12)

In the early post-war years, Canada's links to Europe remained strong. We supplied large amounts of aid for the reconstruction of Western Europe, and we were a key founding member of the North Atlantic Treaty Organization (NATO). However since then, despite those bonds and notwithstanding Canada's supposed European character, Canadian interests increasingly moved elsewhere or were drawn into a North American orbit. Europe became less important to Canada and vice versa. This gradual ebbing of the relationship was apparent in the rather weak and diffident Canadian response to the establishment of European Community institutions. Canada's

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(12) Kenneth McNaught, "Canada's European Ambience," *The Round Table*, No. 310, April 1989, p. 148-49.

primary concern seemed to be a potential loss of export trade, particularly if the U.K. became part of the Common Market.

Canada, like other Commonwealth countries, had enjoyed virtually free access to British markets since the Ottawa agreements of 1932. In 1960, one year before Britain made its first application to join the EEC, the U.K. still took 17.2% of total Canadian exports (versus only 2.5% today). Canada was therefore understandably worried about losing British preferences. Canadian farmers in particular would face tougher competition because of the EEC's highly protectionist Common Agricultural Policy (CAP). At the time, the Diefenbaker government also wanted to strengthen the British connection.

By contrast, U.S. policy towards Europe was much more positive and aggressive. From the time of the Marshall Plan, the U.S. strongly supported economic and political integration in western Europe. During the Kennedy administration the U.S. pushed for new liberal trading arrangements with the EEC, an initiative which helped to launch the "Kennedy round" of multilateral negotiations under the General Agreement on Tariffs and Trade (GATT). Although presumably Canadians could also see benefits from expanded ties with an economically stronger and politically stable Europe, Canadian reaction to the EC seems to have been defensive rather than outward or forward-looking.<sup>(13)</sup>

The Trudeau foreign policy review of the late '60s provided an opportunity for some fresh thinking on Canada's role in Europe. Trudeau's policy statement of May 1968 affirmed that:

Canada continues to have a very large stake in Europe, perhaps not so much in the military sense of two decades ago, but in political, commercial and cultural terms. It seems almost axiomatic that, far from relaxing them, Canada should seek to strengthen its ties with the European nations whose many and varied cultures contribute so much to our own. We should seek

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(13) For an early survey see L.D. Wilgress, *The Impact of European Integration on Canada*, Canadian Trade Committee, Private Planning Association of Canada, 1962.

to join with them in new forms of partnership and cooperation. (14)

Subsequently, a Special Task Force on Europe was set up, and relations with Europe were the focus of one of the six booklets in the 1970 *Foreign Policy for Canadians* series, whereas none was devoted to the United States, Canada's most important bilateral partner. While Trudeau wanted to scale back Canadian military involvement overseas through NATO, he saw Europe as a useful "counterweight" to American influence. The European orientation was to be part of a diversified, "independent" foreign policy stance which would promote internationalism while serving Canadian interests. This theme was incorporated into Mitchell Sharp's famous "Third Option" paper of 1972. Nevertheless, the belated overture towards Europe did not satisfy some critics who felt that Canada was still missing the boat, especially on European Community issues. Peter Dobell lamented a continuing "bias against Europe" within Canadian foreign policy circles. (15) Canada's reduction of its forces in Europe was also perceived negatively in many European capitals, and there were lingering strains in Canada-France relations dating from de Gaulle's inflammatory visit to Quebec.

Despite these impediments, European policy received more Canadian attention during this period than it had for a long time. In 1973, following Britain's entry into the EEC, the Standing Senate Committee on Foreign Affairs released a report, *Canadian Relations with the European Community*, which called for a variety of initiatives. During the years 1974 to 1976 considerable diplomatic energy was expended in the laborious negotiation of a "contractual link" between Canada and the EC. The

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(14) According to former ambassador John Halstead, this statement drew heavily on a paper, "Canada's Stake in Europe," which he had recently prepared for a Department of External Affairs study group. See his article, "Trudeau and Europe: Reflections of a Foreign Policy Advisor," *Journal of European Integration*, XII:1, Fall 1988, p. 39 ff.

(15) Peter Dobell, *Canada's Search for New Roles: Foreign Policy in the Trudeau Era*, Oxford University Press, London, 1972, p. 97. Paradoxically, there is now a bilingual Canadian journal of European integration, but still no similar academic periodical devoted to Canada-United States relations.

official "Framework Agreement on Trade and Industrial Cooperation" was signed in July 1976.<sup>(16)</sup> However, performance never matched expectations. Commission bureaucrats in Brussels had more invested in the project than had European governments. The text of the agreement was rather vague, more symbolic than substantive. On the Canadian side, interest quickly waned when there were few demonstrable results, due in part to the lack of private sector response.<sup>(17)</sup> Daniel Roseman suggests "neither side was fully committed to the agreement because it represented such a low common denominator."<sup>(18)</sup>

During this time Canada maintained its involvement in European affairs in other ways, through its remaining NATO commitments, and notably through participation in the Conference on Security and Cooperation in Europe (CSCE) which confirmed Europe's post-war borders in return for human rights concessions from the Soviet bloc. Canada was among the 35 signatories of the 1975 Helsinki Final Act. But the lack of success of the contractual link did not augur well for bilateral Canada-EC relations. In 1979 a joint Department of External Affairs-EC Commission document, "Canada and the European Community," observed matter of factly that "the process of European economic integration has itself contributed to the decline in the relative importance of EC-Canada trade over the years 1962-1977..."<sup>(19)</sup>

Low expectations, and old stereotypes, carried over into the 1980s. Trade irritants (e.g., fur, fish, wine and beer pricing, etc.) received more attention than trade opportunities. To Europeans the image

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(16) For a detailed assessment of the negotiations see Charles Pentland, "Linkage Politics: Canada's Contract and the Development of the European Community's External Relations," *International Journal*, XXXII:2, Spring 1977, p. 207-31.

(17) Gordon Mace and Gérard Hervouet argue this was the key problem with the government's Third Option strategy in general, overshadowing the positive effect it had on broadening Canada's external relations. See "Canada's Third Option: A Complete Failure?", *Canadian Public Policy*, XV:4, 1989, p. 387-404.

(18) Daniel Roseman, "Canada-European Community Relations: An Agenda for Action," *Behind the Headlines*, Vol. 46, Spring 1989, p. 6.

(19) Cited in *ibid.*, p. 16, note 2.

of Canada was still mostly that of a resource-dependent northern American hinterland. To Canadians the European agenda was remote and self-absorbed, and therefore little known. Each side seemed poorly attuned to the other's interests and aspirations.

The European sense of a momentous political movement towards integration found little Canadian appreciation or response.<sup>(20)</sup> During the early 1980s Canadian energies were increasingly focused instead on Canada-U.S. issues. In a background study for the Macdonald Commission, which was to recommend the option of a bilateral Canada-U.S. free-trade area, Charles Pentland described the state of European integration as "moribund and drifting."<sup>(21)</sup> In fact, this might have been a more accurate description of Canadian policy towards Europe. Early in 1984 the European Parliament had overwhelmingly endorsed a draft treaty of European union. The way was being prepared for the "1992" single-market program and the *Single European Act*. But in Canada not much notice was taken of these developments.

In the latter part of the decade, the challenge of an integrated EC market -- already by far the largest trading entity in the world -- to Canadian business and industry became more apparent and that

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(20) In a statement of "European Perspectives," the EC's representative in Canada, Dietrich Hammer, tried to "underline the eminently political character of the European Community even if day-to-day haggling over minor economic issues sometimes obscures the view of the final goal. It must be said and demonstrated again and again: The European Community is a political enterprise, it could not be legitimized as a purely economic undertaking trying to make wealthy countries still richer. We have to assume a growing responsibility in world affairs..." (In Nils Orvik and Charles Pentland, eds., *The European Community at the Crossroads: The First Twenty-Five Years*, Centre for International Relations, Queen's University, Kingston, 1983, p. 6). Compare this with the pessimistic appraisal in the essay by Charles Pentland, "Canada's European Options in the 1980s," in the same collection.

(21) Pentland, "North American Integration and the Canadian Political System," in Denis Stairs and Gilbert Winham, research coordinators, *The Politics of Canada's Economic Relationship with the United States*, Volume 29, Toronto, University of Toronto Press, 1985, p. 121.

indifference began to change. However, old perceptions and habits persist. Canadian policy is still catching up to the reality of the growing political as well as economic power of Community institutions. In *Canada and the European Community: An Uncomfortable Partnership?*, Nicholas Papadopoulos, coordinator of Carleton University's International Business Study Group, observed: "In many interviews and discussions with Canadian business and government officials over the past five years, it has become clear that most perceive the EC as a vast and unnecessary bureaucracy which can and must be disregarded wherever possible."<sup>(22)</sup> Such an outlook indicates that relations with the EC are generally not considered a priority, despite occasional initiatives such as the establishment of a Canadian Council for European Affairs in 1981.<sup>(23)</sup>

Daniel Roseman argues that a good place to start redressing past neglect is to re-examine existing ties -- in particular the ill-starred 1976 Framework Agreement -- to see whether they cannot be broadened and made more effective. He suggests this task could be given jointly to parliamentarians in Ottawa and Strasbourg, despite the absence of official encouragement for such a review. And, he adds, "any efforts to improve economic and commercial relations between Canada and Europe must be matched by efforts to enhance political, cultural and other ties."<sup>(24)</sup> Such efforts in turn require an updated and upgraded understanding of the new realities of EC integration.

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(22) N.G. Papadopoulos, *Canada and the European Community: An Uncomfortable Partnership?*, The Institute for Research on Public Policy, Montreal, 1986, p. 75. Also cited in Gordon Pitts, *Storming the Fortress: How Canadian Business Can Conquer Europe in 1992*, Harper Collins, Toronto, 1990, p. 145.

(23) The Council has sponsored some useful studies and conferences. See, for example, Robert Boardman *et al.*, *The Canada-European Communities Framework Agreement: A Canadian Perspective*, Canadian Council for European Affairs, Saskatoon, 1984; John Halstead, Hans Michelmann, and Panayotis Soldatos, eds., *Doing Business with Europe: Canadian Trade with the European Community in a Changing World Economy*, Canadian Scholars' Press, Toronto, 1988.

(24) Roseman (1989), p. 15-16. With respect to the framework established in 1976, Roseman suggests "it would be possible to put new vigour into the agreement by implementing articles II (commercial cooperation) and, more fully, IV (joint cooperation committee - JCC)." (p. 8)

FROM "EUROSCLEROSIS" TO EUROPEAN RENAISSANCE:  
THE SINGLE EUROPEAN ACT AND "1992"

A. Overview

Despite the addition of new members, the European Community during the 1970s and up till about 1984 seemed to have lost much of its dynamism. There are a number of reasons why this perception was prevalent. The entry of countries like Britain into the EC complicated and tended to weigh down decision-making processes within the Community. Britain squabbled for years over the size of its contribution to the EC budget, effectively seeking renegotiation of the terms of membership. When a European monetary system was set up in the late 1970s Britain opted not to join. National grievances and doubts dimmed overall public support for European integration, although in only one case (Norway) did voters reject the Community's embrace in a national referendum.

The EC's internal troubles were aggravated by deteriorating economic performance and showed up in an inability to pull together to master external challenges. The energy crises of the 1970s, the chronic "stagflation" which followed, and the deep recession of the early 1980s -- none of these global phenomena brought forth a coherent European response. Individual countries, France in particular, devised their own coping strategies. But as Stanley Hoffmann notes: "The national policies had only limited success; there was little growth, excessive inflation and persistent unemployment. During these years Japan became a major economic actor, and the new industrial countries of Asia followed Japan. Europe witnessed the decline of many of its traditional industries, such as steel and shipbuilding, and discovered that in many areas of high technology it was being outpaced by Japan as well as by the United States."<sup>(25)</sup> Of course, efforts were being made to address the Community's problems, and there had been progress in some areas. Still, emerging from the shadow of the 1981-83 recession it was apparent that the EC was due for a major

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(25) Stanley Hoffmann, "The European Community and 1992," *Foreign Affairs*, Vol. 68, Fall 1989, p. 29-30.

political and psychological boost. Europeans did not want to be left behind and many were looking to a European-based renewal for answers.

