THE EUROPEAN COMMUNITY'S FUTURE
THE SECOND ROUND OF ENLARGEMENT AND AFTER

George Gadanidis
Department of Politics

A Thesis Submitted in Partial Fulfillment
of the Requirements for the Degree of Master of
Arts

Brock University
St Catharines, Ontario
Canada

May 1980

© George Gadanidis, 1980
In carrying out this work I have had the good fortune to be guided by Professor J.P. Sewell of Brock University. He was not only my thesis supervisor, helping me through all the stages of my thesis, but also an inspiration. I am also greatly indebted to Professors T.G. Carroll and D. Madar of Brock University, members of the thesis supervisory committee, who, along with Professor J.P. Sewell, patiently read the first draft of this work and provided numerous helpful suggestions and corrections. I feel that the guidance and assistance of these three people has contributed significantly to the level of quality of this thesis. All shortcomings and errors remain solely my responsibility.
CONTENTS

Introduction
Chapter One International Integration in a Theoretical Perspective 5
Chapter Two The European Community Today 27
Chapter Three The Consequences of the Second Round of Enlargement of the EC 54
Chapter Four The Need for Progress -- The Need for Political Commitment 94
Chapter Five Centre-Periphery/North-South Tensions and the Future of EC Integration 120
Appendix I Major Theories of Integration 134
Appendix II The Regional Disparities Within the EC 143
Appendix III Tables 148
References 152
Bibliography 167
The future of the European Community (EC) integration will undoubtedly have important implications for the states involved and for the rest of the world. The EC represents today one of the most successful international integration movements of modern political history whose development and evolution has affected and continues to affect the structure and dynamics of the international jigsaw puzzle of political and economic relations. In the international system of economic relations the Community is one of the few prominent actors and an economic power of the first magnitude. It accounts for 20 percent of all world trade (40 percent if we include intra-EC trade) compared with 14 percent for the United States and 7 percent for Japan, its two chief trading rivals. In terms of the degree that its economic power is intertwined in international economic relations of equality and dominance -- what Johann Galtung calls "structural power" -- the "European Community is particularly strong, even more so that the United States." For, like Galtung's analogy with a switchboard operator who has power because he occupies an important position in a structure, the Community today possesses significant power because it occupies a pivotal position in the structure of international economic relations. And it has institutionalized its occupation of this position to a much greater degree than have other economic powers, such as the United States or Japan, through the use of various types of association agreements and
more conventional economic and commercial arrangements with third states or groups of third states -- many of which depend for their economic well-being on the EC as a market, a source of advanced technology and a source of various types of aid.

The Community is also important in the political arena of international relations. The most obvious reason emanates from the political dimensions that accompany economic power in today's world, where economic development is one of the prime objectives of most state governments. In addition, the Community is part of the Western power structure. Of its present members only Ireland is not a party to NATO; while France withdrew from the integrated forces of the alliance in the mid-1960s, she co-participates with NATO in some military exercises and remains active in the political sphere. Further, the member states of the EC, along with other European states, have been in the postwar years the "eye of the storm" of international relations between the superpowers. As such, the Community is an expression and in fact a reinforcement of the peaceful, stable and co-operative relations between its member states.

In the next few years the Community of the Nine will become the Community of the Twelve. The negotiations with Greece have been finalized and the Treaties were signed in Athens in May 1979. The negotiations between the EC and two other prospective members, Spain and Portugal, are not completed yet but the necessary political decisions for accession have been taken in the relevant capitals of Europe. Thus, Greece is to become the tenth member of the Community in January 1981 and Spain and Portugal are likely to be added in 1983.
This second round of enlargement is bound to have important implications for the development and evolution of the European integration movement manifested in the EC. The three members-to-be -- having only recently (and only temporarily?) cut themselves loose from the reins of dictatorial rule -- have qualitatively different political histories from the present members and are also at a much lower level of economic development than the EC as a whole. Thus, in addition to the expected exacerbation of present institutional difficulties that will follow the increase in the number of Community officials and bureaucrats and the addition of three more official languages, enlargement may well lead to the creation within the Community of its own, internal "North-South conflict".

The purpose of this paper is to analyse the possible effects that the second round of enlargement will have on the development and evolution of the EC. The thesis is that this expansion will lead to the creation within the Community of strong pressures for change from the economically weaker states that will cause the stagnation, dilution and even disintegration of the EC unless these pressures are employed constructively for the implementation of much needed reforms. One corollary to this thesis is that the integration process among the member states of the Community lacks the momentum and vitality to progress along its present path towards higher levels of cooperation and integration, or even to maintain its present levels, after the second round of enlargement. A second corollary is
that if the EC is to maintain itself and achieve higher levels of integration it must find a new and stronger impetus for integration -- perhaps in the form of a further dedication to the idea of Europe by the respective elites and populations of its member states -- that can overcome the resistance to be posed by the consequences of expansion.

The argument to support the thesis will be divided into five sections. In the first section we will develop the theoretical foundation of our argument by expanding on the concept of integration and presenting an analysis of the determining and dynamic factors of international integration. In the second section we will define the present level and dynamics of EC integration. We will identify the factors of integration that the EC satisfies or does not satisfy and describe what it has achieved thus far. The following section will look at the second round of enlargement of the Community. A character analysis of the new prospective members will be presented, as well as an analysis of the expected effects of their accession -- the effects on the EC institutions, on the EC economy and on the process of integration. In the fourth section we will present an argument about what is needed for the Community of the Twelve to maintain its present level of integration and progress beyond it, and a discussion of the method and likelihood of such a transformation. Lastly, we will define the prospects for the Community if the consequences of expansion are not realized and employed constructively for the reform of the EC.
The model of the dynamics and process of integration which we describe in the following pages is by no means original, as it owes much to J.S. Nye's and Stanley Hoffmann's analyses. It is basically a revised neofunctionalist model, with more emphasis on the inputs from the general environment and with less adherence to integration spillover as an inevitability. The purpose of this chapter is not to expound a new theory of integration but to make clear to the reader the factors that the present writer considers as being pertinent in the analysis of an integration process. This is an important task as there exist today a wide variety of theories of integration (see Appendix I for a critical and comparative examination of the most important theories of integration).

One of the problems with some theories is that their formulation is not only guided by the contours of the process of integration but also by the varying ideologies and ideals held by the theorists who, in some cases, let their pens be maneuvered across the paper by their desires and not by reality. And, in most instances, the path towards the attainment of an ideal, of a desired end-product, is not the path of integration. We are certainly not trying to build an argument claiming infallibility of our analyses to follow. Rather, it is important to draw attention to the ideological constraints and motivations that inevitably creep into parts of most works -- and this work may well be one of them. The reader must attempt to determine the predilections of the author so as to better understand the capabilities and limitations of his or her analysis.
or theory. In one sense, the primary predilection of the present writer, as it relates to this paper, has already been made clear in the statement of thesis. In fact, the primary motivation for carrying through the present work is the desire to show that the statement that "the EC will not be able to progress beyond, or even maintain, its present level of integration unless it is reformed" (the reforms needed will be made clear in the fourth chapter) is as true to reality as the predilection that "the EC should not progress beyond, or even maintain, its present level of integration unless it is reformed" is true to the present writer's sense of values.

There does not exist a single, universally accepted definition of integration. Different theorists employ varying definitions: some regard integration as a process by which states freely (rather than through the use of force) give up certain powers and functions and develop new methods for the resolution of conflict between themselves, while others view it as a terminal condition in such a process. Further, there is considerable variance as to the nature of the process -- some see it as the direct erosion of the functions and capabilities of the states involved, while others view it as being an indirect erosion along functional lines -- and considerable variance exists as to the type of terminal product to be attained -- some stress the emergence of broader, state-like institutions and others emphasize the evolution of relationships among peoples and the attainment of a larger 'community'. 
For our purposes we will define integration as the process by which the political allocation of societal values within a group of states is increasingly decided at the group level, rather than at the individual state level. This process is explicitly political, in the sense that it is the (political) powers of the individual states, the powers of political decision, that are integrated. The distinction between the political and the non-political is significant because the state does not decide the allocation of all societal values -- some, for instance, are determined by the nature of the economic system which in many cases is not controlled completely by the state. The determination at the group level of the allocation of societal values which are not under the states' jurisdictions is not integration by our definition -- perhaps one could call it interdependence, or asymmetrical dependence (depending on the situation).

The reason for defining integration thus is to avoid calling a rise in the level of economic and commercial transactions between two or more states, for example, a rise in the level of the integration of those states simply because these transactions do determine the allocation of some societal values. We want the rise of transactions (again used as an example) to be not a rise in the level of integration but a rise in the potential for integration (as we defined it). Our desire is to analyse the process of integration of the capacities of individual states to govern. Thus, our dependent variable is the level at which the political allocation of societal values for a group of states is decided, and not the allocation of all societal values.
II

How is the process of integration initiated? How is a given level of integration maintained? How does the process of integration progress beyond a given level of integration? Conversely, what hinders the initiation, maintenance, and progress of integration?

The main obstacles to international integration (between two or more states) are national integration and international diversity. The fragmentation of the world into about 150 states, "each of which has a claim to independence, is obviously dangerous for peace and illogical for welfare", but the nature of the international system demands and perpetuates it. The very existence of nation-states "is a formidable obstacle to their replacement." Thus, the nation-state "is at the same time a form of social organization and -- in practice if not in every brand of theory -- a factor of international non-integration."

