

Beatty Memorial Lectures

Ralf Dahrendorf
Director
London School of Economics

THE EUROPEAN COMMUNITY AT
THE BEGINNING OF THE 1980's

Tuesday, March 24, 1981 - 8pm
Frank Dawson Adams Auditorium
McGill University

Thank you very much indeed, Chairman, for your kind introduction.

The first remark which I cannot help making to those who were present last night is that there is a sense in which my lecture last night was a lecture of the heart, whereas the lecture tonight is a lecture of the mind. What I mean by that is last night I was talking about certain social and political trends among which a trend towards smaller units which make sense to people occupy a very major place. I was talking about the fact that for a variety of reasons of a general political nature as well as of a social nature, we are likely to go into a period in which people will look for communication and participation, for meaning in their lives in decentralized and smaller units. This is a trend which is born out of people's deeper interests and desires; in that sense of people's hearts. Today, on the other hand I am going to talk about one of those constructions of international politics which take us into another dimension altogether in terms of scale, and in terms of the nature of organization. Today I am going to talk about the European Community, put it in context, and try and discuss it in terms which I hope have some relevance above and beyond the description of the Community itself.

If you permit one further comment about the relationship between the two Beatty Lectures, it occurred to me that we are really faced in many parts of the world, with the rather complicated question of whether we can combine the legitimate desire for regaining meaningful, decentralized units for social and political action with the need for wider spaces and the rules that govern them in an international environment. The question is, in other words, whether it is possible to look to smaller units in the economy, in society, in politics, and at the same time not abandon the wider spaces in which we of necessity operate if we want to maintain peace and prosperity in our world. I am not sure what the answer to this question is. Perhaps you will find

at the end of my talk today that I am in fact slightly sceptical about our ability to combine these two opposing orientations in the reality of politics. In any case, the European Community has not helped enough on this route towards a sensible combination of the big and the small, the distant and the close.

The story which I want to tell is a story of mixed fortunes. It is also a specific story. I shall concentrate a great deal on the economic and political problems of the European Community today. But I cannot begin without saying first of all that whatever I may say by way of criticism of the institutions and policies of the European Community has to be seen before the background of the extraordinary achievement of thirty-six years of peace in Europe. Whatever differences there were in these 36 years, there has also been a considerable amount of cooperation. More than that, these years have produced circumstances which to many in an earlier generation would seem most extraordinary. If one lives in Britain nowadays, one can hear people who are worried that relations between France and Germany may have become too close! This certainly has not been known before in the last 200 years of the history of the continent of Europe. It is clearly an enormous achievement in itself that forms of cooperation have developed in Europe which have become a part of the daily habits of Europeans, whether they are in formal positions of authority or whether they are tourists who travel across frontiers. But this is all that I am going to say by way of European romanticism, because as we look at the facts, and more particularly at the institutions of European cooperation, we immediately discover a number of points which give rise to scepticism, to question marks.

First of all we discover that when one says Europe one is tempted to overlook

that Europe as a geographical term is in fact very much wider than the Europe of common institutions. Europe is a divided continent. One should never forget if one talks about Europe that people in Poland or in Czechoslovakia or in the German Democratic Republic or in Hungary or in the other East European countries feel as much Europeans as those in Western Europe do. As one looks at the institutional history of attempts to cooperate across national boundaries, one is talking about but one half of the reality of Europe. Within this half, moreover, one tends to ignore, especially if one talks about the European Community, some of those countries which for one reason or another cannot be members of the European Community, such as for example, Finland or Austria. They cannot be members because their very statehood is based on assumptions which would have to be violated if they were to join an organization which aims at political integration. There are other countries in Europe which would be free to join, although they too would have to give up assumptions which are dear to them, but which have decided because of these assumptions that they would not do so: Sweden, Switzerland. To these four important European countries which are not members of the European Community, Norway has to be added, a country which actually negotiated membership, but the people of which then decided not to accept the Treaty of Accession. Norway has thus remained outside the European community. Then there are those of whom one might say that they are not yet members of the European Community. There is Portugal, which may become a member in due course. There is Spain, where one may be a little more doubtful as one looks at clashes of interest, about which a little more will have to be said presently. And of course, there is Turkey, the great neglected country of Europe, which is not very likely to be a member of the European Community in the foreseeable future. As I list these countries, I begin to wonder if I should add to them one or two countries