One of the factors in the turnaround which took place was the decision of France's Socialist government to revise its economic course to bring it more in step with other EC members (and industrialized capitalist countries generally) and also to pursue a strongly pro-European policy in keeping with the traditions of modern French diplomacy. President Mitterrand took up the cause of European union during his six-months presidency of the European Council (the name given to the EC's heads-of-government summit meetings) in 1984. Even more importantly, the next year Mitterrand's former finance minister, Jacques Delors, became president of the Commission of the European Communities -- in effect, the EC's chief executive officer. As described by Hoffmann: "A former official of a French labor union inspired by progressive Catholic thought, he exemplifies the synthesis of Christian democracy and socialism on which the Community was built. His commitment to a United Europe is as strong as his obstinacy and energy. Delors, who was reappointed for a second four-year term [in 1988], is as important to the enterprise today as Jean Monnet was in the 1950s." (26)

Leadership at the top gave new life to initiatives for European political integration which, though a familiar feature of EC politics even in its darkest days, would otherwise have remained largely ineffectual or rhetorical. These initiatives included the 1975 Tindemans report on institutional reform, the 1981 Genscher-Colombo plan, which resulted in the "Solemn Declaration on European Union" adopted by the Stuttgart European Council of 1983, and, most recently, the boldly federalist draft European Union Treaty (EUT), the handiwork of Altiero Spinelli and his supporters, endorsed by the European Parliament in February 1984. The reformers in the Parliament and the Commission now directly challenged European governments, in particular the French, to move forward to build a real economic and political union on the foundation of what the EC had achieved -- its "acquis communautaire." Mitterrand's qualified support for the EUT proved decisive at this point. At the June 1984 European Council meeting, two bodies were created: one (the Adonnino

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(26) *Ibid.*, p. 32.

committee) to promote European consciousness -- the project of a "people's Europe"; the other and more important, the Ad Hoc Committee for Institutional Affairs (Dooge committee), to continue a high-level process of Community renewal.

Accompanying this revived political agenda was a widely-held conviction that sweeping reform of Community economic policies was also in order. The accretion of protectionist inefficiencies had to be overcome if the EC was to achieve its true potential as a common market. West Germany could see the advantages of being the economic powerhouse of a united Europe. The British government, while remaining deeply suspicious of the politics of European integration (both the Brussels "Eurocracy" and the traditional Paris-Bonn political axis), could hardly object to a program of economic liberalization. Indeed, a British commissioner, Lord Cockfield, a Tory member of the House of Lords, was put in charge of studying the latter project. It was a typically astute move by Delors, forging a uniquely European alliance of pragmatic Socialist diplomacy and free-market logic.

The result was the European Commission's landmark White Paper on completing the internal market, transmitted to the Council of Ministers in June 1985. It identified 300 measures to be undertaken that were of three main types:

- ° the elimination of physical barriers, such as border controls on the movement of people and goods;
- ° the scrapping of technical barriers, such as national product standards and the favouritism accorded national companies in awarding public contracts; and
- ° the removal of fiscal barriers, mainly through a harmonization of value-added and excise taxes in the community. (27)

The Cockfield paper set a deadline for achieving a single market -- 31 December 1992 -- which quickly became the public slogan for the whole ambitious enterprise. Britain's Prime Minister Thatcher waged a

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(27) Pitts (1990), p. 17-18. For a detailed account of the economic program which subsequently emerged, see Anthony Chapman, "Europe 1992: The External Implications," Background Paper 225E, Ottawa, Library of Parliament, Research Branch, January 1990.

fierce offensive against linking the market-oriented reforms of "1992" (eventually reduced to 279 legislative proposals), which she supported, to the larger agenda of unification. However, the vision of Delors and the other European heads of state was not to be denied. Although the more radical constitutional proposals from the European Parliament and the Commission were watered down at the intergovernmental level, the reform program emerged intact as a single comprehensive package combining elements of economic deregulation, political cooperation, and quasi-federal institution-building. 1992 was, as a result, far more than a charter of economic freedom.

On February 28, 1986, all twelve EC governments signed the *Single European Act* (SEA), of which the main integrative elements are:

1. Foreign policy cooperation, which had increasingly been practised since the early 1970s, but outside the Treaty framework, is put on a legal basis (but not by Treaty incorporation).
2. A number of policy areas not specifically mentioned in the EEC Treaty are formally incorporated and the capacity for decision-making in these areas is thereby increased. These include, most notably, environment, research and technological development, and "economic and social cohesion" (basically regional policy).
3. The completion of the internal market by 1992 is identified as a specific goal.
4. A qualified majority for a Council decision replaces the unanimity requirement in six articles of the EEC Treaty - the most important of these being Article 100, which is concerned with the approximation of laws "which have as their object the establishment and functioning of the internal market." This change is therefore closely linked with the completion of the internal market objective.
5. In those areas where the SEA provides for majority voting, the European Parliament is given increased powers. (28)

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(28) Nugent (1989), p. 45.

The SEA was still far from being a new constitution for a single Europe. But it was clearly a huge advance towards that goal. The question was whether the momentum could be sustained. The Act itself did not enter into force until July 1987 because of ratification difficulties. (Several countries submitted it to national referenda.) There were doubts about how expeditiously each EC member would move to implement all of the measures contemplated under the 1992 program. Lord Cockfield himself was repaid for his enthusiasm by not being reappointed by Mrs. Thatcher to another term on the European Commission. It seems that in her eyes he could not be trusted to defend British interests. Yet, as Paul Taylor observes, the moderation and particular economic thrust of the SEA were in many ways a British accomplishment. Moreover, much as Thatcher sought "to slow down processes which could not be halted, and salvage whatever could be salvaged for national sovereignty," Britain could not escape the supranationalist logic inherent in the single-market program: "If the goal of a Europe without frontiers was to be achieved a major extension of the scope of integration would necessarily follow."<sup>(29)</sup> That meant strengthening the central institutions of the Community, and almost surely adding new ones (such as a European central bank) in the not too distant future.

#### B. The Political Economy of the Single Market

When the Common Market was created in the late 1950s, its economic promise seemed great. Yet even as the EC expanded, its potential remained underdeveloped. The Community's best-known policy, the Common Agricultural Policy (CAP), became an example of wasteful inefficiency and a tremendous drag on its resources. National barriers proliferated thereby reducing the intended economic benefits of a common market. In 1967 Jean Jacques Servan-Schreiber's book *Le Défi Américain* sounded a warning that

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(29) Paul Taylor, "The New Dynamics of EC Integration in the 1980s," in Lodge, ed. (1989), p. 23 and passim.

Europe would have to do better if it wanted to maintain its global position. (30)

Several decades later, it is North Americans who are looking with a mixture of admiration and apprehension at the challenge of a resurgent European Community market of over 320 million consumers accounting for over 20% of world trade. The EC, along with European firms and consortia, are global economic leaders. In coming years, the EC will probably become a still larger and more powerful unit, taking in the surrounding EFTA countries and eventually even most of formerly Communist Eastern Europe. Already some of these linkages are being developed within the concept of a "European Economic Space," currently being negotiated between the EC and EFTA. With events moving rapidly, Sweden and Norway may soon join Austria among EFTA countries seeking full EC membership. And countries like Czechoslovakia and Hungary are expected to join the list of applicants in a few years time.

But first the current 12-member Community is concentrating on getting its economic house in order, which means implementing the 279 directives of the 1992 program. As of early 1990, more than half had been formally adopted by the EC's Council of Ministers, though some members were lagging behind in putting these into effect at the national level. A major official study done for the EC Commission, commonly known as the Cecchini report, has been widely used as compelling evidence of the potential for dynamic gains from market integration. (31) Additional growth of as much as 6.4% of GDP has been predicted for the Community as a whole over the medium term. Figure 4 indicates some of the range of expected benefits.

Of course, these optimistic econometric estimates have been the subject of debate in the EC, though there is less dispute over possible net aggregate gains (or losses) than has marked the case of North American free trade. Nonetheless, while the 1992 process has sufficient support and momentum to achieve most of its objectives, there is not a full social

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(30) The book was also published in English as *The American Challenge*, Atheneum, New York, 1968.

(31) Paolo Cecchini et al., *The European Challenge 1992: The Benefits of a Single Market*, Wildwood House for the EC Commission, Aldershot, 1988.

FIGURE 4: ESTIMATED MACROECONOMIC CONSEQUENCES OF EC MARKET INTEGRATION FOR THE COMMUNITY IN THE MEDIUM TERM<sup>a</sup>

<u>Category</u>	<u>Customs Formalities</u>	<u>Public Procurement</u>	<u>Financial Services</u>	<u>Supply-Side Effect<sup>b</sup></u>	<u>Total Effect</u>
GDP (per cent)	0.4	0.5	1.5	2.1	4.5
Consumer Prices (per cent)	-1.0	-1.4	-1.4	-2.3	-6.1
Employment (thousands of workers)	200	350	400	850	1,800
Budgetary Balance (per cent of GDP)	0.2	0.3	1.1	0.6	2.2
External Balance (per cent of GDP)	0.2	0.1	0.3	0.4	1.0

<sup>a</sup> These estimates do not include an allowance for the additional stimulus that might be derived from using the fiscal surplus or external surplus generated by the EC-1992 Program to stimulate the European economy. See Cecchini, *European Challenge*, p. 99-102.

<sup>b</sup> Based on a scenario that includes supply-side effects, greater economies of scale in manufacturing, and enhanced competition.

Source: Gary Clyde Hufbauer, ed., *Europe 1992*, The Brookings Institution, Washington, D.C., 1990, Table 1-2, p. 7.

consensus as to its merits. Even if wealth is created and European corporations are helped to compete, critics question whether this will raise the condition of workers and economically-disadvantaged regions. In other words, the question of "who benefits?" is extremely important politically to the success of the program.

Europe has its own marked "North-South" divide, and there is a long history of labour-left opposition to economic integration taking place simply on capitalist terms. With the addition of countries like Greece, Spain and Portugal, the EC of today spans much greater economic disparities than did the original Common Market. Combined with the progressive elimination of national restrictions on economic exchanges within the EC, these inequalities increase the pressure for extensive programs of regional and social adjustment at the Community level. The principle of equalizing economic opportunities is already recognized through institutions such as the European Investment Bank, the European Social Fund and the Regional Development Fund. But the rather small budgets allocated in the past for such interventions are now being raised substantially. For example, structural adjustment funds from the EC are expected to reach a level of 5% of GNP in Greece and Portugal. Labour organizations are also demanding guarantees of their rights within the single market.

The controversial social dimension of Europe 1992 will be looked at in more detail later. At this point, what is important to note is the continuing struggle between conflicting views of economic integration: the minimalist free-market perspective which sees in it an opportunity to reduce state intervention across the European economies; and the "Euro-corporatist" perspective which envisages a major transfer of the instruments of economic planning and management from the national to the supranational level -- a Europeanization of what the Germans call the "social market economy." The present British government has been the most resistant to efforts to expand the EC's capacity to conduct a fully-integrated European economic policy. But Britain has often found itself fighting a lonely battle against Community initiatives. The corporatist perspective is clearly dominant within the institutions of the EC itself.

The advent of the single market means that it is increasingly unrealistic to analyse the politics of economic policymaking in Europe

in national terms.<sup>(32)</sup> This has long been true in certain areas -- e.g., coal and steel, atomic energy, external trade, agriculture and fisheries -- where the EC has exercised important powers since the inception of the Common Market. Now there is virtually no area of policy that is not directly affected by the EC's reach. Among the most vital fields of recent and forthcoming EC activity are: industrial policy and high technology development, regional development policies, monetary integration, and fiscal and tax policy harmonization. The latter two endeavours are especially complex and contentious, both as to content and the timing of implementation. But they are regarded as essential components of eventual economic union.

As common economic policies are put in place, most analysts agree that a wide range of public policies (especially those related to consumer and corporate affairs, labour, employment, conditions of work, social benefits, etc.) will have to be standardized. In short, integration in the economic sphere will place new demands on the EC's political and administrative structures and processes. Post-1992 Europe will be much more than just one big marketplace. It will be on the threshold of becoming the world's first modern "super-state."