The survival of the state is at least partly due to a variety of factors that characterize the present international system. Stanley Hoffmann identifies three such factors (one of which characterizes every international system and the other two only the present system) that support the existing system of states and victimize unification movements. First, "(e) very international system owes its inner logic and its unfolding to
the diversity of domestic determinants, geo-historical situations, and outside aims among its units; any international system based on fragmentation tends, through the dynamics of unevenness... to reproduce diversity." This fragmentation and diversity are supported by the globally accepted legitimacy of nation-states, the principle of national self-determination, and the newness of many contemporary states, a significant number of which have won their national independence through long and bitter struggle against a colonial power.

Second, the present international system, being the first truly global international system, offsets the attraction of regional forces. Bonds and ties between the state is integrated to a different degree and in a different manner with the international system and "finds itself placed in an orbit of its own, from which it is quite difficult to move away." "Coming from diverse pasts, moved by diverse tempers, living in differently subjected and attracted to the outside world, (nation-states) react unevenly to their exposure to (the outside world) and calculate conflictingly how they could either reduce the disturbances or affect in turn all those who live elsewhere."

Third, the traditional impetus for solidarity among a group of states, the fear of a threatening neighbour, is severely undermined by the new rules of force brought upon the international system by the nature of contemporary weapons. As
states have increased the destructive capabilities of their methods of warfare, they have uncovered a paradox: though their power is unquestionable, the use of these new weapons, and especially nuclear weapons, is unthinkable. War between the powerful states of the international system has become too dangerous to be anything more than a deterrent and, as a result, "the ideological legitimacy of the nation-state is protected by the relative and forced tameness of the world jungle. Force in the nuclear age is still the 'midwife of societies' insofar as revolutionary war either breeds new nations or shapes regimes in existing nations."

For integration to occur, then, the environmental forces of fragmentation and diversity must be overcome, unless they are at a minimal level of effectiveness for a given grouping of states. The model of integration that we will now construct will identify and explain the variables and processes that, depending on the circumstances, will offset or strengthen these non-integrative forces. Our dependent variable, as we have stated earlier, is the level at which the political allocation of societal values is determined. This level can vary from the individual state level to formal decision making institutions at the intergovernmental or supranational level, or even to full political unity among a number of states in the form, perhaps, of a federation.

What are the factors that make for integration--for its initiation, maintenance, and progress? Before we consider the process of integration it is important to analyse the environ-
ment in which integration may flower. We will consider nine background variables which determine the nature of the environment:

1. symmetry of units (to be integrated)
2. level of political and economic development of units
3. rate of transactions between units
4. compatibility of economic systems
5. perceptions of external coherence
6. input from external actors (and from the external environment in general)
7. complementarity of outlooks towards integration
8. societal compatibility
9. geographic proximity

The nature and inter-relationship of these variables at a given time and for a given group of states determine the nature of the environment in which integration may occur, which in turn determines the integrative potential (for these states at the given time).

An ideal situation for integration is one in which the states to be integrated are comparable in economic and political (including military) capabilities. In such a case no state will see integration as a threat due to the apparent preponderance of any other state(s). If, for example, integration is to be initiated in the economic field the superior economic development and potential of one or more states will, after trade barriers and other impediments to the freer flow of the factors of production are reduced, undermine the economic development potential of the weaker states as economic resources are attracted from the poorer to the richer states and regions. On the other hand, if, some type of political union is contemplated, then significant disparities in
political and military capability as well as economic development will increase the possibility of extinction of the smaller states' political and economic identities. However, if some symmetry exists between the states to be integrated, no one identity will predominate or be threatened and integration or political unity will not seem to be tantamount to the absorption of the smaller states by a stranger one(s). In the political field some type of rough balance between two or more states, rather than absolute symmetry, may be sufficient to offset the fears of the smaller states; in the economic sphere, a similar balance could well take the form of various types of aid guarantees by the more developed states to offset the natural flow of market forces.

In addition to the level of economic development of the states to be integrated relative to each other, it is important to look at their absolute level of economic development or, if you like, their development relative to states external to the integration movement. Firstly, the more developed the economies of the prospective member states are, the more sophisticated and intricate they will be, with greater rationalization of economic tasks and functions, and thus they will possess a greater potential for functional integration and co-operation. Secondly, the more economically developed these states are with respect to third states, the greater the potential that their integration will be beneficial, at least from their point of view, in the sense that they will be in a better position to exploit the economic opportunities beyond (as well as within) their own grouping.
The argument follows lines similar to that of P.W. Franck's discussion of classical federations, such as Australia, Canada and the United States, as it relates to the existence of vast frontierlands to conquer and exploit. For our case, the major 'frontierlands' are external to the group of states to be integrated, as we have assumed that they are already economically developed, and most third states, being relatively less developed, will provide the common external domain that can be exploited from a position of strength or dominance. One may argue that even though (relatively) less developed states will not be as able effectively to exploit economic opportunities outside their boundaries, they will possess domestic 'frontierlands' (by virtue of being underdeveloped) on which they could focus their attention. The problem, however, lies with the fact that these states, being weak economically to start with, will not possess the capacity effectively to exploit them.

The level of political development of the states to be integrated is also of importance for three reasons. First, it seems to make sense that the units to be integrated are "political communities, not in a substantive sense (common values and goals, \textit{à la} Rousseau) but in a formal one (the existence of intense communications and common habits and rules across regional differences as well as across the boarders of ethnic groups, tribes, or classes)." If, for example, "a newly independent state is merely a shell within which there is no community yet, the cleavages that divide the population into separate communities will prove to be a decisive obstacle to
trans-state integration." Second, it is of significance that the political systems of the prospective member states are developed enough, especially along western lines, so as to allow the involvement of functionally specific interest groups in the decision-making process. "The relative absence or weakness of such groups in many less developed countries have made integration more difficult (though not impossible) by depriving regional bureaucrats of potential allies." Lastly, the more democratic that the polities of the member states are the more stable their governments will be, and consequently their outlooks will be less likely to oscillate between extremes; whereas dictatorial regimes are more susceptible to abrupt change as a result of coups and revolutions.

Our third background variable, the rate of transactions between states, is of relevance to the integrative potential for two reasons. Firstly, the higher the level of transactions (such as trade, capital movements, communications, etc.) within a group of states, the more reasons there are for co-operation and co-ordination of relations between these states and for the emergence of and collaboration between functionally specific interest groups and organizations. Second, the greater the ratio between the level of transactions between the states to be integrated and the level of their transactions with third states, the greater the potential and impetus for co-operation and integration along regional lines.

Also of importance to the level of the integrative potential is the compatibility of the various systems of economic
relations of the units to be integrated. The nature of an economic system depends, among other things, on the orientations of the government in office, and can vary from a centrally planned and co-ordinated system of economic relations coupled with a protectionist policy to a system based on laissez-faire and free trade. The existence of such divergencies among the units to be integrated would make it difficult to come to agreement as to the common policies necessary for the integration of most economic sectors. The greater the distance between the various economic systems along the spectrums defined by the extremes of central planning and laissez-faire, protectionism and free trade, and state ownership and private enterprise, the greater the possibility of divergence among the vested interests that inevitably accompany any system of economic relations.

Our fifth background variable is concerned with domestic perceptions of the external coherence of the prospective member states. Economic and political integration imply the creation of a common front to be presented in relations with third states or groups of third states. Agreement on the nature of the common front is not likely, however, if there is little overlap of the member states' perceptions of their external situations -- that is, their perceptions of which nations are friendly or threatening, of their external needs and goals, of traditional ties with the outside world, etc. As integration progresses and increasingly touches the sensitive area of external relations, it becomes of increasing importance that the member states
share a common perception of their external situation or that they have experienced in the recent past a common dramatic situation or threat so as to "make up for different pasts, and impose a common destination."\(^{16}\)

We have already talked about the importance of the external environment in fostering unity or diversity within a group of states (see the earlier discussion of Stanley Hoffmann's analysis of the effects of the nature of the international system on regional integration). In addition to the general nature of the international system, however, it is important to look at the attitudes held toward the regional integration of a given group of states by important external actors. What third states think of an integration movement is of relevance to its development and sometimes crucial to its success. If important third states see the integration movement as a threat to their economic and/or political and strategic interests they can offer resistance and attempt to reinforce and exploit the international forces of fragmentation and diversity in order to undermine its viability; while, on the other hand, if they see integration to be beneficial to their interests they can offer moral, political and even financial support to the integrating states.

In addition to the perceived costs and benefits of integration to third states, it is necessary to consider the costs and benefits as perceived by the integrating states. If integration is to have a good chance for success, one of the ingredients must be the perception among the member states that
the resulting gains and losses are fairly distributed. Of course, a state as such cannot perceive a balance of costs and benefits. We will consider the perceptions of three sectors of the state. First, we have the population at large whose perceptions of costs and benefits can influence the decisions and actions of the government (political elite) if they are clearly expressed and widely held (by the whole population, the population of a region, a class, or mass organizations such as unions). Second, we have the economic elite whose perceptions can influence the decisions and actions of the political elite through lobbying or through the effects of their economic and commercial activities on the level of transactions between states. Lastly, the political elite who decide and act for the state have their own perceptions. The perceptions of all three sectors are important since the progress or maintenance of a certain level on integration "could not be guaranteed if the arrangement was seen as benefiting some states or areas (or other sectors of states) at the expense, or to the exclusion, of others."

More generally, one also has to consider the compatibility and complementarity of the general outlooks held by these three sectors of the states to be integrated towards integration. A simple cost-benefit analysis may not even be relevant if these sectors are not predisposed to move towards integration. This becomes especially important when we consider the primarily non-economic sectors of the state. For example, extreme nationalism or a pre-occupation with the sovereignty of a state would
make it disinclined to integrate with others, and considerations of the costs and benefits of integration would be irrelevant. On the other hand, the adherence by the political elite to an ideology or ideal that is favourable to transnational integration, or the dissatisfaction of the political elite and the masses with nationalist alternatives, would have the opposite effect.