which may not be members of the European Community much longer; but perhaps it is better not to do so, especially if one hopes that Britain will remain a member of the European Community whatever the popular and the political mood may be at this particular moment. The point about the list is in any case to make it quite clear that when I say Europe, and when I say European Community, I am not unaware of the fact that I am in fact talking about a grouping of now ten countries which does not in fact describe in fact the whole of Europe. I am not unaware of the fact that the word "Europe" is often abused by those who identify the European Community with Europe itself. Indeed I have always been one who has argued that the relation between the organized European Community and the other European countries is one of great delicacy, and that the Community must never pretend that it and only it represents a European point of view.

But let me turn now to the beginnings of what is called the European Community. If one looks at the institutional scene of European cooperation today I think one probably finds more ruins of institutions than one finds successes. Some of these ruins are almost forgotten. There was once a crucially important discussion of the possible formation of a European Defence Community; a discussion which foundered in the French Chamber of Deputies in 1954, and which therefore never came to a conclusion. There is the Council of Europe, still an important institution in some respects, especially as a guardian of human rights, but certainly no longer an institution which one would expect to be the basis of effective political cooperation in Europe. One could list a number of others including, actually, the O.E.C.D. which was once the O.E.E.C., the Organization for European Economic Cooperation, and which has now found a new function of great importance, but again one which takes it out of the picture of attempts to bring about European cooperation.

The institutions which I am going to talk about when I refer to the European Community, are essentially three, and the three are now combined into the term "European Community". They are first the European Coal and Steel Community, founded in the heady days of the early 1950s at a time at which it was easier than today to combine national interest with integrationist hopes, at a time also at which Jean Monnet himself, the first President of the High Authority of the Coal and Steel Community, dreamt his dream of a united European state. To the Coal and Steel Community which came into effect in 1952 on the basis of a treaty concluded in Paris, were added the two other communities which came into effect in 1958, on the basis of treaties concluded in Rome, the European Economic Community (EEC), and the European Atomic Community (EURATOM).

These three, the Coal and Steel Community, the Economic Community, and EURATOM were technically merged in 1967, although the treaties remained separate; their common institutions are now called, or call themselves, European Communities. The plural which is often conveniently forgotten, indicates that the new unit still consists of three constituent parts.

As one looks at the history of these European Communities it is important to remember that the concerns of the Coal and Steel Community, of the Economic Community, and of EURATOM, were very much second choices, those who invented these Communities had ideas which were much more ambitious than the actual content of the treaties of Paris and of Rome. Indeed, one of the strange incongruities of European institutional development is that there has always been the big talk about integration, about one European policy, possibly at the end of the day, of a European federal state, but that in fact and in day-to-day life, the problems have been problems of butter, of fish, of the size of lorries that are supposed to be allowed to travel on the roads of Europe.

So far as the European Economic Community is concerned, which is certainly the centrepiece of the Communities as we know them today, its central objective was the creation of a customs union. When the European Economic Community was set up after the discussions of 1955-1957, on 1 January, 1958, the main idea built into its institutions was to create a customs union in stages over a period. At the time this seemed a very important objective. At the time it was also an objective which was obviously in the interests of member states whose economies were growing, indeed in a world of economic growth. Thus, the objective of the customs union was defined by the original members of the European Economic Community at a time when it made a great deal of sense. It was perhaps for this reason that the objective was achieved as smoothly as it was achieved. It coincided with obvious interests of growing economies.