### C. The Development of European Political Institutions

I do not believe that what we shall achieve over the next generation will be directly comparable to any model of political scientists, whether federal or confederal.<sup>(33)</sup>

- Roy Jenkins, former President of the European Commission

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(32) For evidence of this and detailed sectoral studies, see Paolo Guerrieri and Pier Carlo Padoan, eds., *The Political Economy of European Integration*, Harvester Wheatsheaf, New York, 1989; Jeffrey Harrop, *The Political Economy of Integration in the European Community*, Edward Elgar, Aldershot, 1989; Louka T. Katseli, *The Political Economy of European Integration: From Euro-Sclerosis to Euro-Corporatism*, Centre for Economic Policy Research, London, Discussion Paper No. 317, October 1989.

(33) Cited in Geoffrey Pridham and Pippa Pridham, *Transnational Party Co-operation and European Integration*, George Allen & Unwin, London, 1981, p. 8.

The European Community stands poised uneasily between a predominantly intergovernmental past and an uncertain supranational future. The balance between a "Europe of states" and European "federation" seems to be shifting inexorably, albeit unevenly, towards the latter. While complete political integration is not automatic upon the completion of a single market, and may not be inevitable, most European analysts see a very powerful integrationist logic propelling the Community in this direction, especially since the passage of the *Single European Act*. As John Pinder explains: "The SEA provided not only for the completion of the SEM [Single European Market] but also for the development of EC competences in the monetary, technological, environmental, social, regional and external policy fields, as well as for some reforms of the EC institutions. It was not ... by chance that these measures accompanied the single market programme: if the SEM is to become and remain complete and to bring its full benefits to EC citizens, the EC will have to develop along such [federal] lines so as to become a European Union." (34)

Even conflicts over integration are part of this progressive dynamic, Juliet Lodge argues:

... the beneficiaries of integrative policies support them; the disgruntled seek their alteration to benefit themselves. Change and adaptation typify integration. Conflict between the states and among the EC's institutions is almost always integrative. The EC's importance as a frame of reference for an ever-expanding scope of policy activities formerly consigned to "domestic" ministries ... continues to grow and this is seen as confirming the trend towards decentralized federalism. Institutional change itself spurs this process on. (35)

There are idealistic and popular reasons, as well as economic and structural-functional ones, for the momentum towards political

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(34) John Pinder, "The Single Market: A Step Towards European Union," in Lodge (1989), p. 105.

(35) Juliet Lodge, "EC Policy-making: Institutional Considerations," in Lodge (1989), p. 29.

integration. Indeed, for many people, normative political and social goals are the priority. The significant opposition which has existed to the technocratic, corporatist and market-driven aspects of EC economic integration and the 1992 program needs to be interpreted in this light. Left-wing political groups and labour organizations may question the business rhetoric of 1992 and distrust the "Eurocrats" in Brussels, yet at the same time be supportive of the idea of a politically-united "people's Europe."

The ideological debate over integration -- and for whose benefit -- is far from being settled.<sup>(36)</sup> But most Europeans do seem to want a stronger, more unified Europe. Already in the late 1960s a poll indicated that a solid majority in the then six-member EC favoured the creation of a European government "which would concern itself with the most important questions."<sup>(37)</sup> Among the later members of the Community, recent opinion surveys show that support for political union has been more uneven: comparatively weak in Britain and Denmark but strong in the Iberian countries. Overall, while noting clear regional differences over time, it is fair to conclude there is a high level of public backing for the EC's development into a fully supranational political system.

The EC is not there yet, however. It is a unique, bewildering (especially for outsiders) mixture of international, inter-governmental, supranational and federalist elements. And as Lodge observes, "the absence of consensus over what the EC is becoming sharpens the importance of inter-institutional issues and begs an answer to the

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(36) The role of critical and dissenting views of European economic integration is affirmed in Barbara Barnouin, *The European Labour Movement and European Integration*, Frances Pinter, London, 1986; Kevin Featherstone, *Socialist Parties and European Integration*, Manchester University Press, Manchester, 1988; Thomas Hueglin, "Free Trade and Europe 1992: A Critical Lesson for Canadians," Paper presented at the annual meeting of the Canadian Political Science Association, Victoria, May 1990. On the political right, the EC is also challenged by ultra-nationalist movements. Nor should the distinctive positions of alternative movements such as the "Greens" be overlooked.

(37) Jacques-Rene Rabier, "Europeans and the Unification of Europe," in Ionescu (1972), p. 166.

problem of the EC's looming crisis of political authority."<sup>(38)</sup> The following outline of the EC's principal policymaking structures and processes should help to clarify the context of the political debates over its future and the issues which are at stake in the transition to an effective system of European government.

### 1. The European Council

No provision was made in the Rome treaties for meetings of member states' heads of government. It was soon apparent, however, that such gatherings might be useful to facilitate intergovernmental consensus. The process was institutionalized at a 1974 summit in Paris. Government leaders, accompanied by their foreign ministers, would meet at least three times a year to provide high-level political direction as needed, and they would be assisted by an administrative secretariat. But the mandate of this EC "council" remained extra-constitutional, informal and ad hoc.

The *Single European Act* for the first time gave official legal recognition to the European Council, and to a process of international policy consultation and concertation among governments, known as "European Political Cooperation," which usually occupies a prominent place on summit agendas. Under the SEA, the Council now meets a minimum of twice yearly. It has 26 members, consisting of: the head of government and foreign minister from each EC member, the president of the European Commission and one other member of the Commission. The presidency of the Council rotates among member countries every six months.

Constitutionally, the European Council remains separate from the main day-to-day decision-making activities of the EC. Its role is broadly political and not legislative. Its functions have therefore not been precisely defined or integrated within the EC system. Yet what happens at Council summits may be crucially important to the fate of major EC initiatives. Summits also retain the public focus on national governments and their leaders. As a result, it can be argued that the Council's high visibility works against supranationalism and represents a net loss of influence for more established EC institutions.

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(38) Lodge, "EC Policymaking" (1989), p. 29.

## 2. The Council of Ministers

Not to be confused with the European Council, the Council of Ministers is the EC's chief legislating body. While proposals generally work their way up to the Council level through the European Commission and the European Parliament, it is the Council that takes the final decisions on Community legislation, which is of four main types:

1. Regulations which must be imposed and are directly applicable in the law of all member states;
2. Directives which are binding as to ends to be achieved, but leave to the national authorities the means of introducing them;
3. Decisions, binding in their entirety, which are addressed to specific groups; and
4. Recommendations and opinions which have no binding legal force. (39)

In practice, there are several Councils depending on the issues to be decided. Foreign ministers attend the "General Council"; other ministers (or their delegates) participate in the "Technical Councils." The Council of economic and finance ministers is known as "Ecofin." A General Council may be called upon to resolve an impasse in a Technical Council, though this has not proved to be a very satisfactory solution. Council presidencies rotate among member countries on a six-months term -- January to June and July to December. Assisting the ministers, each country has a delegation ("permanent representation") based in Brussels, headed by a Permanent Representative who in effect acts as the country's "ambassador" to the EC. Much of the Council's work is managed by two committees of permanent representatives (COREPER), one made up of the delegation heads and one of their deputies. Agriculture, which absorbs so much of the Community's budget, has its own Special Committee (SCA). In addition, the Council is served by a large secretariat and a network of sectoral committees and working groups.

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(39) Harrop (1989), p. 3.

Under the original treaties, unanimity was not required for all Council decisions. Some could also be taken by a qualified or a simple majority vote. However a major confrontation over control of policy in the mid-'60s, during which France temporarily withdrew from the Council, brought about the "Luxembourg Compromise," referred to earlier. The result was a *de facto* agreement always to seek unanimity, especially on issues which members regard as vital to their national interests. Critics have argued that the retention of national vetos stymied the intended development of the Council along increasingly supranational lines. In this regard the 1986 SEA offered an important breakthrough by enlarging the policy areas where majority voting can be used, and by making it clear that most of the 1992 program should not be hostage to a unanimity rule. Approval by qualified majority normally requires at least 54 of 76 votes which are cast as follows: France, Germany, the U.K., and Italy each have 10; Spain has 8; Belgium, the Netherlands, Greece and Portugal, 5 each; Denmark and Ireland 3; Luxembourg 2. But formal votes are rare; moreover, consensus-seeking is still strongly preferred and contributes to frustrations about protracted or ineffectual Council deliberations.

### 3. The European Commission

The Commission of the European Communities is the EC's chief executing body and its professional bureaucratic face. Headquartered in the "Berlaymont" complex in Brussels, it deals with some four to five thousand executive instruments every year and employs over 15,000 people. Translation and interpretation is a major requirement as the EC operates in nine languages. The main internal working language is French, although English is being used increasingly. The work of the Commission is overseen by 17 Commissioners: two each from the five largest member states, and one each from the seven smaller members. This top level of the Commission is appointed every four years, with individual terms being renewable. The President of the Commission is appointed from within it to a two-year term, but it is customary to extend that to the four-year life of a Commission. Commissioners are supposed to be independent and to work solely for the "Community interest," rather than representing national interests. By and large this has been achieved. But Commission appointments also reflect

political realities, especially those of the appointing governments, as when Britain's Thatcher refused the reappointment of Lord Cockfield to the Commission which began its work in 1989.

The basic organizational units of the Commission are its 23 "Directorates General" which are listed in the following table (Figure 5). Each is headed by a director general who is responsible to a designated Commissioner. The Commissioners also have their own private staffs or "Cabinets" to assist them. The "College of Commissioners" normally meets weekly, at which time decisions are taken, unanimously if possible, but if not, by majority vote. Legislative proposals work their way up through the Commission as follows:

- ° An initial draft is drawn up at junior level in the appropriate DG. The parameters of the draft are likely to be determined by existing Community policy, or by guidelines that have been laid down at senior Commission and/or Council levels.
- ° The draft is passed upwards through superiors until the College of Commissioners is reached. During its passage, the draft may be extensively revised.
- ° The College of Commissioners can do virtually what it likes with the proposal. It may accept it, reject it, refer it back to the DG for redrafting, or defer taking a decision. (40)

As the central policy development and administrative arm of the EC, the Commission exercises five main functions. First, and most importantly, while the Council of Ministers disposes, the Commission proposes. The Commission is the key policy initiator and usually the system's strongest advocate of closer integration. Two recent notable policy documents were its 1985 White Paper "Completing the Internal Market" and its 1987 Communication to the Council "The Single Act: A New Frontier for Europe." Second, the Commission is charged with implementing Community policies within the terms of the treaties and as enacted by the Council. The Commission prepares executive decisions and makes regulations. It manages Community finances and administers budgets for various EC programs. Third, the Commission acts to uphold the treaties and Community

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(40) Nugent (1989), p. 63.

FIGURE 5: THE EC COMMISSION'S DIRECTORATES

DG-1	External Relations and Trade Negotiations
DG-2	Macroeconomic and Monetary Affairs
DG-3	Internal Market and Industrial Affairs
DG-4	Competition, Cartels, and State Aids
DG-5	Employment, Education, and Social Affairs
DG-6	Agriculture
DG-7	Transport
DG-8	Aid to Developing Countries
DG-9	Personnel and Administration
DG-10	Information and Communication
DG-11	Environment, Consumer Protection, and Nuclear Safety
DG-12	Research and Development
DG-13	Telecommunications
DG-14	Fisheries
DG-15	Financial Services, Company Law, and Tax
DG-16	Regional Development
DG-17	Energy
DG-18	EC Borrowing and Lending
DG-19	EC Budget
DG-20	Internal Financial Control
DG-21	Customs Union and Indirect Tax
DG-22	Coordination of Structural Instruments
DG-23	Small and Medium-Sized Enterprises

Source: Hufbauer, *Europe 1992*, Appendix 1-3, p. 55.

legislation. It can investigate actions which it considers at variance with these; non-compliance with Commission rulings are referred to the Court of Justice. The Commission does, however, have the power to impose fines directly on companies found to have breached EC competition and antitrust laws. Fourth, the Commission mediates between the Parliament and various advisory bodies and the governing Council. The Commission can actively lobby for its policies at the highest levels and its President participates in European Council summits. Fifth, the Commission represents the EC internationally. In particular, it conducts the EC trade negotiating position within the GATT framework and the collective aspects of the Community's external relations with developing countries (i.e., the European Development Fund and the Lomé conventions). The President of the Commission also attends the annual "G-7" summits of Western leaders.