Our eighth background variable is societal compatibility of the states to be integrated, and its purpose is to emphasize such characteristics of a state as culture, history, religion and language. One could hardly expect, for example, that two or more states with vastly different cultures or historical backgrounds would be able to live under common economic and political institutions. Admittedly, societal diversities seem to be rather more important as variables of integration when the prospect of political union is contemplated. Many examples exist -- the Quebecois in Canada, the Flemish and Walloons in Belgium, the Basques in Spain, e.g. -- which substantiate the importance of these variables in determining the fate of even established political unions.

The last background variable is geographic proximity of the prospective member states. With the advent of what has been labelled as 'the shrinking of the globe' due to the consequences of remarkable technological advancements in the fields of transportation and communication, one may be hesitant to accept the pertinence of this variable. However, the barrier of distance has not been eliminated completely and is still evi-
dent in economic relations -- market forces, for example, are still affected by considerations of distance. And, can one imagine the establishment of a viable political union among states that are not geographically adjacent and especially those that are separated by the territories of other states? (Even if one can, the point to be made is that it is still much easier to imagine or expect such a union among geographically adjacent states.)

The nature and inter-relationship of the above nine variables, as we have stated earlier, define the character of the environment of integration, which in turn determines the level of the integrative potential. But, given a certain integrative potential, what triggers the initiation of integration? That is what is the catalyst of integration?

A catalyst must be part of the environment of integration, which is defined by our nine background variables. Hence, we must turn to these variables if we are to locate a catalyst. It is not difficult to see that a favourable extreme in one or more of variables 3, 5, 6, and 7, can act as an impetus for the initiation of integration. Let us give some examples of such possible extremes and their effects (assuming that a favourable integrative potential is also in existence):

- if an extremely high level of transactions (economic, commercial, etc.) exists among a group of states, then strong pressures for co-operation, co-ordination and integration will also exist

- an external actor's strong perception of the need for unity among a group of states might give the necessary
impetus to the initiation of integration if it is accompanied by aid and ideological and political support and pressure

-- a dramatic situation or event, such as the emergence of a powerful common enemy or a recent common suffering could also act as a catalyst

-- if powerful economic elites or charismatic political leaders are convinced of the benefits or necessity of integration and become dedicated to this cause the result could be the initiation of integration

The catalyst to integration is, as we have noted, an integral part of our nine variables. The reason we differentiate it, however, is to draw a distinction between the potential for integration and the actual initiation of integration. From our definition (of integration) there is a direct implication that integration is a political act. And, a high level of potential for integration may exist without the necessary actors (political elite) taking the necessary steps for the realization of that potential. A catalyst, in this sense, can be seen as the impetus needed for the development of a political will for, and a political commitment to, integration based on the integrative potential. The basic assumption underlying this is the conservatism of the status quo, which in this case is the separateness of states. States can become more interdependent and more alike in structure and even in goals, but they are not likely to share their sovereignty -- the ability to independently (if only formally in some cases) allocate
societal values -- with other states unless they are 'jolted' into it, as well as supported by the nature of the environment (all variables). The existence of of a potential for integration does not eliminate all alternatives other than integration open to states. But the existence of a strong catalyst can disturb the traditional predisposition of states to remain separate and act separately and consequently increase the chances for integration. Some sort of crisis (and preferably a crisis that questions the very existence or viability of states themselves) is needed to catch states off guard, you might say.

The level of integration to be initiated can vary from limited functional integration with narrow scope to complete political and economic unification. The initiation of a particular level of integration creates three possible situations. One possibility is that the factors making for integration have been read realistically by the political elite and the level of initial integration accurately reflects the integrative potential. A second possibility is that this level is lower than the level made possible by the integrative potential. The third, and more dangerous, possibility is that the level of integration initiated is unrealistic, with not enough potential basis for support.

In any case, once a given process of integration is initiated, how does it develop? J. S. Nye identifies four consequences that are likely to follow integration: politicization, redistribution, reduction of alternatives, and externalization.
Firstly, during the course of an integration process one would expect that process to become more 'political' -- "by political we mean the process by which conflicting visions of a common interest are agitated or settled" -- as "(m)ore groups become involved (in the process) through the effects of rising transactions, inherent linkages, or deliberate coalition formation." Second, as integration progresses "it is likely to have an effect on the distribution of welfare, status and power, both among groups within the member states and among the member states themselves." Third, the "alternatives open to political decision-makers are reduced as an integration process goes forward (...) (as) more tasks become interrelated, through inherent links or package deals (and) the costs of disintegrative actions become greater because there is the danger of pulling the whole house down." Also, the higher the level of integration, "the larger the crises are likely to become, both because a greater degree of interdependence has been created and because the resistance of some political leaders may become more intense as integration approaches the security and identitive areas of greatest concern to them." Lastly, "whatever the original intentions, as integration proceeds member states will be increasingly forced to hammer out a collective external position vis-a-vis nonparticipant third parties, because the further integration proceeds, the more likely third parties will be to react to it, either in support or with hostility."

To this list we can add two more consequences of integration. First, we have the socialization of member state elites; as
integration demands that they assemble together regularly for the purpose of striking common policy positions, these elites may change their perspectives, develop new common goals and establish patterns of decision-making which will increase the chances that they will become more compatible and that they will reach agreements with less difficulty. Second, common institutions, to the extent that they are established, can perform three functions. They can offer new forums where routinized collective decision-making can occur: they can play a mediatory and conciliatory role in overcoming divergencies of member state positions and in striking bargains; and they can become initiators of new proposals for further integration.

Once the process of integration begins, the six consequences (of integration) become six additional environmental variables whose nature influences the other nine environmental variables. In the short run, the six affect the rate of transactions, perceptions of external cogency, inputs from external actors and domestic perceptions of benefits and costs; the other environmental variables are either noticeably affected only in the longer run, or not at all. Conversely, the effects of the six consequences on the developmental variables. Thus, after the inception of integration, the now fifteen environmental variables and their interrelationships become the determining factors of the further development of the process of integration.

Together, the nine environmental variables and the six consequences of integration define the nature of the environ-
ment for integration and of the catalysts for further integration as well as for disintegration. In fact, all six consequences of integration possess the capacity to become more political, there will be more room for the interests for or against integration to be expressed and taken into account. Second, redistribution will reinforce existing disparities, create new ones, and change the perceived balance of the costs and benefits of integration for some, if not all, of the member states, thus increasing the pressures for the satisfaction of a new or altered set of interests. Third, since integration limits the alternatives open to the member states, it creates its own pressures for further integration which may be yielded to if the environment (defined by our now thirteen variables) is favourable further integration, or which may create crises if the environment is not favourable, and thus lead to the stagnation or reversal of the integration process. Fourth, as third states become more aware of the consequences for them of the integration process they may, depending on their perceptions of their interests, create decisive incentives or disincentives for that process. Fifth, socialization could result in the extreme compatibility of member state elites and transform these elites into potent catalysts for further integration. Lastly, common institutions, which of course are inherently favourable to further integration, can play a role in bringing forth bold proposals for integration and in establishing the consensus necessary in reaching agreement to this end.
The process of integration, in conjunction with the (other) environmental variables, creates its own dynamics for change. The inherent pressures in any integration process are for further integration as more sectors and functions of the member states become affected by that process, and need as a result to be co-ordinated. The inescapable linkages between sectors and functions of a state mean that a group of states cannot initiate or maintain the integration of some sectors and functions without, at least in a minimal way, co-ordinating the interrelated sectors and functions. It logically follows that the higher the level of integration, the stronger the inherent dynamics for further integration. However, it does not follow that these inherent dynamics are sufficient to ensure the progress of integration, for integration does not in real life exist in a vacuum. We have to take into account the other inputs from the environment (of which the integration process and its consequences are only a part), whose natures and interactions with these dynamics will determine whether further integration takes place, or crises are created that may lead to stagnation or disintegration. One of the problems in the process of integration may be that too much integration (relative to the integrative potential) was attempted to start with, or that the dynamics inherent to integration become operational prematurely -- that is, before a sufficient base for further integration is created.

The possible combinations and interrelationships of the background variables, level of initial integration, and conse-
quences of integration are myriad. To present a model that takes all of them into account would not be practicable. As such, a model can only present the most important and pertinent variables which need to be considered to in order to correctly describe, explain and predict the process of integration for each particular case. In Chapter Two we will attempt to understand and explain the process of integration for the case of the EC using the above analysis of integration; and in the following chapters we will attempt to define the future path of this process.
CHAPTER TWO THE EUROPEAN COMMUNITY OF THE NINE

I

The EC today is for the most part an intergovernmental organization with some limited independent authority in certain policy areas as set out by the Treaties. The most Community-minded institution of the EC is the Commission, which can be viewed in some ways as a supranational entity. In most of the EC spheres of action, "the Commission has been the motor for policy formulation and also the chief executant"; it is the task of the Commission to draft proposals which the Council of Ministers has to consider. However, the ultimate power of decision-making lies with the Council of Ministers, whose structure places it firmly in the category of intergovernmental organizations. Thus, even though the Commission can initiate policy proposals, its demands must take into account the possibility or impossibility of consensus among the member-state governments. In fact, part of the role of the Commission is that of "mediator, trying by means of negotiations with the member states to find an acceptable compromise." This Commission-Council dialogue, however, "frequently produces little more than a package deal reflecting a balance of disadvantages reached on the basis of what the least accommodating member-state wishes to concede." Having secured the Council's agreement to a particular line of policy, the Commission has to see that it is carried out. Also, it has to see "that individuals, companies and member-states do not act in ways which clearly run counter to the treaty or to specific policies laid down by the Council."
A staunch 'European' might describe the EC as a half-way federation, but this is hardly reflected in the decision-making process where the member-states, or at least the most important ones, cannot be compelled to take actions contrary to their perceived national interests by the Commission or through majority voting in the Council of Ministers in the interest of the Community as a whole. The Treaties do not stipulate how a member-state can be expelled and "there is no effective means by which the Community can enforce its decision on a reluctant member-state because it has no army or police of its own, and the judgements of the European Court can only be put into effect through national courts which may or may not co-operate." In fact, the EC cannot function if its members are not satisfied with its performance. We can cite the 1965 virtual abstention of France from the Council of Ministers for seven months and the subsequent Luxembourg compromise of January 1966 which, among other things, stated that "the French delegation considers that where very important interests are at stake the discussion must be continued until unanimous agreement is reached."