I shall not go into the details of the creation of the customs union, except for one point which is important if one wants to understand the spirit in which the institutions of Europe were set up. Those who set the objective of European integration by way of a customs union had a notion of a customs union which extended far beyond tariffs. In particular, they felt that there were two companion pieces to a customs union, which this European Community had to take seriously. One was that apart from tariffs, one had to pull down, or rather to harmonize as the term came to be - as many non-tariff barriers as possible. It is this notion that a customs union is not complete unless you get rid of non-tariff barriers to trade which has given rise to numerous funny and not-so-funny stories about the European Community, about harmonizing the size and shape of bottles of beer, or the ingredients of bread, and the like. Such stories may or may not show that too many of the officials in Brussels have spent too much time on matters of minor

importance, but they also tell us that the customs union was taken exceedingly seriously by those who invented it. They were not just thinking about tariffs. They were thinking about making sure that the Common Market actually knew no barriers of a non-tariff kind, as well as no tariff barriers.

There is another aspect of the European conception of a customs union which is even more important, quite apart from being of greater interest to the world, and that is, that those who invented the customs union argued that in areas in which there is no national market, but in which national governments intervene by a policy, one could not have a Common Market either, but would have to have a common policy. The argument has a simple logic, and yet the simple logic of this argument is perhaps the root of most of the major problems of the European Community within and without, because it was this kind of argument which led the Community in its early days to try and devise a common agricultural policy. Since it was well known and a familiar fact that in most member states of the European Community there was no market in agricultural products, but there were various forms of direct or indirect subsidies for farmers, it was decided that the only way to deal, if one wanted a full customs union, was to devise a common agricultural policy, and this meant a policy which set common prices for the entire European Community. The point about prices is important. It betrays indeed what has sometimes been called the "Cartesian" nature of the European Communities which in the end led to its downfall. Those who argued that a customs union requires common policies in areas in which there are no markets, and that therefore one had to have a common agricultural policy and who insisted that a common agricultural policy required a mechanism for setting common prices also believed at least in the 1960s, that the mechanism of setting common prices in terms of a "green dollar", required a policy to maintain currency stability, indeed at the end of the day a common currency. There

was an early argument in the European Community, in other words, that the logic of the agricultural policy with its common price fixing meant that one had to be sure that there were no divergencies in parities, that there were stable currency relationships within the European Community. In retrospect it is both strange and telling, to see how people in the European Community relied on this need as they mapped out an "automatic" development from the customs union to the agricultural policy with its common price fixing, further from common price fixing to a common monetary policy, and on through a common monetary policy gradually to a common bank of issue, a common economic policy, and in the end to the European superstate of which many of the early Europeans dreamt.

I make this point here because it provides the background for the next step of my analysis. The European Community has had one crucial date in its history which marks a turning point, from which onwards we find developments of a very different character. That turning point was the summit conference of the European Community in December, 1969. In December 1969, the European Community was still a community of six members, France, Germany, Italy, and the Benelux countries, Belgium, the Netherlands, and Luxemburg. At that time the heads of government of the six member States met in the Hague. The main reason why they met was that the customs union was virtually completed; so they intended to consider where to go next. December 1969 marks the date at which the programme of the initial European Community had as it were been realized. It marks the date at which this new institutional creature no longer knew where to go. At the Hague it was the French foreign minister who suggested a since famous triptych of tasks for the European Community - achèvement, élargissement, approfondissement.

Achévement meant no more at that time than the completion of the customs union. It only took another three or four months or so after the Hague summit to bring about this completion, actually by introducing a wine market regulation which has made certain German wines undrinkable ever since. Here was one of those non-tariff barrier objectives which consumers suffer from, however well it fits into the logic of the common agricultural policy. Then one was left with the two other objectives - approfondissement and élargissement. The élargissement was a fairly obvious objective. It was the enlargement of the community by, at the time, Britain, Denmark, Norway, and Ireland. As a result of the summit of the Hague, entry negotiations with these countries began, which were in due course concluded successfully for three of the four countries.