The Commission structure has given rise to a vast network of advisory committees. In addition, the treaties constituting the EC provided for a separate "Economic and Social Committee" (ESC). It consists of 189 appointed representatives of interest groups (employers, workers, and others) from the member states. Although the ESC does not have decision-making powers, by law it must be consulted on many important Community issues. An appropriate section of the ESC studies matters referred to it and sends back an opinion to the Commission and the Council.

In recent years, the Commission is often seen to be competing for authority and influence with both the ministerial Council and the increasingly vocal elected Parliament. As constitutional reform unfolds, the issue of public accountability -- "responsible government" on a European scale -- is a major one confronting the Community.

#### 4. The European Parliament

The Parliament evolved from the Common Assembly of the ECSC, adopting the former title in 1962. But although the subsequent EEC treaty referred to "elections by direct universal suffrage in accordance with a uniform procedure in all Member States," Members of the European Parliament (MEPs) were not directly elected until 1979. Various electoral proposals failed to obtain the necessary unanimity in the Council, so instead MEPs

were nominated by national parliaments from among their own members. Several countries (France initially, then the U.K. and Denmark) have resisted the EP's development because of its clearly supranationalist character. Even today, after three direct elections to five-year terms, there is far from a truly "uniform procedure" in place, much less a consensus about the EP's proper role and influence.\*

The latest elections to the 518-member Parliament based in Strasbourg\* took place on two days -- 15 June 1989 in five countries, 18 June in the remaining seven -- and according to different national electoral rules as indicated by Figure 6. Representation by population varies greatly. A German MEP represents more than ten times as many EC citizens as one from Luxembourg. Voter turnout in 1989 ranged from a high of 90.7% in Belgium to a low of 35.9% in Great Britain. Moreover, the elections are still contested largely on the basis of national party systems, although in the Parliament like-minded MEPs have organized themselves into multiparty coalitions. There are now ten such groups (see Figure 7). The EP's current President (Speaker), Spanish Socialist Enrique Cospo, was elected with the support of the two largest party groups -- the Socialists and the Christian Democrats (European People's Party).

Despite or perhaps because of the EP's continuing institutional weaknesses and uncertain status, more has been written about it than any other part of the EC's legislative machinery. In recent years the EP has become more visible and aggressive: through the work of its 18 permanent committees, its opinions on proposals from the Commission, its questions to the Commission and the Council, its limited but growing role in budgetary matters, and its added powers under the SEA. Indeed, since July 1987, of 1,724 EP amendments to single-market laws, the Commission has accepted 1,052, and of these the Council has agreed to 719. But the EC's executive agencies are still more accountable to governments than to parliaments. While these governments are in turn accountable, in varying degrees, to their own electorates for their conduct of EC affairs, the

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\* To further confuse matters, while the EP meets in plenary in Strasbourg, its secretariat is based in Luxembourg (where the 13 judges of the EC Court of Justice also sit), and its committees meet in Brussels. In January 1989 a contested vote in the EP allowed half its staff of 2,100 to be transferred to Brussels. The vexed issue of a "European capital" has not been resolved.

FIGURE 6: NATIONAL ARRANGEMENTS FOR ELECTIONS TO THE EUROPEAN PARLIAMENT

	Number of MEPs	Entitle- ment to Vote	Eligi- bility for Election	Electoral System	Number of Constitu- encies
Belgium	24	18	21	PR with PV <sup>1</sup>	3
Denmark	16	18	18	PR with PV	1
FRG	81	18	18	PR without PV <sup>2</sup>	10+1 (Berlin)
Greece	24	18	21	PR without PV	1
Spain	60	18	18	PR without PV	1
France	81	18	23	PR without PV	1
Ireland	15	18	21	PR with STV <sup>3</sup>	4
Italy	81	18	25	PR with PV	5
Luxembourg	6	18	21	PR with vote splitting	1
Netherlands	25	18	25	PR with PV	1
Portugal	24	18	18	PR without PV	1
United Kingdom	81	18	21	Majority vote system (Northern Ireland - PR with STV)	78+1 (Northern Ireland: 3 seats)
	518				

<sup>1</sup> Proportional representation with preferential vote.

<sup>2</sup> Proportional representation without preferential vote.

<sup>3</sup> Proportional representation with single transferrable vote.

Source: Nugent, *The Government and Politics of the European Community*,  
Table 5-1 (adapted), p. 122.

FIGURE 7: PARTY GROUP STANDINGS BY COUNTRY IN THE EUROPEAN PARLIAMENT FOLLOWING 1989 ELECTIONS

Party Group*	Total												
	EC	Germany	France	Italy	Belgium	Nether-lands	Luxem-bourg	U.K. and Northern Ireland	Ireland	Denmark	Greece	Spain	Portugal
Socialists	180	31	22	14	8	8	2	46	1	4	9	27	8
Christian Democrats (European People's Party)	121	32	6	27	7	10	3	1	4	2	10	16	3
Liberal, Democratic and Reformist Group	49	4	13	3	4	4	1		2	3		6	9
European Democratic Group	34							32		2			
Greens	30	8	8	7	3	2						1	1
European Unity Left	28			22					1	1		4	
European Democratic Alliance	20		13						6		1		
European Right	17	6	10		1								
Left Coalition	14		7					1	1		3		3
Rainbow Group	13		1	3	1			1	1	4		2	
Non-attached	12		1	5		1		1				4	
	<u>518</u>												

\* Note: Most MEPs are still elected under their individual national party banners.

Source: *Keesing's Record of World Events*, July 1989, p. 36818.

national parliaments "have no formal or constitutional role to play in the decision-making structures of the European Community."<sup>(41)</sup> The relationship of these parliaments to the less powerful EP is also unspecified.

#### 5. Legislative Process in the EC

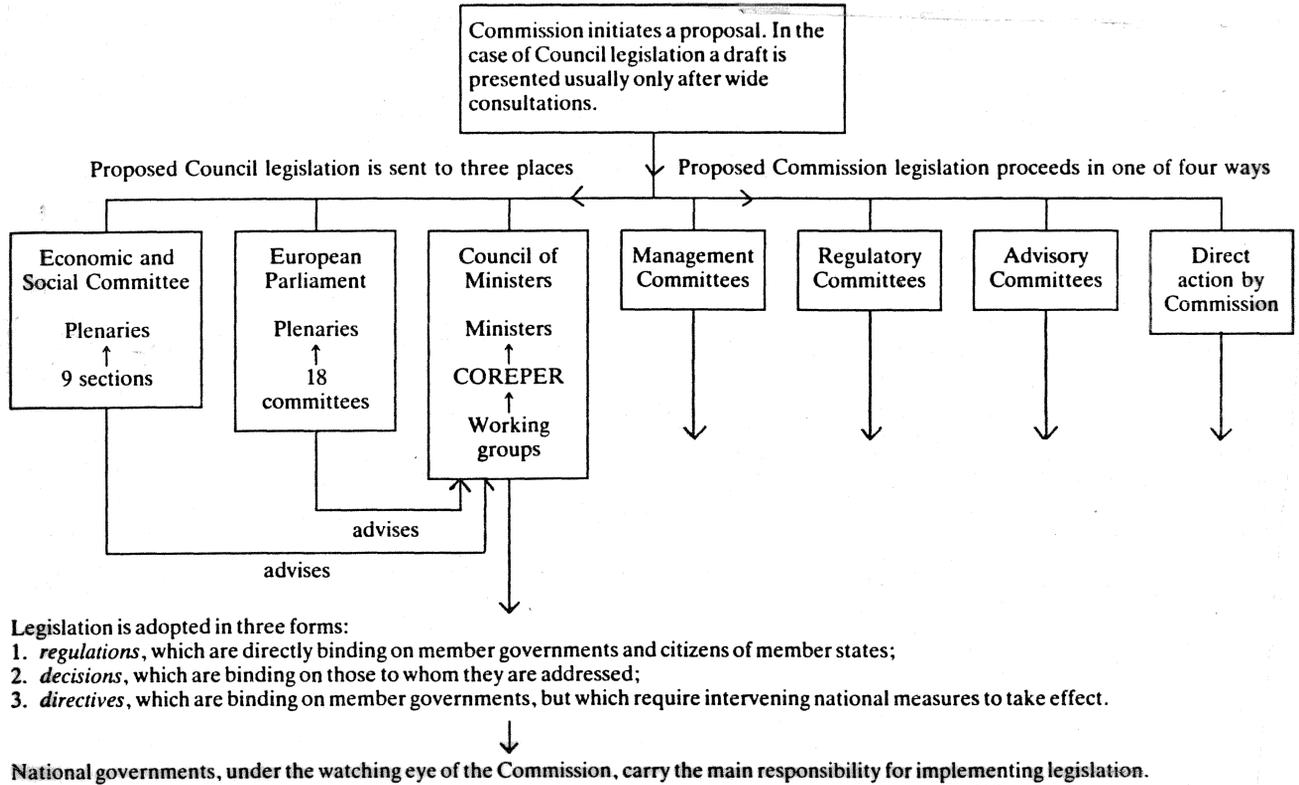
Political reformers in the EC, in particular European federalists, allege that there is a large "democratic deficit" which must be addressed for integration to succeed and to be legitimate in the eyes of European publics. Part of the solution was supplied in the sections of the SEA which increased the EP's role in the development of Community legislation. Prior to the SEA, the Parliament had only one chance to register its opinion on Commission proposals. Under the new so-called "cooperation procedure" (which applies only to certain matters, but significantly to about two-thirds of the 1992 single-market measures) there must be two "readings" of legislative proposals. In the first stage the normal process of initiation and consultation takes place, ending with a Council decision. In a second stage, the EP may then amend or reject the Council position by a simple majority (at least 260 votes). If the vote is to reject, it can only be overridden by a unanimous vote of the Council to re-adopt the original proposal. If the vote in the EP is to amend, two scenarios are possible: if the Commission supports the new amended version it needs only a qualified majority in the Council to pass; if that support is not forthcoming, a unanimous Council vote is required to pass the amendments. A further stipulation is that the Council must act on Parliament's amendments within three months or they are deemed not adopted.

Figures 8 and 9 illustrate the general stages involved in making Community law and policy, and the additional steps required when invoking the cooperation procedure. The obvious complexity of the process gives it the appearance of being highly consultative but leaves it well short of being either ideally efficient or democratic. Among the reform-minded, those who want a federalist type of European government also want a full-scale parliamentary democracy at the European level. According

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(41) D. Coombes *et al.*, *European Integration, Regional Devolution and National Parliaments*, European Centre for Political Studies, 1989, p. 35.

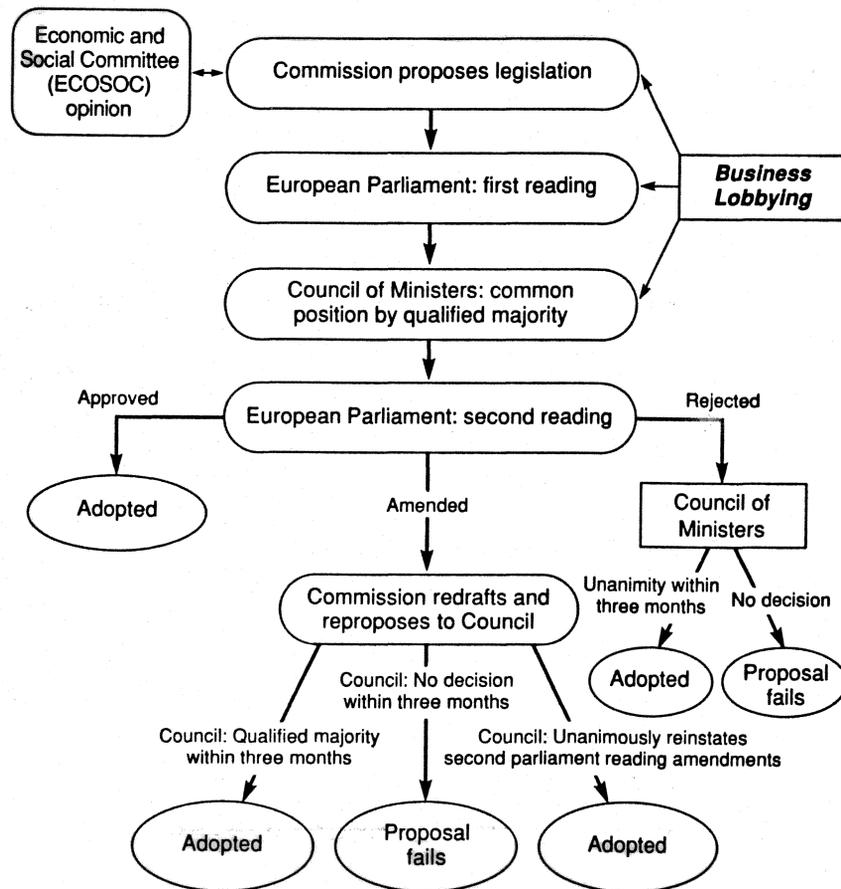
FIGURE 8: MAIN LEGISLATIVE STAGES WITHIN THE EUROPEAN COMMUNITY



Note: This figure does not include stages which apply under the cooperation procedure (see Figure 9).