The EC is often referred to as the Common Market. Though this may seem a misnomer, for the EC is at one and the same time more and less than a common market, it is indicative of one of its prime pre-occupations. The primary aim of the Treaties was to get rid of the economic barriers that separated the economies of the member states. By July 1968 the customs union for the original six members was completed, 18 months earlier than required by the Rome Treaty; and the customs union for the Nine
was completed at the end of 1977. Customs duties were eliminated and a common external tariff was established. In addition to a customs union, the EC is a common market— but only partially so since not all barriers to the free movement of factors of production have been effectively removed. And "if the aims of the 1969 Hague Summit are achieved then the EC will eventually be transformed into an economic union." Some progress toward the latter has been made with the institution of the first phase of the European Monetary System (EMS), though the steps taken thus far are severely limited and Britain has refused to participate.

Thus, the major concentration of the EC has been on negative economic integration— removing barriers to economic interactions between its member states— rather than positive economic integration— creating common policies. Perhaps the greatest level of positive integration within the EC has been achieved in agriculture, where more than 95 percent of agricultural production in the nine member-states is governed at Community level. The Community operates a market policy based on common prices and has a farm fund that helps to support prices and also helps to modernize the farming, food processing and distribution industries. About three quarters of the EC budget is spent on the CAP. Looking at the 1978 budget which was over 12 billion UA, as an example, we see that 74.9 percent was spent on financing the CAP— 57.3 percent for the agricultural market policy, 8.2 percent for the monetary compensatory amounts, 5.9 percent for agricultural exchange rates, and 3.5 percent on
structural policy. Most of the money allotted for the functioning of the CAP is spent on price supports, mainly for the products of the temperate northern regions and less for the southern Mediterranean products. The former require greater price support since their prices are set much higher than world prices, while the latter's prices are set almost at par with world prices. In other words, most of the CAP spending, and as a result a large part of EC spending, takes place in the richer northern regions. Spending on other policies, such as the Regional and Social Policies, balance some of the redistributive effects of the CAP, but their relatively minuscule share of the budget (8.7 percent in 1978) severely limits their impact.

Politically, the EC is not very cohesive. The most evident consequence or reflection of this is the absence of a common foreign policy. One cannot deny that the scope of the external relations of the EC has been greatly augmented in the last decade and that political consultation has been increasingly institutionalized—as an example one could take the now thrice yearly meetings of the European Council. However, political co-operation and co-ordination is still rather rudimentary and negotiations for common policy stands (whether they are related to external or intra-EC relations) are laborious and, in fact, consume most of the energy exerted at the EC level. It is also interesting to note that political consultation is most evident at the inter-governmental level. The existence of a foreign policy requires "rapid reaction and the ability to plan ahead can only come from a substantial transfer of authority from national govern-
ments to a 'decision-making centre'. The political co-operation structure, as it has been developed, offers little foundation for such a centre." And without such a centre the economic power to the EC cannot be used effectively and efficiently, at least not at the EC level. One could argue that it can be used at the member-state level for partial interests, and this is undeniably true to a certain degree, but it is still not Community foreign policy.

The EC of the Nine represents a collection of interests that basically belong to the so-called 'Atlantic' or 'Western' political, economic and military systems. Economically, the antagonisms between the EC states and other Western states are only part of the 'game' in which the most basic rules of capitalist enterprise and competition are adhered to. The struggle for economic preponderance is an accepted part of this 'game'. In fact, a spirit of co-operation and co-ordination permeates their relations with respect to sustaining this 'game'. In the Western economic system, the EC must be seen as just another actor, though one of the more important ones, that has vested interests in the continuation of this system. At the military and political levels, on the other hand, the foreign relations of the EC with other Western states do not exist as such; one must look to the policies of the separate member-states for "what happens in Bonn, Paris or London will probably be more important than what happens in the (EC) institutions in Brussels."
II

So far we have concentrated on the general nature of the EC. But what of the nature and the process of integration between its present nine members? To better understand the integrative dynamics within the EC we will turn to the determining environmental variables (background and process variables) which we analysed in Chapter One. Let us first examine the nature of the nine background variables of integration as they relate to the EC today.

One of the original incentives for European integration had been the desire by France to balance the potential power of Germany economically, through the ECSC, and politically and militarily, through the proposed European Political Community (EPC) and European Defence Community (EDC). The present balance within the Community still depends to a large extent on France and Germany, as they are the most important economic actors of the Nine and as the EC is primarily preoccupied with economic matters. Along more political lines, it is also a balance between the NATOist and Atlanticist position of Germany and the relatively more independent policies of France. In some respects, however, the development of rather friendly relations between these two countries has come to represent an unbalancing effect. This is especially true in light of Mr. Giscard's desires in "increasing the role of the Council of Ministers and increasing the dominance of the Council by the big countries" and such propositions as the establishment of some type of European directorate of member-states whose economic dimension and weight are preponderant.
In any case, many of the smaller and weaker states of the EC (as well as ones outside the EC) see an association with the Community as one of the surest ways "to escape from an overexclusive dependence on one of the superpowers. This does not mean that the (EC) is completely free from hegemonic effects exerted by its larger members on the smaller countries. But the performance of the Benelux countries in part has proved that, inside the club, these countries can develop an effective capability to counteract such tendencies."

In terms of political development, the states of the EC are among the most advanced in the world -- though some of them are troubled by separatist and terrorist movements. This has made for the high sophistication of their interactions and communications, has allowed for the interplay of subnational and transnational interests at the Community level, and has made their relations more stable and predictable. In terms of economic development, the expansion of the base for economic activity in the EC territory has given EC enterprizes the advantages of a broader market and has increased their competitiveness with respect to non-EC enterprises. It has made them better able to take advantage of external as well as domestic economic opportunities, and the EC represents today an economic power of the first magnitude. This relative preponderance with respect to most other states has made the EC, at least in the eyes of the member-states or member-state enterprises, a positive integration movement which allows greater expansion and diversification, rather than being bent on protectionism alone.
The level of transactions among the now nine member-states of the EC has gradually risen in the postwar years so that intra-Community trade now represents about 20 percent of all world trade. This is balanced, however, by a comparable figure for the compound trade of the member-states with third countries, giving us a one-to-one ratio between the levels of intra-EC trade and EC trade with third countries. Also the level, sophistication and institutionalization of economic (and political) relations between the member-states has increased over the years and the EC has become a locus for many of these relations.

The economic systems of the Nine are presently quite compatible, as none of them deviate significantly from the capitalist, free competition model. These economic systems have also been highly integrated with each other in certain aspects — as reflected especially by the common market and the CAP, as well as other common economic policies. However, as of yet there does not exist a common (EC) economic system, but rather nine separate ones. Each of the member-state governments attempts to get the best deal for the well-being of its own economic system rather than being primarily concerned with the well-being of the EC system as a whole. Thus, though the economic systems of the Nine may be of the same general nature and even integrated to a certain degree, this does not make them compatible or complementary for the simple reason that they are competitive and the interests of each are still largely determined at the separate member-state capitals and not in Brussels.
We have already noted that generally the Nine belong to
the so-called 'Atlantic' or 'Western' system of relations and
power. This, however, is not a rigid, inflexible configuration,
but leaves a significant margin to its participants, depending
of course on their level of relative power, for diversification.
Economically, perhaps, the EC is increasingly coming to a common
external outlook as in a number of cases it acts and in more
cases is treated by third states as a single unit. Politically,
however, the Nine hold diversified views of the external envir-
onment and of their particular relations with it. The most
important contrast, although the gap has narrowed somewhat with
the parting of de Gaulle and the apparent friendship between
President Giscard and Chancellor Schmidt, is still that which
exists between Germany's frequent pro-US and pro-NATO positions
and the intentionally more independent French
foreign policy. De Gaulle's concept of grandeur has not faded
from the imaginations of many Frenchmen and their leaders--de
Gaulle may be gone, but his impact has had some long-term effects.