It should be added at this point, however, that the enlargement of the community is not a process that leads by definition to new objectives for the club that is being enlarged. One might even say that on the contrary, enlargement makes it rather difficult for the club that is being enlarged to move forward. I remember how at the time of the enlargement talks there were many who said: "Won't it be marvellous to have Britain in - there will be a new input of democracy, there will be a new input of openness to the world!" Whoever said this in 1972, may have described British political parties and prevailing views, but overlooked the fact that people who join a club do not want it to change as soon as they have joined it. People who join a club actually join it because it is as it is. At any rate, this is how all those who have joined the European Community since 1969 have behaved. It could therefore be argued that the entire process of enlargement in the early 1970s, then with Greece more recently, and in the foreseeable future with Portugal, and possibly with Spain, cannot be a substitute for finding a way out of the apparent purposelessness of a Community which had achieved its initial objective, and was unable to define a new one.

Or was it unable to define a new one? There is after all a third wing of the triptych of the Hague. There is the approfondissement. Indeed, it was at the summit conference of the Hague that the Cartesian notion at which I have hinted, according to which one has to go from common agricultural prices to some kind of monetary union, later called economic and monetary union, was first spelt out. Indeed, the years from December 1969 to the middle of 1971, were years in which the European Community tried to deepen its cooperation by adding to the objective of a customs union the new objective of an economic and monetary union. Actually, something quite remarkable happened in the process of defining and implementing this objective, very telling story, and a lesson for anyone who believes that one can impose the logic of Cartesian thinking on reality.

First of all, the two committees which were charged with devising the details of a plan for economic and monetary union, both made the same mistake. Both the committee chaired by the then (and now) Luxemburg Prime Minister Werner, and the committee chaired by the then Commissioner, later French Prime Minister, Raymond Barre, came out with suggestions according to which the member states of the European Community should try to achieve full monetary union, in other words one currency, within ten years, and in three stages. The notion of such a process in stages - a plan par etapes - was evidently borrowed from the experience of the creation of a customs union. It translated the idea that you lower your tariffs in stages until you have no tariffs left at all, to the monetary field. The idea was the application of the experience of the customs union to monetary integration. Yet in retrospect at least it is obvious that whereas lowering tariffs and creating a customs union is a largely quantitative process, the formation of a monetary union implies somewhere or other a qualitative jump, a point at which five banks of issue, or later six, or even eight, would have to be turned into one, and at which there would have to be

a common economic policy to guarantee the stability of a common currency. Somehow this intellectual mistake, which was the basis of the plans for economic and monetary union devised through the year 1970, suggesting that one can apply the experience of the customs union to monetary integration, was the last example of Cartesianism in European politics. Since then, it has become clear that one has to respond to real problems, and cannot impose one's own calendar on reality. Reality, in other words, turned out to be recalcitrant.

The story was not without drama. The Ministers of Finance of the European Community met in the Spring of 1971, decided to begin to bring their currencies closer together, agreed on the need for interventions by central banks if the margins of fluctuation should get out of hand - and within a matter of four weeks of this courageous decision to take the first step towards economic and monetary union, floating began. Once floating had begun, the whole notion of economic and monetary union lost all meaning. And of course only a little later in that year, on 15 August 1971, the end of the convertibility of the dollar into gold, and the consequent breakdown of the international monetary system, it is perfectly obvious that it was no longer possible for European countries simply to follow a calendar which suggested that in three stages one could reach economic and monetary union. What happened in fact was very nearly the opposite of what was intended. Countries moved further apart, currencies moved further apart; for quite a long time not only economic and monetary union as an objective, but any kind of cooperation in the monetary field became exceedingly difficult indeed. The point of the story is that there was an intellectual misunderstanding of political processes due perhaps to an abundance of logic, or of Cartesianism. There was a confusion of plans which one wants to pursue,

and interests which are real. There was the necessary experience that an organization which exists in this complicated world cannot hope to impose a long-term calendar on reality.