Source: Nugent, *The Government and Politics of the European Community*, Figure 10.1, p. 245.

FIGURE 9: THE NEW COOPERATION PROCEDURE FOR ENACTING EC LEGISLATION, EFFECTIVE 1 JULY 1987



Source: Hufbauer, *Europe 1992*, Appendix 1-6, p. 59.

to Ernest Wistrich, the key is "the extension of legislative co-decision to the European Parliament in all matters not yet covered by the *Single European Act*. Without it the Community lacks democratic legitimacy and remains largely subject to the whims and personal prerogatives of heads of national governments and ministers subordinate to them."<sup>(42)</sup> Recent constitutional reform proposals from both the Parliament and the Commission move in this direction. But others worry about the potential for increased, and less tractable, conflicts among the EP, the Council and the Commission, thereby endangering the forward momentum of integration on the most important and sensitive policy fronts.

#### D. The Social Dimension of Europe 1992

... the 1992 experiment is an important first step towards political union. Unless issues of democratic participation, social control and equitable distribution are seriously addressed, the conflicts over economic and political outcomes will be such that the programme itself will lose political support and eventually fail. This will present a major challenge for European relations in the 1990s.

- Louka Katseli, "The Political Economy of European Integration," p. 23.

The Community does not exist to serve the ambitions of its mandarins, nor the particular interests of its member governments, but to enhance the material and political welfare of its people.

- "An Expanding Universe: Survey of the European Community," *The Economist*, 7 July 1990, p. 40.

It is obvious that what is happening in Europe entails much more than a collection of states collaborating to operate a common market. Increasingly, the EC is also laying claim to the political loyalties of "citizens of Europe." According to Jacques Delors: "Each and every Community citizen needs to feel bound by the links which unite European society."<sup>(43)</sup> These links are both symbolic -- a European flag and anthem

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(42) Wistrich (1989), chap. 7, "A Federal Democracy," p. 102-3.

(43) Quoted in Juliet Lodge, "Social Europe: Fostering a People's Europe?" in Lodge (1989), p. 303.

-- and practical, like the European currency unit (Ecu) and a European passport. Several countries already allow EC citizens, not just their own nationals, to vote in local elections, and proposals have gone to the Council to extend this across the Community. In almost every area of public life and nongovernmental activity, the range of EC contacts seems constantly to be expanding.<sup>(44)</sup>

The EC is being called upon as well to reduce regional disparities and to create a generous European "social space." In contrast to the North American free-trade context, the issues of labour market adjustment, social policy harmonization, and social and economic rights are explicitly included within the single-market program. Building on the existing labour and social provisions in the Paris and Rome treaties and the *Single European Act*, as well as on the European Convention on Human Rights and the Council of Europe's 1961 "Social Charter," the EC Commission and the ESC began preparing a sweeping new charter. A document, "The Social Dimension of the Internal Market," was issued in September 1988 outlining some 80 measures. In May 1989 the Commission published its proposals for a charter of fundamental socio-economic rights, of which the main elements were:

- ° free circulation of workers in the EC;
- ° fair remuneration, with legislation to ensure "equitable" rates of pay;
- ° improvement of conditions of work and life, including an EC-wide maximum number of hours in the working week;
- ° adequate social security, free association and collective bargaining;
- ° professional training;
- ° equal treatment of men and women;

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(44) In addition to the article by Lodge, see the excellent survey in Martin Elling, *The European Community: Its Structure and Development*, CRS Report for Congress, Washington, D.C., August 1988, p. 36-39.

- ° adequate protection of health and security in the workplace;
- ° information, consultation and participation in the workplace;
- ° the protection of the rights of children and adolescents, with 16 years as a minimum age for employment;
- ° the right to a decent standard of living for the retired and to a minimum pension; and
- ° protection of the right to work of handicapped people.

Only one government, that of the U.K., opposed the draft charter in principle. Indeed some governments, including German Chancellor Kohl's conservative coalition, pressed for a still more expansive document with legally-binding commitments. Kohl's frequent references to the "social market economy" are an indication of the widespread consensus on the continent in favour of maintaining or raising, not lowering, socio-economic and community standards. In the end, what emerged from the Council deliberations in the fall of 1989 was a somewhat more modest package reflecting agreement by 11 governments. The "Community Charter of the Fundamental Social Rights of Workers" was then adopted, with Britain the lone dissenter, at the December 1989 Strasbourg summit of the European Council. While as yet much of the Charter's content is voluntary, it shows the direction in which the great majority of EC members are moving. It is also the intention that these rights be translated into EC legislation, a process which has already begun.\*

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\* This is bound to be a complex and protracted endeavour that will generate considerable controversy and some resistance. However, the broad outlines were already indicated in a corollary document published by the EC Commission soon after the Charter - "Communication from the Commission concerning its action programme relating to the implementation of the Community Charter of basic social rights for workers." For a thorough analysis of these aspects, see F. Knox, 1992: *The Social Dimension*, Trade and Tariffs Research, London, Report No. 2, February 1990.

Mrs. Thatcher's minimalist view of EC political integration and her fight against what she called the "socialist charter" found few allies of influence. Yet her stand remained firm and was put by her very bluntly in 1988 when she declared: "... willing and active cooperation between independent sovereign states is the best way to build a successful European Community. ... We have not successfully rolled back the frontiers of the state in Britain, only to see them reimposed at a European level, with a European super-state exercising a new dominance from Brussels."<sup>(45)</sup> This statement, in a speech to the College of Europe at Bruges, was in part a rhetorical retort to an earlier address by Commission President Delors to the European Parliament when he mused that: "In ten years time eighty per cent of economic, and perhaps even fiscal and social, legislation will originate in the Community."<sup>(46)</sup>

Despite the controversial image of a headstrong Thatcher out of step with the rest of the EC, British opposition to comprehensive European union should not be exaggerated. Britain, after all, endorsed the *Single European Act*. Britain also finally joined the European Monetary System in October 1990 while Thatcher was still prime minister, although her Chancellor of the Exchequer John Major, who now heads the government, has lobbied for a go-slow approach to full monetary union in advance of this December's crucial summit in Rome. Under Major, Britain's revamped Conservative government is expected to take a more conciliatory and constructive approach to such issues. Many Britons in all parties are now solidly behind European integration; indeed, some are unabashed federalists. At the same time, many Europeans who did not agree with Mrs. Thatcher's *laissez-faire* ideology nonetheless shared her concerns about centralized domination by a Brussels-based Eurocracy. Hence the growing demands for a strengthening of the European Parliament, and for decentralization of government and greater regional autonomy in virtually all EC countries.

Within the EC, the principle of "subsidiarity" -- according to which government decisions should be taken at the lowest possible level that is closest to the citizen -- seems almost to have attained the status

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(45) Quoted in Nugent (1989), p. 327.

(46) *Ibid.*, p. 326.

of political theology.<sup>(47)</sup> Ironically, it is the current British government which again, by holding fast to national state prerogatives, is often seen to have failed to grasp the only realistic solution to "big government" at the European level -- namely, supranational democratization combined with regional devolution.

Ernest Wistrich argues that a *sui generis* form of federation is the only way to accommodate the demands of integration with those "for devolution of powers within nation states towards democratically accountable and autonomous regional and local authorities. (...) The federal system that is emerging in Europe is likely to be much less centralized than that of many other federations. It is being formed by consent by independent and sovereign nation states that have agreed to pool and share their sovereignty in clearly defined spheres of activity. Federal devolution within most member states is gaining momentum in parallel."<sup>(48)</sup>

Talk of a federal European Community prospering on the basis of a socially conscious single market can no longer be dismissed as woolly speculation. The path to European union is being built, its political pace jolted by the drama of extraordinary events unfolding within Europe as a whole. The head of the most powerful federal government in Europe, German Chancellor Kohl, was not just indulging in rhetoric when he recently declared to a North American audience: "... our commitment to federalism does not end at our borders. Federalism is our great goal for Europe as a whole. A united Germany will therefore also espouse the ambitious goal of laying the groundwork for a United States of Europe before the end of this century."<sup>(49)</sup> Contrast this with an earlier remark à propos of Europe

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(47) In fact, subsidiarity is a central doctrine of Catholic social teaching on the welfare state, which has undoubtedly influenced European federalists such as Delors.

(48) Wistrich (1989), p. 93 and 139.

(49) "A United Germany in a United Europe," Speech to the American Council on Germany, New York, June 5, 1990 (printed in *Vital Speeches of the Day*, LVI:18, July 1, 1990, p. 548).

1992 by British Trade and Industry Minister Lord Young: "We are not talking about a United States of Europe. We are talking about a trade association with some common rules."<sup>(50)</sup> It is this statement, not Kohl's, which is now clearly the more wishful.

1992 AND BEYOND: THE FUTURE OF THE EUROPEAN  
COMMUNITY IN GLOBAL PERSPECTIVE

The year 1992 is the beginning, not the end, of a revolution that will reshape the geopolitical borders and the psychological boundaries that surround each country.

- Michael Silva and Bertil Sjogren, *Europe 1992 and the New World Power Game*, John Wiley & Sons, New York, 1990, p. x.

North Americans are still catching up to the political revolution that is shaking Western as well as Eastern Europe. United Europe is replacing divided Europe, and this new Europe is re-emerging as a world political and economic power. West Europeans, as Thomas Omestad observes, "want to restore their continent as a central force in international affairs."<sup>(51)</sup> That means, for one thing, a different, more equal, partnership with the United States. An indication of changing realities was the clear European leadership during the fall of 1989 in creating a European Bank for Reconstruction and Development to coordinate Western aid to the new regimes in the East. Europeans were taking their destiny into their own hands. EC governments, under the rubric of "European Political Cooperation," were working out common positions on major issues of East-West policy, in NATO and the CSCE.

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(50) Cited in Nugent (1989), p. 327.

(51) Thomas Omestad, "A United Europe: The Overlooked Revolution," *Ottawa Citizen*, 13 June 1990. Two centuries after the French revolution, declares French conservative Michel Poniowski in *L'Europe ou la mort*, the rallying cry of countries and citizens is no longer the "nation" but "Europe."

At the centre of this European revolution is a reunified Germany which is both the economic engine of Europe and the strategic linchpin between East and West. If the fall of the Berlin Wall in November 1989 signalled the approaching end of the Cold War, the Second World War was finally brought to a close in October 1990, when, under the "two plus four" treaty, the wartime allies relinquished their remaining constraints on German sovereignty. The renaissance of a single powerful German state at the heart of the continent obviously will affect the dynamics of European integration and external policy. How is another matter, and the cause of some understandable apprehensions. Will Germany now become preoccupied with itself and too powerful, upsetting the balance within the EC? Can the present EC structure accommodate demands for integration on a truly Europe-wide scale?

Chancellor Kohl, quoting Konrad Adenauer, insists -- "The German question can only be solved under a European roof" -- a roof which now extends all the way to Moscow. In fact, the German question has been largely settled, while the real question left to solve is Europe itself. *The Economist's* survey of the EC ends by declaring: "Any European federation that is not to be the mere plaything of politicians and bureaucrats must correspond to cultural reality. It is preposterous to imagine that a united Europe could exclude the country of Mozart and Mahler, or the land of Kafka and Kundera."<sup>(52)</sup> One result of the new European sentiment, argues, Christoph Bertram, is that:

... alternatives are emerging and proving incompatible:  
if the EC wants to incorporate all of Europe, then its political cohesion will be in flux for a long time to come; if it wants to become a cohesive, political actor, then membership will have to be restricted and integration brought forward.