The international system, which in the late 1940's and 1950s
was marked by cold war competition between the United States and
the Soviet Union and by American support for European integration,
has gradually changed to take on the characteristics of detente
underpinned by nuclear parity, and of American ambivalence and
intermittent hostility toward EC integration and its international
economic consequences. Within a decade of the signing of
the Rome Treaty the antagonistic aspects of EC-US relations
began to manifest themselves. The functioning of the CAP, for
example, created problems for US agricultural exports. "Western Europe should know" said Senator Javits in 1959 (13 November)
"that the CAP as it functions today creates the danger of alienating the agricultural bloc of the US." Also, the conclusion of association and preferential trade agreements between the EC and a list of states of the Mediterranean and the Third World created suspicion in the US that the desire of the EC is to create economic spheres of influence to the detriment of exports of US products and US imports of raw materials. The US desires a multilateral international system of trade, and the EC hinders this by creating a system of bilateral relations that leads to the growth of an economic bloc, making it more difficult for the exporting interests of the US and for the free access to sources of raw materials. As Stanley Hoffmann has written, "many Americans have come to believe, on the basis of some of EEC's actions in the realm of tariffs and trade, that a united Europe would be able to challenge US leadership much more effectively than the separate European states ever could."

In addition to the waning of American support for EC integration, the political and strategic necessity for such integration has also waned (in contrast to the cold war years when the pressures for European solidarity were more evident). The consolidation of the nuclear stalemate and the coming of detente has made war between the superpowers or their direct allies unthinkable, has reduced the need by and availability to Europe of American military protection, and has
increased the foreign policy alternatives of the lesser powers (such as France).

Perhaps the most important body that can be said to seek further integration in Europe is the Commission. The Commission, however, as we have noted earlier, lacks the powers of decision to move towards this end and, partly as a result, is not a centre that attracts popular loyalties. Support for EC integration among the populations of the Nine varies with the issues at hand. To the extent that it has existed, however, this popular will has been passive rather than directive -- the latter being the case only when this will has been expressed clearly and for a specific issue. The economic elite, on the other hand, may or may not desire further integration, but their economic interests lie primarily with negative economic integration. They have vested interests in maintaining the present level of integration and even furthering negative integration, but cannot expect to gain as a whole from positive, interventionist integration. They profit by weakening the effectiveness of member-state policies and not from the creation of common policies that would inevitably restrict their actions.

The Nine are now at least officially in favour of an economic and monetary union (EMU), and eight of them participate in the EMS. However, little significant progress has been made towards such a union and Britain, an important Community member, is not participating in the EMS. Britain in fact has recently been not satisfied with the distribution of costs and benefits among the member-states, as its contribution to the EC budget seems
excessive, especially when one considers that it is the third poorest state of the EC.

The Nine share a common past experience with the excesses of nationalism, but memories of such events fade with the passage of time. None of the member states can be said to be extremely nationalistic, especially with the passing of de Gaulle, but France still seems to view independence if not grandeur with a longing eye, while Germany's self-respect has grown, and Britain is becoming increasingly aware of the monetary costs of membership of the EC. The Nine have become more alike in terms of the increasingly consumer oriented nature of their societies, and have been brought closer together by the spawning of modern communication methods and infrastructures. But by and large they remain separate entities, with definite territories and distinct governments and interests.

Looking back on the nine background variables that we have examined for the case of the Nine, one gets the impression, due to their high level of compatibility, that a significant potential for integration exists. This compatibility is more evident in the economic nature and relations of the Nine -- being primarily a result of the similar nature of their economic systems, and the high level of their transactions with each other. This aspect of their compatibility is reflected by the nature of EC integration thus far which has concentrated primarily on negative economic integration, with a relatively narrow scope of positive integration. The latter is perhaps a consequence of the lower level of political interest compatibility.
which declined substantially after the early 1960s from the high and extraordinary peak reached in the early postwar years. Economic compatibility and complementarity may lead to a greater potential for limited negative integration for the purpose of economic gain, but the continued separateness of the political interest of the member-states means that the EC is not as likely to move towards greater positive integration. Positive integration is inherently more political as the creation of common policies for common action (whether this is to be on the domestic or external front) implies the limiting and in fact the transfer to a central authority or institution of member-state jurisdictions.

III

What could prod the Nine to move beyond their present level of integration? An impetus from the external environment along the lines of the impetus experienced at the early stages of the European unification movement is not likely to be strong enough. As we have already argued (in Chapter One), the present international system is more prone to breed diversity than unity. With the Soviet invasion of Afghanistan, some may see a heating up of the cold war on the horizon of international relations that could in turn lead to pressures for unity among the Europeans. A single event of this type is not enough to move towards this end, however, and the Nine seem intent on keeping their gateways to Eastern Europe and the Soviet Union open rather than imposing economic sanctions and shattering the spirit of détente. As for external actor support for further EC integration, this
comes mainly from China which sees a united Europe as a balance to Soviet power. Unlike the Americans in the late 1940s and 1950s, however, the Chinese cannot supply even a small fraction of the necessary ideological, moral, political and especially financial support for European integration.

There are three factors that contain some potential for moving the EC beyond its present level of integration -- two of which emanate from the external environment, and the other from the integration process itself. The first factor is the strategic importance of oil and the high dependence of the EC on foreign sources. The common need for stable supplies of oil from the Middle East is an impetus for co-operation among the nine member-states in their dealings with the Arab world. One of the manifestations of this need has been the on-going Euro-Arab dialogue. "The goal of the dialogue," according to the literature of the EC, "is to create the legal, economic and even psychological understructure for a permanent and authentic co-operation of the European Community with the Arab World." From a political point of view this is an especially delicate matter because of the ongoing Arab-Israeli conflict and the dependence of the EC on Arab oil. It is not coincidental, for example, that the various agreements of the EC with the Arab states are in content analogous to Community agreements with Israel. The Euro-Arab dialogue represents to a certain degree an integration or, more precisely, a co-ordinated overlap of the Mid-East policies of the Nine. The problem with oil, however, as the 1973 oil crisis has shown, is that it can be a divisive issue as well as a unit-
ing one. And there is plenty of room for and evidence of diversi-
ity of other and related foreign and domestic policy issues. 
Also, there is the oil in the North Sea which may 
reduce EC dependence on Arab oil, but on the could also 
have the effect of further alienating Britain from the other 
member-states as the former's interests take on more of the 
characteristics of a producer and less those of a consumer of oil. 
Thus, though a general common dependence of Arab oil may contain 
some potential for further integration of at least a sector of 
the Nine's foreign policies, it also presents some threats of 
diversification. The EC record of co-operation on matters of 
energy is at best mixed.

The second factor is the international monetary uncertainty 
created due to the fall from grace of the American dollar which 
at one time was the unquestioned unit for international monetary 
transactions. The officially endorsed aspiration of the Nine 
(though Britain is not presently participating) eventually to 
create a single common currency, an EMU, is at 
least partly a response to the instability of the American 
dollar. The establishment of the EMS is a first step towards 
the creation of a common currency -- the creation of a new 
composite monetary unit (ecu) made up of certain percentages of 
the member-states currencies which are allowed to fluctuate with-
in 1-4.08 percent against ecu central rates and are kept within 
these limits by interventions from a European Monetary Co-operation 
Fund. "But the ecu is still a long way from being a fully-
fledged currency -- or even a fully-fledged reserve asset. As
yet, members of EMS do not have to make or accept full payment of debts in ecus. Even if the ecu manages to step forward, it will be a far cry from the circulation outside the confines of the central banks that would set it on the way to becoming the dream-of single currency for Europe.

Thus far, the EC "has gone nowhere with its plan for 'stage two' of EMS, when the embryonic European Monetary Fund is supposed to be born."27

One of the problems that will be raised as the EC moves towards the creation of a European Monetary Fund will be determining who should run the fund and how.28 It would be politically difficult for the member-states to hand over "government gold to a new independent European Monetary Fund which would also usurp many of the powers now enjoyed by their finance ministries and central banks"29 without securing assurances that the Fund will function to their benefit, or at least not to their detriment.

More generally, however, as the EC moves towards EMU there will be an increased need if not demand by member-states for the creation of a common policy to deal with the consequences of such a union, perhaps in the form of an active regional development policy or another compensating policy.

Two arguments can be made in favour of a regional development policy as an active and necessary ingredient of monetary union. Firstly, the use of devaluation of a member state's currency, which is helpful in making that state's products more competitive in the EC market, would not be available as there would be one currency for all the members. Thus if productivity in the UK fell and labour costs increased, making
UK products uncompetitive in the Community market and resulting in a rise of unemployment, for example, the UK could not use its currency rate to make its products more competitive. Hence, "in an economic and monetary union such disequilibrium of a member state would have to be treated as a regional problem of the Community and an adequate regional policy would be needed."  

The second argument is related to capital movements. The monetary and economic union would require the establishment of a freer capital market with the removal of many of the non-tariff barriers (such as widely varying corporate laws and taxation, for example) that still exist in the EC. This would make it easier for capital to leave the less favoured, peripheral regions of the EC. As prices would tend toward equality over the whole Community while "costs would be higher in the less developed regions the return on capital would consequently be lower than in more advantageous locations." Thus subsidies to capital would be required in the less advantageous regions to compensate for the lower returns. Hence, unless an active regional policy was adopted by the EC, some member states would justifiably fear that a monetary union might dash their chances of catching up economically with the other member states.

Extensive negative integration like the institution of EMU requires substantial positive integration, for it cannot survive without an understructure of common political commitment and common economic goals. This is part of the argument made by Canadian federalists who discount the possibility that a politically separate and sovereign Quebec could maintain an
EMU with the rest of Canada. For example, without a common political will who would decide if unemployment or inflation -- which have diametrically opposed implications for the international value of the common currency -- was to be tackled if Quebec differed with the rest of Canada?

Common policies in areas directly related to common energy and monetary problems offer some opportunities for future EC integration. Our earlier examination of the nine background variables, however, suggested that there does not exist a strong potential for further positive integration which is necessary if integration along these paths and especially towards EMU is to be achieved or to survive. That is, there does not exist a definite political will for further integration, as there existed, for example, in the 1940s and 1950s.