When I say all this, I do not want to be misunderstood. So far, the argument of this lecture is that the customs union was achieved, that the enlargement was achieved but did not help an awful lot, and that the attempt to add to the customs union another objective has failed. I believe this is the case. It is a correct description of what happened in the European Community, with one or two minor reservations. But I do not want to be misunderstood in one important respect. I am convinced that there actually is a common European interest. I do not think, as you will see, that this common European interest can be thought of as an interest to create a third superpower, or anything of that kind. But I believe that the countries of Europe, whether members of the European Community or not, have certain specific interests in common.

Let me mention some of these interests, perhaps the most important ones: Europe is uniquely placed with respect to helping the Third World, and development. Europe is a continent which is economically wealthy, but which does not link political or military dependence with its wealth. There are exceptions, but on the whole it is true that Europe as a collection of small and medium-sized powers can offer assistance without strings. This is a European interest, and nothing is sillier therefore than the attempt on the part of European countries to compete with each other for votes in the United Nations, or for sympathies of particular countries in the developing world. A second example: Europe has a common interest in making sure that its energy supplies are safeguarded without dependence on any one source, let alone any one country. There is a very clear European interest in a common energy policy. The third example: There is in wide areas of foreign policy

an identifiable common interest of European countries. This is most notably and obviously the case with respect to the important, delicate and difficult relationship between Europe and the United States of America. And a fourth example: In the absence of a functioning world system of monetary cooperation, and indeed in the absence of a functioning world system of trade, Europe has a common interest in trying to create a zone of monetary stability to concentrate just on this one point.

Now, if you look at these interests, you will see that these are all points where decentralized units cannot possibly be sufficient. They concern a framework within which peace and prosperity are guaranteed. At the same time, these are not points which detract from the need to look into the direction of regionalization and decentralization, whether politically or socially, or economically. There is, in other words, a possibility of regarding the two requirements in one context - although there is a danger that in looking too closely in the direction of the heart we will in the end overlook the needs of the mind.

What has Europe done about its common interests? So far as the first of the four interests is concerned, European countries are doing many unfortunate things, and they are certainly not doing enough. But on the whole it can be said that the European Community's development policy is to be seen on the plus side of the balance of the Community. There is a common development policy, and there has been such a policy for years, enshrined in the agreements first of Yaoundé, and later of Lomé, now involving some fifty countries all over the world. I would argue that the way in which the common fund is set up, the way in which the attempt is made to stabilize export earnings from resources in developing countries, is among the better attempts to do something for the basic needs of people in the developing world. No-one would suggest that this is a perfect policy; but development is an area in which the

Community has not done badly.

On the second interest, energy, I can be exceedingly brief. What the Community has done here so far is nothing. There is no European energy policy; there are not even beginnings of a European energy policy. There is a lot of competition, and there are a few papers floating about which make suggestions about this, that and the other; but this is one of the areas where the European Community has failed.

This takes me to my third point, foreign policy. I mentioned the Summit Conference of the Hague as a watershed in the history of Europe. It was a watershed not only because its programme revealed the limitations of the original European Community, but also because at this Summit Conference at the Hague something was agreed on which has since turned out to be the most creative development of the European Community. It has come to be called Political Cooperation - with a capital "P" and a capital "C" - and it is in effect an attempt to try and coordinate foreign policy between governments in important areas. Political Cooperation has certain symbolic aspects, such as the fact that the diplomatic representatives of the European Community all over the world have regular meetings, exchange views, do not altogether and entirely just compete with each other in the traditional way. Political Cooperation also has substantive aspects in the sense that on a variety of occasions the foreign ministers of the European Community have attempted to try and devise common policies. It is a matter for debate whether there could be such a thing as a common European policy with respect to the Middle East, and whether the particular policy advanced so far was well-advised. It is a matter for debate whether in this area Europe can do much more than increase the confusion which reigns in any case. I for one am certainly not sure