A stable future for Europe and Germany surely requires a strong, cohesive EC. Thus the most important question that the prospect of German reunification has brought to the fore is this: Can Germany and the other chief members of the EC generate the will and the commitment for further political integration? It is a question that cannot be answered by the Germans alone.

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(52) *The Economist*, 7 July 1990, p. 40.

But it is likely that they will, for their part, reply in the negative if their partners should appear to want to use integration only to rein in the Germans, while seeking to retain flexibility for themselves. (53)

The European Council summit on political union in December 1990 will be a critical event in determining how, or indeed if, these issues are worked out. What is certain is that it will be Europeans as citizens of a Community, and not outsiders, who will be deciding Europe's future.

#### A. Towards a Common European Voice in the Post-Cold War Era

On 3 October 1990, a new era began in European foreign and defence policy. First, the "two plus four" treaty came into effect as Germany became one. Then the two Cold War superpowers announced an agreement in principle on the biggest arms control agreement ever, which will drastically slash their conventional forces in Europe. The CFE Treaty was signed the next month in Paris at the 34-nation summit of the Conference on Security and Cooperation in Europe (CSCE). With the Soviet empire disintegrating both externally and internally, and with the United States militarily engaged in countering real aggression elsewhere, Europe was at last on the threshold of becoming a true zone of peace.

The next day, addressing an all-German parliament in the Berlin Reichstag for the first time in over half a century, Chancellor Kohl thanked Soviet President Gorbachev and offered assurances to the U.S. and Canada on the future of transatlantic security cooperation. But with the fate of the old alliances in doubt, especially the already crumbling Warsaw Treaty Organization, that cooperation is clearly moving in the direction of all-European security structures. As Zbigniew Brzezinski states:

It is, I believe, an absolute certainty that in the course of this decade a unified Germany will say to all concerned (and particularly to the USA) that it no longer wishes, 50 years after the end of the War, to be the only Occupied country in Europe. It will suggest, instead, that the proper arrangement for Germany is one similar to that for Norway, or for France, or for

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(53) Christoph Bertram, "The German Question," *Foreign Affairs*, 69:2, Spring 1990, p. 56-7.

Spain; that is to say, membership of NATO but without foreign troops on its soil. It will be very difficult to resist this demand; in fact, it will be impossible to resist it. Hence, we have to think ahead to dramatically different security arrangements for Europe in the near future. (54)

Canada and the U.S. will continue to be involved in the development of these new arrangements, both through NATO and the institutionalization of the CSCE in the wake of the landmark Paris summit in November 1990. The Paris Charter signed on November 21 proclaimed the new era of European security, the "architecture" of which will include a permanent CSCE secretariat in Prague, a conflict-prevention centre in Vienna, a Warsaw-based Office of Free Elections, and a parliamentary assembly involving MPs from all countries.\*

German Chancellor Kohl affirmed in New York in June 1990 that: "we want to link the United States and Canada firmly to Europe by means of the CSCE process. It is the sole basis that has also been endorsed by the East for the legitimate participation by the North American democracies in building tomorrow's Europe. ... It is not a case of the CSCE replacing the North Atlantic defence alliance, but of suitably supplementing it and making resolute progress towards the goal common to our Alliance and the CSCE -- the goal of a just and lasting peaceful order in the whole of Europe." (55) Nonetheless, however genuine these overtures, it is the Western European powers themselves that are once again in the driver's seat.

The failure of the proposed European Defence and Political Communities in the 1950s is not likely to be repeated. Foreign policy coordination, given the name "European Political Cooperation" (EPC), has become a regular and growing feature of EC integration since 1970. It is high on the agenda of European Council summits. Although EPC has not yet

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\* Albania is the only country which remains outside the CSCE.

(54) Zbigniew Brzezinski, "Destinations: Strasbourg or Sarajevo?" *Encounter*, July-August 1990, p. 25.

(55) "A United Germany in a United Europe: U.S., Canada, and the E.E.C.," 5 June 1990.

been incorporated into the treaties, it received explicit legal recognition through Title III of the Single European Act which states, *inter alia*: "The High Contracting Parties, being members of the European Communities, shall endeavour jointly to formulate and implement a European foreign policy." Some aspects of defence cooperation are also included within the EPC framework, and at an increasingly high level.<sup>(56)</sup> Since 1987 EPC has had its own permanent secretariat and rotating presidency. As well, the SEA strengthened the supranational character of European external policy by giving the European Parliament a right of veto over proposed treaties between the EC and other countries. This power has already been used.<sup>(57)</sup>

Current proposals go further. In advance of the special European Council summit in Dublin in April 1990, Belgian foreign minister Mark Eyskens presented a plan which would see the EC being fully accountable to the Parliament and conducting a common foreign and security policy. Since April, several far-reaching reports on institutional reform have been adopted by the European Parliament, including a radically federalist one to be debated in early December 1990. Commission President Delors has been working in a similar direction towards an ambitious constitutional blueprint, entailing both reform and aggrandisement of supranational authority. The EC, in short, would become a sovereign European government in all respects, including the one which has evaded its grasp the longest. According to the picture painted by *The Economist's* survey: "From their offices on the top floor of the Berlaymont, the EC commissioners gaze towards NATO's headquarters on the edge of Brussels. The commission's federalists are determined to grab defence policy one day, if it takes them a dozen intergovernmental conferences."<sup>(58)</sup> In late

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(56) See Emil Kirchner, "Has the Single European Act Opened the Door for a European Security Policy?"; *Journal of European Integration*, XIII:1, Fall 1989, p. 1-14.

(57) In March 1988 the EP refused to ratify new commercial protocols with Israel to protest the violence in the Israeli-occupied territories. See Elling, *The European Community*, p. 26.

(58) "An Expanding Universe," 7 July 1990, p. 34.

October 1990, just prior to a special meeting of EC leaders in Rome, President Delors unveiled a text of the Commission's constitutional proposals which will serve as a basis for discussion at the December 14 European Council summit on political union. The document calls for a new EC treaty to strengthen European institutions and to "point the way towards a common security policy, including defence."

#### B. The European Community and the New International Political Economy

It is becoming conventional wisdom to assert that the world economy is evolving in the direction of three powerful rival economic zones: a North American, perhaps even hemispheric, bloc dominated by the United States; an Asia-Pacific bloc dominated by Japan; and a European bloc centred on the EC, which has its own special arrangement (Lomé IV) with a large number of developing countries, and may ultimately engulf eastern Europe as well. If this "triad" theory is correct, the reform of the existing post-war multilateral system, the GATT and the Bretton Woods financial institutions, becomes more urgent but also more difficult than ever. Among zones and within each zone, can the issues of regional integration, political pluralism, democratization and "marketization" be managed successfully?

The debate on political-economic transformation, going beyond the single market, is already well advanced in Europe, and is proceeding on many levels -- as it affects the present balance within the EC, its relations with the rest of Europe, and its role as a global power in an era of both inter-bloc competition and market "globalization."

There are concerns that EC integration will be overtaken by Germany's growing strength (in particular that of its huge industrial conglomerates, the "Konzerne"), and that, despite a recent doubling of EC budgets for regional economic adjustment, it is the already favoured who will benefit most from 1992 liberalization. A provocative recent article in *Le Monde Diplomatique*, headlined "Germany the Conqueror: Birth of a New Hegemony?", sounded the following alarm:

... the construction of the single market of 1993 along out-and-out free-market lines will result in the EC's most powerful nation and industry growing even stronger. The risk is that the EC may be turned into one vast zone of German domination.

Is it not also thoroughly unrealistic to imagine that West Germany's waxing power could ever be contained by hastening the process of the EC's economic and political integration into a larger unit where vital decisions will be made by a supranational assembly of technocrats?

West Germany's reaction to the contradictions, hesitations and attempts at resistance that have been prompted by such a prospect has been clear-cut and brutal: it is going all out for German unification, using it both as a lever with which to increase its hegemony within the EC and as a springboard for its industrial groups' smash-and-grab raid to the East.

At a time when nations are attracted by the idea of disarming and tempted to dismiss the notion of Eastern and Western blocs as old hat, it may legitimately be asked whether the "common European home" that is so close to Gorbachev's heart may not end up as a zone dominated by German industry. (59)

If Germany's EC neighbours are apprehensive about (and jealous of?) its prowess, a comparable situation exists between the EC and its neighbours. They want to benefit from the Community, to join with it sooner or later (Turkey applied, unsuccessfully, in 1987 and Austria in 1989), but not to be dominated by it. The EC has been negotiating with EFTA on the constitution of a European Economic Space (EES),<sup>(60)</sup> but that

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(59) Laurent Carroué, "Conquérante Allemagne: Naissance d'une nouvelle hégémonie?", *Le Monde Diplomatique*, August 1990, p. 17 (reprinted as "The Growing Strength of Germany -- East and West," *Manchester Guardian Weekly*, 26 August 1990, p. 16). See also Jérôme Vaillant, "L'Europe déséquilibrée: puissance sans servitude pour la Grande Allemagne?", *Le Monde Diplomatique*, October 1990, p. 1 ff.

(60) For more details and analysis see *The Economist*, 7 July 1990, "A Survey of the European Community," p. 12 ff; also Rene Schwok, "L'AELE face à la Communauté européenne: un risque de satellisation," *Journal of European Integration*, Fall 1989, p. 15-54.

is unlikely to solve the pressure for an eventual major enlargement of the EC itself. At the same time, with the rush to create a market economy commanding the attentions of leaders from Warsaw to Moscow, and with COMECON a Communist anachronism, it is the EC which is being looked to in the East for economic leadership, aid and investment. Discussing Austria's application for EC membership in 1988, Soviet President Gorbachev was still wary, observing: "the great problem is that of combining economic internationalization with political independence."<sup>(61)</sup> Nevertheless, in July 1989, in an historic address to the Council of Europe, Gorbachev endorsed the vision of a pan-European economic, political and security space. For some ex-Communist eastern European states, perhaps a little envious of the former East Germany's access to Deutschmarks, linking up with the West European dynamo cannot come soon enough.

The EC's major economic competitors abroad have been watching these developments with both awe and some apprehension of their own. The latter is usually explained in neo-mercantilist terms, as a worry about losing markets to "Fortress Europe." The EC defends its 1992 program as being not protectionist towards the outside world, but on the contrary, a liberalizing, trade and wealth-creating enterprise of unprecedented scale and scope. It can be argued that the real concern of some critics, as in the case of "Japan Inc.", has been with the EC's strategic success and the advanced nature of its technological, industrial, employment and social policies. However the EC's position on the global benefits of 1992 seems to be gaining support internationally despite these early anxieties. Thomas Omestad reports that the U.S. government "has come to see the Community's single-market program as a great opportunity to sell and invest, despite lingering concerns in a few sectors such as television programming and semi-conductor manufacturing. The administration also seems to reason that, with eastern Europe fragmented, the continent needs a cohesive nucleus of prosperous, pluralistic states to steer Eastern Europe firmly towards democratic politics and free market economics."<sup>(62)</sup>

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(61) Quoted in Neil Malcolm, "The 'Common European Home' and Soviet European Policy," *International Affairs*, Vol. 65, Autumn 1989, p. 674.

(62) "A United Europe: The Overlooked Revolution," *Ottawa Citizen*, 13 June 1990.

### C. The European Challenge to Canadian Policy

As previously observed, during most of the post-war period Canada has struggled to keep abreast of European developments. Sporadic governmental attempts to mount a European policy, notably the episode of the EC-Canada "contractual link" in the mid-'70s, languished when they failed to produce quick results. Although this treaty attracts little notice,<sup>(63)</sup> it remains in force, and analysts agree that it should be revived and refurbished as part of an effective Canadian response to the EC's 1992 program. Certainly, Canada's major competitors are actively trying to forge new "institutional and consultative links" (the phrase is that of U.S. Secretary of State James Baker) with a dynamic European Community.

Because Europe is being transformed in revolutionary and unprecedented ways, new thinking is required of Canadian policymakers as well. Moreover, the European challenge is multi-dimensional. Not only does it present itself in strategic foreign policy and commercial terms, it offers a rich, pathbreaking experience of political integration on which to reflect. The relationships among the economic, social and constitutional aspects of the European project are extremely important, therefore not to be overlooked.