The recent energy and monetary crisis can generally be attributed to the international environment. Let us now look at a third factor that contains some potential for moving the EC along the path of further integration and which is related more to the process and level of integration than to the external variables.

It has already been noted that EC integration thus far has been primarily negative, in the sense that its major achievements have been in removing barriers to interactions, primarily economic interactions, between its member-states. We have previously emphasized that the most obvious step towards greater positive integration has been the adoption of the CAP. From a Community perspective, however, the CAP is in some ways
a negative step—not negative in the way just defined, but rather in the sense of being counterproductive in terms of regional economic development. The reason for this lies in the difference in price supports given to the products of the richer northern regions and to those of the poorer southern regions. EC prices for Mediterranean products are only marginally higher than world prices, while prices for meat, dairy products, and cereals are far above world prices. And as the CAP uses about three quarters of the yearly Community budget and concentrates its spending mostly on price supports, its effects are substantial.

The ultimate goal for at least some of the 'founding fathers' of the West European integration movement was the creation of a federation, the creation of a United States of Europe. However, the political (and military) component of integration floundered in the early stages and subsequently stagnated, while substantial progress was made towards negative economic integration.

Negative integration has the effect of limiting the effectiveness of member-state policies concerned with regional economic development as it introduces and exacerbates regional problems due to the creation of a broader base for the freer functioning of European capitalism. A consequence of this is the further rationalization of the EC economy and of the economies of the member-states, making it easier for competitive firms to expand and more difficult for less efficient firms to survive. There would be little problem with this if all states and regions
of the EC were equally developed economically and as a result would share equitably the costs and benefits of further rationalization of this type. But this is not the case in reality as the gap in terms of economic development between regions located in central Europe and those in more peripheral locations is extensive. Thus, the negative integration within the EC becomes a mechanism for deeper and wider penetration and domination of the smaller and weaker by the larger and more powerful concentrations of economic power and potential, with significant distributive consequences for Community states and regions.

As a result of this there emerge two cumulative pressures from the less developed regions and states for further positive integration, and more specifically for the creation of a regional development policy or some other corrective or redistributive mechanism. First there are the pressures from the representatives of the underprivileged regions for a more effective national regional development policy (or even for an EC regional development policy); and second there are the pressures from the national governments of member-states with regional problems for an EC redistributive mechanism to make up for the decreased effectiveness of their national policies due to the more dynamic market forces at the EC level.

The question to ask at this point is why should solutions be found at the EC level in the form of greater positive integration and not in the form of a lower level of negative integration. Certainly both are possibilities, as is also the
prospect of stagnation. More generally, one can ask this concerning all pressures for spillover in the EC integration process. But let us concentrate on the distributive effects of integration and their political consequences as an example, for it presents a fundamental problem that needs to be dealt with if further integration is to be successful. As D. Swann has argued, "(t)he success of the Community as a durable political entity could not be guaranteed if the arrangement was seen as benefiting some states or areas at the expense, or to the exclusion, of others. The latter point gathers added force when it is remembered that economic difficulties could be accentuated by political, linguistic, cultural and religious divisions. Economic differences could then fan the flames of separation based on these latter factors."

Let us first examine the factors that will aid in finding solutions to demands for greater regional responsibility at the EC level in the form of greater positive integration. First, as we have already noted in Chapter One, during the course of an integration process "more groups become involved (in that process) through the effects of rising transactions, inherent linkages, or deliberate coalition formation," thus increasing the possibility that more groups in favour of solutions in the form of further integration will emerge. Second, due to the level of integration attained and the resulting increase in interdependence, the member-states have fewer alternatives open to them other than integration. Also, vested interests accompany the level of integration already attained — such as the
economic elites' interests in the continuation of the common market, for example -- which will make it difficult to choose less integration as a solution. Third, as the process of European integration has been going on for about three decades now, the political and bureaucratic elite of the member-states have been 'socialized' through the many times that they have assembled in the Community decision-making forums. Lastly, the existence of Community institutions has created forums and mechanisms for mediation and conciliation as well as new forces for greater integration. We have already noted that one of the roles of the Commission is that of mediator; in addition, routine meetings of the Council of Ministers and of the European Council offer forums for the conciliation of diverse interests. Also, bodies like the Commission and the now directly elected European parliament can and do act as initiators of proposals for greater integration. In fact, the 410 Euro-MPs have of late been giving the impression that they mean to behave like a parliament, with their efforts to increase the scope and size of the Regional Fund and decrease the money spent under the CAP on featherbedding north European farmers. And although the members come from more than fifty separate parties, they have not found it hard to form a common view on such matters as the budgetary problem.

On the negative side, however, these same four factors can be counterproductive in terms of further integration, or at least have little effect either way. The process of planning the development of less fortunate regions at the national and, even
more so, at the international level, is complicated and controversial; and the complexity and controversiality may in fact rise as more groups become involved in that process and in the process of integration, each with its own interests and perceptions, each trying to get as big a share as possible of the Community 'pie'. In addition, if the political will for further integration is lacking (and our examination of the background variables did not offer much hope), an increase in tensions between the different interests may well lead to disintegration or deadlock and stagnation. As for the decrease in the number of alternatives open to national leaders, one can only say that alternatives other than the maintenance or progress of integration still exist. Nation-states are still the basic units of political attention and action, and disintegration of the EC is a possible alternative. Taking a recent example, one can look at Britain's troubles in getting what it considers to be a fair return from EC membership and the likelihood that a decision-making crisis (along the lines of 1965) will arise, creating the possibility of British withdrawal.

The socialization of participating actors may have increased their compatibility but as yet there does not exist a European outlook. The member-states remain separate entities with separate interests and the national leaders have to act with this reality in mind. In addition, as more activities of the EC become more routinized, there exists a tendency "to restrict the circle of political actors who regularly interact in the Community setting to (...) subgroup actors, i.e., interest
groups, business firms, technical experts, and lower level officials. While socialization of these actors may occur, the process whereby perspectives may change, new common goals may by developed, and decision norms may be established is increasingly cut off from more politically salient elites." 37

Lastly, though it is difficult to find negative aspects of the role of common institutions, one must be aware of the fact that they possess the potential for overstepping the logical boundaries of their actions and pushing for more integration and for qualitative changes prematurely, before a sufficient base for further integration is created. This was the case with the Commission in 1965, and it resulted in the virtual abstention of France from the Council of Ministers for seven months and the underlining of the role of unanimity; it may again be the case with the present parliament which has recently proposed changes that are not likely to come about, and has (partly as a result) rejected the Community budget for 1980.

We have emphasized that some type of redistributive policy or a Community scale seems to be a political necessity if the less fortunate regions and peoples of the EC are to remain on the whole satisfied with the functioning of the EC, and if the EC is to move towards EMU. This need, as we have seen, is coupled by the controversiality of such a policy, as on the one hand it infringes on what is generally considered to be a national jurisdiction and responsibility and, on the other hand, it demands that the richer states and regions should contribute a part of their resources for the sake of developing peripheral
regions. The latter becomes even more controversial when one reflects on the economic downturn experienced in the 1970s and the little hope of improvement in the 1980s -- as the 'economic pie' gets smaller, member states become more careful and sensitive about preserving their respective 'slices'.

Thus the problem remains unresolved. West European states have in the postwar years become increasingly concerned with social and regional problems and have developed various policies upon which the well-being of sectors of their populations depend. They have become more socially and regionally responsible and more involved in controlling their economies -- the latter being especially true for the economically weaker states. This role of West European states has become an accepted and expected function, and the erosion of its effectiveness due to the functioning of the EC presents the threat that the Nine may not be able to progress much further in attaining higher levels of integration if this role is not reinforced and supplemented by positive actions at the Community level.

The argument is that the EC, if it is to progress, must by political necessity undertake the responsibilities that go hand in hand with those national policies whose effectiveness it undermines. The EC must itself become more state-like in terms of its responsibilities and functions if it is effectively to undermine politically sensitive areas of national authority and function. More specifically, if the EC is to weaken the effectiveness of some member-state policies of regional economic development through freer market forces (due to the common
market), or though market distortions (due to the CAP), then it must to some extent replace and to some extent supplement these policies. If, based on our analysis of the EC thus far, this prospect seems impossible, it must then be taken as a reflection of European integration, which has lost most of its momentum and vitality of the early postwar years. Stanley Hoffmann's race between the logic of integration and the logic of diversity seems to be never-ending in the case of the Nine, as neither logic has enough power to overcome the other.

The process of integration "is like a grinding machine that can work only if someone keeps giving it something to grind. When the users start quarreling and stop providing the machine stops." In the early years, the machine worked because the member-state governments, moved by political circumstance and economic necessity and gain, "poured into it a common determination to integrate their economies." However, as the years passed the political necessity for unity decreased and the more prosperous Nine (initially six), faced with growing uncertainty about their economic futures, began to quarrel about their individual gains and losses from membership of the Community. Take as an example the recent budgetary deadlock and British efforts to restructure the CAP and keep EC farm prices down, coupled by the fact that the majority of French farmers "think the best way out of the present impasse over the EEC's farm policy would be for Britain to leave the EEC."
To progress beyond the present stage of limited functional integration, to move towards greater negative integration (EMU) and necessarily greater positive integration, what is needed is a clear commitment by the Nine to integration for its own sake. Interest in integration based primarily "on expectation of economic gain can be satisfied by relatively limited measures of integration," and such interest is not sufficient or even relevant in overcoming divergent interests due to the diversities in economic development and the effects of market forces. What is needed is a definite political commitment to the interests of the Community itself; otherwise the political overlap necessary in developing common positive policies, which imply transferring task areas from the national to the EC level, will not be sufficient.