that the decisions, such as there were, taken by the European foreign ministers last year have helped very much in trying to maintain peace in the Middle East. But so far as I am concerned it is not a matter for debate that there has to be some way in which the European governments coordinate their interpretation of East-West relations, as well as the way in which they talk to the government of the United States of America. Peace and war have again become political issues. The existence of European Political Cooperation has already helped to make sure that we do not get just one set of signals with respect to this issue. I think on the whole the visits to Washington by foreign ministers of France, Britain, Germany, have done some good and have created the beginnings of a balance in international thinking, the balance between the need for defence and the need for negotiation in an attempt to restrict armaments. This is one area where I believe Political Cooperation is beginning to be useful, and where I hope it will become an instrument, not only of European unification, but also of a world climate which prevents hysteria.

Then there is a fourth common interest, that in creating a zone of monetary stability. Again it is quite interesting to consider what has happened in Europe in recent years. What has happened is not a revival of the plan to bring about economic and monetary union, not some grand design which is supposed to create one currency within a period of ten years. What has happened is a much more cautious and modest system of cooperation between central banks, and to some extent ministers of finance, of those countries which have an interest in such cooperation. It is called the European Monetary System. This has on the whole worked rather well so far. It is a system

which provides for a degree of stability; although if any one currency breaks out totally, there is nothing in the system which will prevent it from doing so. In other words, the disciplines built into the agreement between central bank governors and ministers of finance are not such that one can speak of a "snake which could not bust". But for the kind of adjustment that was necessary in the last few years, this system of cooperation has worked exceedingly well.

Britain is not a member of the EMS. Norway, indeed even Switzerland to all intents and purposes, are very closely related if not members of the EMS. Thus the Monetary System at least is an attempt to cooperate across the boundaries of existing institutions which includes all those who have an interest, and not necessarily every single member of the European Community. It is an example of a way forward, which seems to me to be preferable to the dogmatic ways of the past, an example of an "Europe à la carte", of a Europe which is based on common action in areas in which there are common interests. That is precisely the point which I wanted to make in my lecture. Europe has gone through a period of tremendous expectations, some of which were satisfied by the creation of the customs union, but many of which were disappointed. Europe has then begun to muddle along with the institutions of the European Community without getting very far. The common agricultural policy gets more confused by the year. When I was a Commissioner in Brussels in the early 1970s, we used to say that there was only one man who understood its intricacies, the Director General for Agriculture at the time; but he has retired since, so that there is nobody left in the European Community who understands its intricacies. It is a system of which literally nobody knows exactly how it works. Yet the European Community will not find it easy to get rid of it. The Community as it stands will continue to spend the major portion of its income on it. Yet there has been progress in European

cooperation. This progress has taken place at the margin of the institutions. It has involved members and in some cases non-members of the Communities, and it has been based on genuine common interests. Perhaps we are beginning to see another ruin of the process of European integration, a set of institutions which are losing much of their relevance; but at the same time there is a greater realization of some of the common interests of the countries of Europe.

The problem of the future is: will we have the time to await an intensification of this cooperation on a voluntary and interest basis, or will there be an earlier need to create more effective institutions than we have time for? My own dream would be a Europe in which in the end a whole series of realities of cooperation are tied together by European Parliament, which has an across-the-board competence. The present Parliament does not have that competence. But I think this dream is some way away, and I therefore believe that whereas it is possible today to sketch desirable answers to questions of internal and domestic relevance, this is much more difficult in international affairs. The confusion of the European Community is but one example. In the next few years we will at best see the growing cooperation between governments where there are common interests; but I sincerely hope that this will only be the beginning.