At the level of Canadian external policy generally, the rise of the new post-Cold War Europe is forcing a reassessment of conventional engagements. Canada had been criticized for lagging behind in its appreciation of the momentous changes underway in the Soviet Union and Eastern Europe. Prime Minister Mulroney's visit to Moscow in November 1989 helped to stimulate policy review within the government. The attempt to develop a fresh approach was reflected in an important address on "Canada and the New Europe" by Secretary of State for External Affairs Joe Clark in May

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(63) For example, it is not included in an apparently comprehensive listing of "trade regimes between the EC and non-EC countries" in Hufbauer, *Europe 1992: An American Perspective*, "Overview," Appendix 1-7, p. 60-1.

1990.<sup>(64)</sup> As well, following the historic Paris summit in November 1990, both Canada and the United States concluded new bilateral agreements with the EC establishing new formal consultative mechanisms at a high political level. The "Declaration on EC-Canada Relations" signed by Prime Minister Mulroney in Rome on November 22 also revives the mechanisms of the 1976 "contractual link."

Canadians cannot help but be excited by what they see happening in Europe. Nonetheless, Canada realistically must be prepared to cope with the prospect that our potential role and influence are being diminished, not enhanced, by recent events. The government has announced a first cutback in Canadian troop strength in Europe. Eventually Canada's military presence could be phased out in the wake of a "Europeanization" of European security.<sup>(65)</sup> Canada still has its seat at the table in the councils of the Western alliance and in the CSCE process. We also have a very small stake in the new bank which is to finance economic rehabilitation in the East. But even if Canada manages to avoid becoming a marginal player, it will be in a supporting role, not one which sets the pace. Matters affecting Europe are going to be decided there first.

The emergence of the EC as an economic superpower means that Canada must also strive mightily to have its trading and commercial interests taken seriously in the calculations of Europeans. The ability of Canada to resolve existing bilateral disputes (e.g., fishing quotas) and major issues of multilateral policy (e.g., constraining agricultural subsidies through the GATT's Uruguay round negotiations, which enter a

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(64) Reprinted as "Canada's Relationship with the New Europe," *Canadian Speeches*, Vol. 4, Aug.-Sept. 1990, p. 49-57. The speech contained some innovative proposals in the political and security fields, such as for a CSCE parliamentary assembly, an arms control "Verification Agency" and an "Institute for the Peaceful Settlement of Disputes." With respect to the Europe 1992 program, while Mr. Clark omitted any mention of the under-utilized existing Canada-EC commercial framework agreement, he called for an open trading arrangement between North America and Europe.

(65) See the options analysed in Andrew Latham and Michael Slack, "Security Policy at the Crossroads: What Direction for Canada in Europe?," *Canadian Defence Quarterly*, Vol. 19, June 1990, p. 23-9.

crucial final ministerial stage in Brussels in early December 1990) to its satisfaction is in question. The EC's ambitious push to 1992 raises other questions about Canada being excluded from or lacking a strategy to compete successfully in European markets. Canadian enterprises have some legitimate concerns about the rules of the single market, for example, in relation to how Community standards are set, or regarding reciprocity of access in the area of financial services. But the greater challenge is to get Canadian business and industry geared up to be able to take advantage of the opportunities created by an expanding European market. That probably means joining European ventures rather than trying to beat them. The militaristic, mercantilistic metaphors often used to describe international business competition are unfortunately misleading. A recent book carries the subtitle "How Canadian Business Can Conquer Europe in 1992."<sup>(66)</sup> Since European industry is in no danger of being "conquered" by Canada, a more appropriate message might be: how Canadians, working together strategically, can learn from the way Europeans are doing business in getting ready for 1992.

The lessons of economic integration, 1992-style, are not confined to the business community, however. There is also the politics of the social and distributional effects to consider. Organized labour in particular has concerns about some industries moving to low-wage zones within the Mediterranean countries of the EC. Within the single market, capital will still have a mobility advantage over labour. Stanley Hoffmann observed a year ago that further integration of labour markets "would require a common social policy and collective bargaining on a Community-wide scale. ...[But] policies for coping with this 'social dimension' remain nebulous. ... Labor's sullenness contrasts with the frenzied activity of businessmen, who are engaged in formidable contests in the form of mergers, joint ventures, buyouts and takeover bids ...".<sup>(67)</sup> Since that assessment, the European Council has adopted a social charter of workers' rights which the EC Commission is in the slow, controversial

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(66) Gordon Pitts, *Storming the Fortress*, 1990.

(67) Hoffmann, "The European Community and 1992" (1989), p. 37.

process of translating into binding Community legislation. Despite the progress being made, Thomas Hueglin maintains that "progressive forces in Europe share the same reservations as to the likely impact of 'project 1992' upon standards of national welfare, occupational health and safety, and environmental protection. ... national and transnational coalitions of traditional socialism and new social movements [e.g., the Greens] may gather enough momentum to throw the switch of integration once again if the negative effects of 'marketization' abound."(68)

The debate over the political-social dimensions of market integration -- necessary or desirable? -- is very advanced in Europe compared to North America. At the same time, parallels are beginning to be drawn between a prospective 350 million-person strong North American free-trade area which would include Mexico (NAFTA) and a European economic bloc (EEC plus EFTA) of similar size. The asymmetries in the former would of course be much greater because of the overwhelming dominance of the U.S. market, and because there is nothing like Mexico's third world conditions in Europe. Another difference is that Europe's strongest and richest market, Germany, has some of its most generous and progressive industrial and social policies.

A North American economic community may yet not materialize, and the idea of a "people's North America" or a "North American political community" seems far-fetched indeed. However, some concerned labour opponents of a NAFTA, and a few supporters such as Professor John Crispo, have already put forward the concept of a European-type social charter in any future treaty involving full trilateral North American market integration. The problem which has not been addressed, by supporters or opponents, is how supranational social standards could be achieved in practice without a higher degree of political integration and the loss of national sovereignty which that entails. But if at some point North America does move beyond a free-trade area and towards a single market, issues of supranational governance and democratic accountability at that continental level cannot be avoided for long.

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(68) Hueglin, "Free Trade and Europe 1992: A Critical Lesson for Canadians" (1990), p. 14.

Finally, there is the more immediate constitutional challenge of a Europe which seems to be moving boldly towards political as well as economic union at a time when the Canadian common market is incomplete and the Canadian federation seems increasingly shaky. "Executive federalism" no longer seems capable of successfully managing the centrifugal forces within Canada. Yet what is the alternative? As observed earlier, the "sovereignty-association" model is more analogous to the disintegration of the Soviet Union into autonomous republics than it is to a unifying Western Europe. A provocative editorial in *The Economist* recently mused that in their desire to assert their identity "Quebeckers are little different from Lithuanians, Latvians and Estonians, or indeed any of the other peoples fighting to escape the Soviet Union's embrace."<sup>(69)</sup> At the same time, the editorial argued, the "subsidiarity" principle of highly-decentralized confederation "may help to keep the European Community together. But would it do the same for Canada, say, or the Soviet Union, two federations on the verge of breaking up?"<sup>(70)</sup>

Canadians may bristle at such comparisons as being facile and strained. Nevertheless, it would be sadly ironic if Canadian federalism were to come unglued while Europe, a multinational, multilingual community of sovereign states, evolved into a federal union. It would be disconcerting, too, if there were to be no Canadian strategy for coping with the inevitable social and political consequences of increased continental and transnational economic integration. The pattern of integrationist politics in Europe is still very different from that in Canada and North America. Many institutions of the EC are unique. But Canadians, whose own political system owes so much to European models and ideas, ignore Europe's recent experience, and its pathbreaking political future, at their peril.

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(69) "Goodbye to the Nation State?", *The Economist*, 23 June 1990, p. 11.

(70) *Ibid.*

APPENDIX I: GLOSSARY AND ACRONYMS OF KEY POST-WAR INSTITUTIONS  
OF EUROPEAN INTEGRATION

- **Commission of the European Communities.** The central executive arm of the 12-nation European Community. The work of the Commission is overseen by 17 appointed Commissioners, one of whom serves as its President, and is carried out by 23 directorates-general.

- **Common Agricultural Policy (CAP).** Instituted under the EEC treaty of 1957, CAP remains the EC's most established, administratively complex, and costliest policy initiative. It is also one which is most damaging to Canadian agricultural exports. CAP absorbed nearly 60% of the total EC budget of 44.8 billion Ecus (\$Cdn 64.3 billion) for 1989.

- **Common Market.** The name given to the six-country economic community created by the 1957 Rome treaty which established a customs union in addition to a free-trade area. This title has fallen from usage, especially since the merger of the executive institutions of the three European Communities took effect in 1967.

- **Committee of Permanent Representatives (COREPER).** Composed of the "ambassadors" representing the 12 member states of the EC in Brussels. In addition to COREPER 2, as it is called, there is also a COREPER 1 which comprises the deputy permanent representatives and concerns itself with more technical, less political matters. A separate Special Committee on Agriculture (SCA) deals with CAP issues.

- **Conference on Security and Cooperation in Europe (CSCE).** The only political-security forum bringing together nearly all the countries of Europe, East and West, and the North American members of the NATO alliance. The CSCE grew out of an earlier period of detente which attempted to establish a post-war European *modus vivendi* on the principles

of the 1975 Helsinki Final Act signed by 35 countries. With German reunification the CSCE now comprises 34 nations. A major summit conference in Paris in November 1990 approved the post-Cold War shape of a revitalized CSCE process, with a permanent secretariat to be established in Prague.

- **Council of Europe.** Founded in 1949, the Council currently has 23 members although it will be expanding. The admission of Hungary as the first East European member was approved in October 1990, with Poland expected to follow. The Soviet Union and Yugoslavia have "special guest status." The Council has a governing Council of Ministers, a 170-member Parliamentary Assembly, and a Secretariat. The current Secretary-General, Catherine Lalumière, is, like the current EC President, a former French Socialist minister. Some of the Council's most important work has been in the area of human rights -- notably the 1950 European Convention for the Protection of Human Rights and Fundamental Freedoms, the 1961 European Social Charter, and the strong powers of the European Commission of Human Rights and the European Court of Human Rights.

- **Council of Ministers.** The decisionmaking body which is constitutionally at the apex of the EC's legislative system. Council membership comprises national ministers from the member states according to the subject matter under consideration. Presidency of the Council rotates among member countries every six months. To pass legislation by a "qualified majority" requires at least 54 of 76 total Council votes.

- **Court of Auditors.** This became operational in 1977, replacing previous auditing bodies. The Court has 12 members, one from each EC country, appointed by the Council of Ministers for six-year terms. The main responsibilities of the Court, which is based in Luxembourg, are to audit the EC budget and to make observations on the financial aspects of proposed legislation and regulations.

- ECOFIN. European Community Council of Economic and Finance Ministers. It seeks to coordinate economic policies and receives reports from the Monetary Committee which oversees the operation of the European Monetary System. It will play a key role in decisions on fiscal harmonization and monetary union.

- Economic and Social Committee (ESC). Under the EC constitution its mandate is to give advisory opinions on proposals from the Commission. It currently has 189 members, appointed by the Council of Ministers, drawn from three groups -- employers, workers, and other interests (agricultural, professional, consumer, environmental, etc.) -- and organized functionally into nine sections.

- Euratom. The European Atomic Energy Community established by the lesser-known of the two 1957 Rome treaties. It covers nearly all non-defence aspects of nuclear power. However, some of its provisions have been weakened in practice by disagreements among national governments and arguments based on national security.

- European Bank for Reconstruction and Development (EBRD). Its founding charter was signed by 40 countries including Canada in May 1990. The bank, which is to assist Eastern Europe's transition to a market economy, will be based in London and have an initial capital of \$US 12.4 billion, of which 51% will come from the EC and its member countries.

- European Coal and Steel Community (ECSC). Created by the 1951 treaty of Paris which brought together France, Germany, Italy, Belgium, the Netherlands and Luxembourg in Europe's first supranational association.