Such a commitment to EC integration by the Nine is presently lacking, as our analysis in this chapter reflects. Thus the Community of the Nine is likely to progress very little, if at all, towards further integration. What of the Community of the Twelve, however? What are its prospects? In the next chapter we will turn our attention to the effects on the EC of its proposed expansion to include three southern European states.
There seems to be a general consensus that the second round of enlargement of the EC involves only the states of Greece, Spain and Portugal. Greece has already signed the accession Treaty in May of 1979 and expects to become a full member in January of 1981. The negotiations with Spain and Portugal are as yet not complete, but the latest speculation on the date for attaining membership, referred to in EC publications and by other authors, is January of 1983. One other possible member of the Community is Turkey, which has since 1 December 1964 been an associate member under Article 238 of the Rome Treaty. The economic crisis that this country has faced in recent years, however, its generally low level of economic development, and the fact that its size implies a significant impact for the EC if it joins, have meant that it will not likely be granted membership of the Community in the next decade (at least).

Concerned that Greece, once a member, will use its veto power with respect to Turkish membership as a bargaining tool to secure concessions in the Aegean and Cyprus conflicts, Turkey has been hinting that it wants a definite commitment from the present Nine concerning its future membership. There are no signs that the Community is willing to yield to such a request. However, some of the present members, particularly West Germany, have stepped up their aid to Turkey
because of its clear need for it, and as a method of assuring the Turkish government of the importance they assign to EC-Turkish relations (especially after the Soviet invasion of Afghanistan and the ever-increasing importance of the Middle-East).

For political reasons, at least, Turkey will likely become a member of the EC eventually. However, one is apprehensive about including this country in a discussion of the future of the Community, for while Greece already has one foot inside the Community and the door has been opened for Spain and Portugal, Turkey is still waiting at the garden gate and without an appointment. Our discussion to follow will consider the impact on the EC of the accession of Greece, Spain and Portugal, with the structure of the argument generally following the pattern set in our previous two sections. That is, we will analyse the effects of expansion according to their impact on the background variables of integration, on catalysts of integration (or disintegration), on the level of commitment to integration generated, and generally on the future process and progress of EC integration.

I

Until the economic implications of expansion were realized, the French government was enthused with the prospect of three more southern members for, although it probably did not wish to see enlargement resulting in a looser grouping of European states, it viewed an enlargement southwards as offsetting the influence
of 'Northern Europe'. Greek membership, seen as desirable in its own right, (was) also seen as opening the way for Spanish membership which was for long an objective of French policy, until the full implications of Spanish competition began to be realized". On the other hand, Italy, which has considered that the distortions of CAP have acted against its interests, would after expansion "no longer appear so often as the odd man out in the Council of Ministers. The potential members would also seek to increase the at present limited expenditure on the structural element of the CAP, and will demand protection and support similar to that which is afforded to temperate producers." In this light, one may view enlargement as redressing the imbalance between northern and southern agricultural interests, and perhaps also between central and peripheral economic interests (as we later on see).

This occurrence, however, may be better viewed as a possible emergence of a split rather than a balance within the Community of various agricultural and economic interests. Expansion, which will give three relatively underdeveloped and poor states political rights within the Community equal to those of the richer states, will not likely lead to the creation of a more stable equilibrium of member-state, regional or other sectoral interests. Rather, the accession of Spain, Greece and Portugal will introduce a stronger and more dynamic diversity of interests which will make the attainment of a balance or equilibrium of interests more difficult. The group of poorer states of the EC will double numerically and the asymmetry of the distribution of wealth and economic development
will be exacerbated, increasing the potential for confrontation and reducing the potential for consensus.

With expansion, the general level of development and sophistication of the EC economy and political system will decline as the three members-to-be are not only less developed economically, but also less stable politically than the present Nine. In terms of GDP per head (at 1976 market prices), for example, Spain and Greece are approximately at the level of Ireland, the poorest member of the EC, and Portugal is even lower with only about 60 percent of the GDP per head of Ireland. Though the economic growth rates of the Three have for some time not been higher than those of the Nine -- 6.1 percent per year an average for Greece between 1966 and 1976, 5.5 percent for Portugal and 5.3 percent for Spain, against 3.7 percent for the Nine -- they have not managed to get close to the development levels of the EC, and their economies still display many characteristics of underdevelopment. In all three there is a high concentration on agriculture which accounts for more than 10 percent of their GDP, compared with 4.4 percent for the Community in its present form. The disparity is even greater in terms of employment, as agricultural productivity in the Three has improved very slowly compared with growth in other economic sectors. In the present Community fewer than one in ten people work in agriculture, while in the Three this sector accounts for over a fifth of all jobs. In addition, their industrial structures are to a great extent dissimilar to those of the present nine member-states, with narrow industrial bases and weak uncompetitive and protected manufacturing sectors.
The disparity in economic development between the Three and the Nine "could well place a serious handicap on the Community's momentum: on its internal momentum, particularly the consolidation and development of the internal market and the achievement of economic and monetary union, but also on its external momentum, based essentially on the opening up of markets and international cooperation." Because of their relative economic weaknesses, certain sectors and regions of the Three will be exempt from some of the common market rules and will be allowed to carry on at least part of their pre-accession protective measures and policies against competition from other member-states. Also, their predisposition to protecting their weak economies will spill over to some degree in the external economic relations of the EC, making third states more likely to reciprocate. One could argue, however, that a decrease in the accessibility of some external markets could be compensated to some extent by the greater accessibility of the markets of the Three. The overall problem would remain, nonetheless, as the more developed economies of the Nine have more to gain from a freer economic relation and from the continuation of good relations with many Third World states which supply not only markets for EC products but also important raw materials.

The Three are also less developed politically, having only recently emerged from periods of dictatorial government and still carrying the seeds of future political instability. In Portugal, the army has a tradition of intervention in politics which it has been able to maintain over the years partly because of that
country's lack of the developed middle class which has emerged in most of the rest of Europe. In 1975, Portugal's social structure was still feudal compared with that of the rest of Western Europe: only one third of the nation lived in towns of over 5,000 people, most Portuguese dwelt in and around villages of less than 100 people, and more than half the labour force was employed in units of 10 people or less. The democracy that now exists in Portugal is still frail. "Another bout of factious behaviour by the parties, a weakening of resolve by the new Government, or even a change for the worse in world economic conditions (and this has been happening lately) could shatter it and bring the army in." In 1975 and 1976 popular support for democracy proved to be overwhelming when nearly the entire Portuguese electorate turned out to vote, three quarters of them for democratic, middle-of-the-road parties. However, political squabbles and failure of the country to turn the corner economically might well cause the electorate, or at least some opportunistic army officers, to long for the 'certainty' of pre-1974 years.

Spain, with a large middle class and a more prosperous work force, offers more fertile soil for the flourishing of democracy than Portugal. "Considerable optimism has been created by the government's handling of the evolutionary process towards democracy against both a seemingly entrenched right wing controlling many of the levels of power, and the parties determined upon a speedier break with the machinery of Franco-ist dictatorship or upon regional autonomy." However, the recent economic downturn and possible problems with separatist move-
ments may yet create a volatile situation that the democratically elected government will find difficult to control.

Of the three members-to-be perhaps Greece has the most developed democratic base, this being partly due to that country's relatively short experience with dictatorial government. But even for Greece, the prospect of return to dictatorship has not vanished. A recent poll has shown that the support of the present New Democracy government has fallen to about 35 percent of the electorate, while support for the socialist party (PASOK) and the leading communist party (KKE) has risen to about 30 and 15 percent respectively, increasing the possibility of a leftist, anti-US, anti-EC government being formed after the next elections (to be held probably in 1981). The emergence of such a government could well spark a coup from rightist, pro-US elements in the army, even supported by foreign interests.

What can the EC do if a dictatorial regime takes power in Greece, Spain or Portugal? According to the Rome Treaty, in order for a European state to attain membership of the EC that state must possess a democratic polity. Once the Three become full members, however, there is no juridical method or precedent for expulsion of a state that comes to possess a dictatorial regime. In any case, even if the democracies of the Three do survive, their relatively less developed and less sophisticated political systems, with awkward bureaucracies and a lack of a wide range of functionally specific interest groups, will make further EC integration more complicated and less likely and the maintenance of the present level of integration more cumbersome.
The Three have established different bases for their economic transactions with the EC thus far. Greece has been associated (under Article 238) with the Community since 1 November 1962. The Athens Agreement of Association of 1961 envisaged the establishment of a full customs union with the EC and the harmonization of agricultural policies with the prospect of full membership by 1984. By 1974, most of the Greek industrial exports could enter the EC market freely, while the Greek tariffs on EC products were reduced by up to 60 percent, depending on the products involved. Under the Association Agreement, Greece was allowed twenty-two years to eliminate tariffs for industrial goods, which constitute about a third of the Greek imports, so as "to enable Greek industry to develop to a state where it would face Community industry on equal terms." Aid for development was also made available to Greece in the form of European Investment Bank (EIB) loans. However, little progress was made in the much-heralded area of harmonizing agricultural policies. One of the obstacles in the progress along the lines of the Association Agreement was that following the coup in 1967 this agreement was frozen until the restoration of democracy in 1974.