- European Community (EC). The Community encompasses the ECSC, the EEC and Euratom, and has expanded from the original six to the present 12 members. Greenland withdrew from the EC in 1985 and Norway earlier rejected membership in a referendum, but several countries (Austria, Turkey) are waiting to join with more likely to apply. Besides its lawmaking and

regulatory structures, the EC funds a large number of supranational programs. In recent years the Community has also become noted for its strategic knowledge-based ventures and networks: for example, the European Strategic Program for Research and Development in Information Technology (ESPRIT), Research and Development in Advanced Communications Technologies for Europe (RACE), and the European Community Action Scheme for the Mobility of University Students (ERASMUS).

- **European Council.** The name given to the periodic summits of EC heads of governments. The Council acquired formal status under the Single European Act and has its own secretariat in Brussels. The presidency of the Council rotates among member states every six months. Regular meetings are held in the country of the current president, with any extra meetings normally being held in Brussels. The next scheduled summit, in Rome, December 13-15, 1990, promises to be one of the most important in the EC's history.

- **European Court of Justice.** Comprises 13 judges and six advocates-general appointed by consensus of the EC member states to six-year terms. The Court sits in Luxembourg and is the final arbiter for all cases involving the EC constitution and Community legislation. Its rulings are binding on all member states and their courts.

- **European Economic Community (EEC).** Established by the Treaty of Rome in 1957, the EEC is the most important of the three integrated European communities which form the EC. A separate Convention in 1957 established that the three would share a common parliamentary assembly and the jurisdiction of the European Court. A single Council and Commission came into being a decade later.

- **European Defence Community (EDC).** First proposed by the French prime minister in 1950, a draft EDC treaty was signed by the six members of the ECSC in 1952. But the effort collapsed when the treaty was rejected on a ratification vote in the French National Assembly in 1954.

- **European Economic Space (EES).** A framework which is being negotiated between the EC and EFTA countries to create a limited customs union in addition to free trade within the two economic areas. The scope of obligations of EFTA countries in an EES treaty would be considerably less than those of the EC single market. However the aim is to achieve both by the end of 1992. Negotiations could be overtaken by more EFTA countries applying for EC membership.

- **European Free Trade Association (EFTA).** Comprising the main non-members of the EEC (currently Austria, Finland, Iceland, Norway, Sweden and Switzerland), EFTA was constituted in 1960 as an industrial free-trade area. Since 1973, EFTA and the EEC have had free trade in industrial products under a Special Relations Agreement.

- **European Monetary System (EMS).** Established in 1979, the EMS sets maximum and minimum bands for currency exchange rates within the system, which is anchored by the German Deutschmark. The British pound joined the EMS in October 1990, leaving only the Greek drachma and Portuguese escudo outside of it. The EC also has its own European currency unit, the Ecu. But negotiations on moving towards a single currency and a European central bank (dubbed "Eurofed") are proving difficult.

- **European Parliament (EP).** Evolving from the Common Assemblies of the ECSC and the later communities, the 518-member EP is now directly elected and exercises more than simply advisory functions. Since the institution of a legislative "cooperation procedure" under the 1987 Single European Act, the EP has the power to directly influence large areas of Community decisionmaking.

- **European Political Cooperation (EPC).** The title given to foreign policy coordination among EC members since 1970. EPC was accorded formal legal recognition by the Single European Act and has its own secretariat. EPC matters usually rank high on the agenda of European Council summits.

- Nordic Council (NC). An advisory body established in 1952 which is primarily concerned with socio-economic, environmental, and cultural issues of mutual concern to its four member states -- Denmark, Iceland, Norway and Finland. The Council itself has 87 members who are elected annually from among the parliaments of these countries.

- North Atlantic Treaty Organization (NATO). Established in 1949 with its headquarters in Brussels, NATO is the principal transatlantic Western security alliance, though its role is likely to be transformed in the years ahead. NATO membership includes 14 European countries plus Canada and the United States. Ireland is the only EC country not in NATO.

- Organisation for European Economic Cooperation (OEEC). Established with 16 founding member states in 1948 in the wake of the Marshall Plan to assist the economic reconstruction of Europe. In 1961 the OEEC gave way to the Organisation for Economic Co-operation and Development (OECD), based in Paris, with membership opened to non-European countries.

- Single European Act (SEA). The Act was signed in 1986 and entered into force in 1987. It primarily concerns institutional/political reforms to the EC and the "1992" program to complete the internal market. The SEA moves the EC closer to political as well as economic union, though it is significantly less "federalist" than was the draft European Union Treaty (EUT) proposed by the European parliament in 1984.

- Warsaw Treaty Organization (WTO). The Warsaw Pact was created in 1955 among the Soviet Union and seven East European countries to confront NATO across the European front. Albania later withdrew and East Germany no longer exists, so the present membership stands at six countries. With the collapse of Communist regimes, and the signing of the Paris Charter in November 1990, the Pact appears to be on the road to rapid dissolution. The same fate may await the Eastern bloc's economic association, the Council for Mutual Economic Assistance (CMEA or COMECON).

- Western European Union (WEU). Founded in 1955 as a regional security alliance after the failure of the EDC, and "reactivated" in 1984. WEU membership currently takes in nine of the twelve EC countries. Ireland, Denmark and Greece are not members. The WEU Assembly consists of delegates of its member countries to the parliamentary assembly of the Council of Europe. The future role of the WEU will depend on the extent to which European defence cooperation develops within the EC framework and the CSCE.

APPENDIX II: MEMBERSHIP IN WESTERN AND WESTERN EUROPEAN ORGANIZATIONS

	Western Organizations		Western European Organizations				
	NATO	OECD	Council of Europe	European Community	EFTA	WEU	Nordic Council
Australia		(1971)					
Austria		F	(1956)		F		
Belgium	F	F	F	F		F	
Canada	F	F					
Cyprus			(1961)				
Denmark	F	F	F	(1973)	Withdrew in 1972 on joining EC	F	F
Finland			(1969)	(1989)	(1961)		F
France	S (since 1966)	F	F	F		F	
Germany	(1955)	F	(1951)	F		F	
Greece	(1952)	F	(1949)	(1981)			
Iceland	F	F	(1950)		(1970)		F
Ireland		F	F	(1973)			
Italy	F	F	F	F		F	
Japan		(1964)					
Liechtenstein			(1978)				
Luxembourg	F	F	F	F		F	
Malta			(1965)				
Netherlands	F	F	F	F		F	
New Zealand		(1973)					
Norway	F	F	F		F		F
Portugal	F	F	(1976)	(1986)	Withdrew in 1985 on joining EC	(1988)	
Spain	S (1982)	F	(1977)	(1986)		(1988)	
Sweden		F	F		F		F
Switzerland		F	(1962)		F		
Turkey	(1952)	F	(1949)				
United Kingdom	F	F	F	(1973)	Withdrew in 1972 on joining EC	F	
United States	F	F					
Yugoslavia		S					

Note: Dates in brackets refer to when membership of non-founding members came into effect. F denotes founding member; S indicates that the country is not a full member but has a special or associate status.

Source: Adapted and updated from Nugent, *The Government and Politics of the European Community*, (1988), Table 1.1, p. 21.

**APPENDIX III: CHRONOLOGY OF KEY EVENTS IN EUROPEAN POLITICAL INTEGRATION  
AND THE DEVELOPMENT OF THE EUROPEAN COMMUNITY**

April 1948 - The OEEC was founded by 16 states.

May 1948 - A Congress of prominent Europeans in the Hague called for the nations of Europe to unite economically and politically "in order to assure security and social progress."

April-May 1949 - Twelve countries signed the NATO treaty in Washington and ten European states established the Council of Europe at Strasbourg.

April 1951 - Six countries signed the treaty establishing the European Coal and Steel Community.

August 1954 - The European Defence Community treaty was rejected by the French parliament.

October 1954 - The ECSC states and the U.K. formed the Western European Union.

March 1957 - The Rome treaties establishing the EEC and Euratom were signed.

January 1960 - Seven non-EEC countries formed a European Free Trade Association.

December 1960 - The OEEC was replaced by the OECD which included Canada and the United States as members.

January 1962 - The EEC adopted the Common Agricultural Policy (CAP).

January 1963 - French President de Gaulle vetoed British membership in the Community.

May 1964 - The EEC participated in the Kennedy round of GATT negotiations as a single delegation.

April 1965 - The merger treaty was signed establishing a single Council and Commission for the ECSC, Euratom and the EEC.

January 1966 - The "Luxembourg compromise" broke the deadlock between France and other EC members over the scope of supranational authority.

July 1968 - The EC's customs union was completed ahead of schedule.

April 1970 - The EC adopted a new budgetary system which increased the role of the European Parliament.

October 1970 - EC members accepted the Davignon report as the basis for establishing a system of European Political Cooperation.

January 1973 - Denmark, Ireland and the U.K. acceded to the EC. Norway's membership application had been accepted but failed to pass a national referendum in September 1972.

December 1974 - The Paris summit of EC governments agreed to institutionalize European Council meetings. It also made decisions on direct elections to the EP and on the establishment of a European Regional Development Fund. Earlier summits had set a target of economic and monetary union by 1980.

February 1975 - The EC signed the first Lomé Convention with 46 developing countries in Africa, the Caribbean and the Pacific (ACP states), replacing several earlier, more limited trade and economic cooperation agreements.

June 1975 - A referendum held in Britain on continued EC membership registered a solid majority in favour.

March 1979 - The European Monetary System came into operation.

June 1979 - The first direct elections to the European Parliament were held.

January 1981 - Greece became the tenth member of the EC. The Ecu became the Community's financial unit of account.

June 1983 - The Stuttgart European Council approved a "Solemn Declaration on European Union."

February 1984 - The European Parliament voted overwhelmingly in favour of a draft European Union treaty.

January 1985 - French Socialist Jacques Delors became President of the Commission of the European Communities. The first EC passports were issued.

June 1985 - The EC Commission transmitted its White Paper on completing the internal market ("Europe 1992") to the Council of Ministers.

January 1986 - The accession of Spain and Portugal boosted EC membership to twelve.

February 1986 - All EC members signed the Single European Act (SEA).

July 1987 - The SEA entered into force.

February 1988 - A special European Council summit approved major financial reforms and new measures, including a doubling of social and regional adjustment funds by 1992.

June 1989 - The third direct elections to the EP were held with the Socialist group again winning the largest number of seats. The Parliamentary Assembly of the Council of Europe approved "special guest status" for Hungary, Poland, Yugoslavia and the Soviet Union.

November 1989 - In an address to the EP, EC President Delors proposed a major overhaul of EC institutions to deal with forthcoming unification and possible expansion of the Community to 22 members.

December 1989 - The Strasbourg European Council agreed to a conference on monetary union set for December 1990. It also approved, by an eleven to one margin, the Community Charter of the Fundamental Social Rights of Workers. In other developments, EC and EFTA ministers agreed to negotiations on a European Economic Space, and the fourth Lomé convention was signed with 68 ACP countries.

January 1990 - With three years left to go in the 1992 program, about 60% of the 279 measures had been adopted by the EC Council of Ministers, including amendments to the Second Banking Directive, though difficulties remained in the pace of national implementation and in areas such as the Schengen agreement on abolishing border controls.

April 1990 - At a special European Council summit in Dublin on the ramifications of German reunification, France and Germany proposed that a conference on political union be added to the agenda for December 1990.

May 1990 - Forty countries signed the founding charter of the European Bank for Reconstruction and Development.

June 1990 - The regular meeting of the European summit in Dublin formally approved plans to convene EC summit conferences on 13-14 December 1990, to amend the Rome treaties with the aim of ushering in political, economic and monetary union by 1 January 1993.

October 1990 - East Germany was formally absorbed into the German Federal Republic thereby becoming part of the EC and of NATO and the OECD. Hungary became the first East European applicant to be accepted into the Council of Europe. Britain finally joined the European Monetary System, but voted against a plan, adopted by the other 11 EC governments at a Rome meeting, to start a new phase of monetary union including the creation of a common central bank in January 1994.

November 1990 - A landmark summit conference of the 34 CSCE countries was held in Paris to approve the framework of a new geopolitical and security order in Europe. Canada signed the Paris Charter on November 21 and a new EC-Canada declaration in Rome on November 22. The change of prime minister in Britain signalled a shift as well as a more pro-European policy.

December 1990 - Rome hosts the crucial EC summit meetings on monetary-economic (13 Dec.) and political union (14 Dec.).

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