In contrast to the case of Greece, the relations of Spain and Portugal with the EC have not been as intense or as encompassing. Portugal has been a member of EFTA, but signed a free trade area agreement with the EC when Britain, Ireland and Denmark joined; and Portuguese industrial exports have enjoyed free access to the Community since July 1977, with the exception of a few sensitive products, while Portuguese tariff protection
Spain, on the other hand, which has the most protected economy of the Three with respect to trade with the EC, concluded a trade agreement with the Community in 1970 which led to a 25 percent reduction in tariffs in Spain and a 60 percent reduction applying to most industrial exports to the Community. \(^{19}\) "Proposals from Brussels for a free trade area, which would exclude most agricultural products, fell on deaf ears in Spain during the last few years of the Franco regime and afterwards." \(^{20}\)

With all their divergencies, however, all of the Three have attained high levels of economic transactions with the EC. Their exports to the Community as a percentage of total exports (based on an average of 1973, 1974 and 1975 trade figures) range from 46.5 percent in the case of Spain, to 51.1 percent in the case of Greece. \(^{21}\) This is almost identical with the figure representing intra-EC trade as a percentage of overall trade for the present members. \(^{22}\) All three, however, run big trade deficits with the Nine, with the coverage of imports by exports in their trade with the Community ranging from 50.4 percent for Greece to 60.8 percent for Spain and 62.9 percent for Portugal. \(^{23}\) Though these deficits have been at least partly financed by receipts from tourism, remittances from emigrant workers, foreign direct investment and, in the case of Greece, shipping, \(^{24}\) their magnitude remains a reflection of the unbalanced transactions between the Three and the Nine.

The relative weakness of the economies of the Three have made their governments more doubtful of the benefits of unrestrained

\(\text{is planned to be removed by 1985.}^{18}\)
competition and more protective in their economic and commercial policies. As we have seen above, all three have been allowed in their relations with the EC to reduce their tariffs to much lower rates than those undertaken by the EC itself. In general, however, even though the governments of the Three may be more inclined simply by the nature and extent of their economic development to protect domestic industry through state intervention, none of them presently sees autarky as a solution.

The attitudes of the Three towards external economic relations as well as political and military relations will have important consequences for the external coherence of the EC. With accession, not the number of member-states that are a party to NATO will double to include Spain and Greece -- Greece withdrew its armed forces from the joint military command of NATO in 1974, as France did in 1966, and its reentry on terms as they existed prior to 1974 has been vetoed by Turkey which wants a more definite role in the defence of the Aegean. A conflict of interests could well arise with respect to the Community's relations with Turkey and the latter's future membership of the EC due to the poor Greece-Turkey relations and the interest of some EC states in strengthening Turkey economically and militarily in light of recent events in Afghanistan, the continuing Arab-Israeli conflict, and the increased instability of oil-producing states of the Persian Gulf area. Though Spain, Greece and Portugal (still) basically adhere to the Western consensus of political and strategic interests (to the extent that it exists), important divergencies do exist and their accession will make agreement on specific foreign policy issues more difficult.
On the economic side, Spain, Greece and Portugal will likely be more protective of the EC common market and of access to it by Mediterranean and other less developed states as the agricultural and manufactured products of these states are largely similar to and competitive with those of Three; while the more developed states of the EC, not fearing international competition to the same degree, will be more interested in liberalizing their external economic and commercial relations. Thus, in general the accession of Spain, Greece and Portugal to the EC will decrease the external coherence of the Community.

Expansion will have important implications for third states and the role that the latter may play in the development of EC integration. The states of the Mediterranean, for example, have in common their dependence on exports to the EC for their prosperity as the Community provides a market for about 52 percent of their exports, and as tariff preferences granted by the Nine help to encourage investment by local entrepreneurs and attract foreign capital. However, with the proposed enlargement, the EC will become more self-sufficient in the type of products that these states export and the prices of these products will likely fall and imports will be reduced. In industrial trade, 32 percent of the manufactured exports to the EC of southern Mediterranean states are textiles, and will thus face great competition from the new members, especially Spain. For some of the Mediterranean states, such as Morocco, Israel and Tunisia, exports to the EC represent up to 70 percent of all their farm exports, while the figure is 85 percent for Cyprus. Most of these states now pay
less duty on most exports than Spain presently does. On citrus fruits, for example, the Community gives the Maghreb states (Algeria, Tunisia and Morocco) an 80 percent cut in duty, compared with a 60 percent cut for Israel, and only 40 percent for Spain.

With enlargement, these Mediterranean states will suffer greatly as the competing goods from the three new members will enjoy freer access to the rest of the EC market, and "widening trade deficits with the Community could lead to a restriction of EEC exports to the region, which buys about 7 percent of all EEC exports, and diminishing political influence in a strategically vital area," Similar consequences, though to different degrees, can be expected for a number of states of the Lome Convention due to the similarity of manufactured products to those of the Three. Thus, unless the Community is able to make up for the costs of expansion to these less developed states through aid or further tariff cuts -- both being less likely because of the climate of international economic recession and the Three's protectionist tendencies -- they will likely be less supportive of EC integration. Some Third World states which are sources of raw materials for the EC can attempt to influence the Community member states directly. Most developing states, however, will affect the EC integration process indirectly as their protectionist reactions to unbalanced economic and commercial relations with the EC can reduce the markets for the products and services of the latter.

One might also expect that American dissatisfaction with the EC will grow with the second round of enlargement. The American government has avoided making many public statements on
the subject of enlargement, but it does seem to have certain reservations about the economic and political implications. On the economic side, the expansion of the CAP to three more states will undermine the exports of US agricultural products to the EC. Also, American investments which are especially important in Spain will be affected negatively in favour of West German (and other EC) investment. Finally, American officials fear that the expansion will strengthen even further the protectionist tendencies that have already been developed to some extent in the Community.

On the political side, all three members-to-be tend more or less to regard their accession as a move that will lead to a decrease in their dependence on the US, to a progressive replacement of their Atlanticist policies with more European ones, and to the limitation of American influence in the Mediterranean region. In addition, Spain, Greece and Portugal will likely not only use their membership of the EC in diversifying their own external relations but also in pressing for greater independence of the Community from the US. Political forces in these countries, and especially in Greece, have developed dynamic anti-American outlooks which can be expected to press the Community to move in this direction. The US has also reason to fear the effects on Turkey of Greek membership of the EC for, as A.A. Birani has emphasized,

Greek participation in the political mechanism of the EC in the absence of Turkey would not, in any circumstances, be tolerated by Turkish public opinion -- particularly in the light of the 'regional balance' involved in such important and sensitive issues as the Cyprus and Aegean problems. If Turkey is not allowed (as is the case presently) some kind of a presence in the context of the political mechanism of the Community, it will be assumed that the EC has made its choice and the repercussions would be incalculable(...) If Turkey is expected to shoulder the heavy burden for the defence of the West in the context of
NATO, but is excluded from the economic and political integration of Europe (as it well may be if Greece employs its veto power after accession). Turkish public opinion is bound to react—with far-reaching though unpredictable political consequences.35

The Soviet Union, like the United States, does not seem too happy with the proposed expansion either. One of the reasons for this is the threat of further Yugoslav alienation as Yugoslavia after January 1981 will border to the north and to the south with members of the EC. Yugoslavia feared for some time that expansion would affect negatively its exports of agricultural products to the EC; but the signing in April 1980 of a wide-ranging trade and co-operation agreement with the Community, which Yugoslav officials expect will lead to a two-thirds reduction within five years in its trade deficit with the EC (which amounted to 3 billion dollars in 1979, or about half the country’s entire deficit)36, should help that country see the EC in a more favourable light. With the departure of President Tito from the Yugoslav political scene and the fluid political situation that might develop, Yugoslavia's new leaders may well forge even closer relations with the Community, and the West in general.37 It is natural for the Soviet Union to fear the possibility of such a development as well as the possible strengthening of Balkan co-operation (something that the Greek government has been working on since the re-establishment of democracy in Greece) that could lead to the shifting of the present balance in the Balkans.38

Why do Spain, Greece and Portugal want to join the EC? The reason most often given is based on the fact that all three have recently emerged from dictatorial regimes and membership is
considered a guarantee for the protection of the new democratic institutions. Once these states are fully integrated into the EC there will exist strong pressures and disincentives which could be brought to bear against any possible swings towards dictatorial regimes -- and leftist alternatives, as Andreas Panandreou would argue. There is of course skepticism about these arguments based on the ineffectiveness of EC pressure against the Greek junta of 1967-74, even though by 1967 the association agreement between Greece and the EC was five years old. Perhaps the most persuasive argument in favour of membership of the EC by the Three is based on the advantages that will accrue to them with the opportunity to participate in the collective bodies of the Community and thus be able to influence both economic and political decisions. In spite of their relative underdevelopment, Spain, Greece and Portugal will nevertheless take part on an equal footing with the other members in formulating common policies of the EC.

When returning to power in 1974, Mr. Karamanlis had three alternatives: 1) To maintain the status of association which largely neglected the large agricultural sector; 2) to re-orient completely Greece's external economic policy in spite of the fact that the Greek economy was already partly integrated with that of the EC; and 3) to integrate the Greek economy further with that of the EC by making Greece a full member. Given Karamanlis' political inclination and the fact that it was he who negotiated and launched the Association Agreement of 1961, the third alternative became the policy of his government. In fact, most
political observers were surprised that it took about a year after the fall of the junta before Greece finally applied for membership in June 1975.

The Greek government hopes that with membership the EC will become more sympathetic to Greece's case in its dispute with Turkey over the Aegean and Cyprus. Considering Turkey's strategic importance, it is not surprising that EC support for Greek claims has been at best ambivalent. Roy Macridis sees Mr. Karamanlis' effort in anchoring Greece securely in the West by giving it a European identity, as a reactivation of a traditional Greek reflex to the bankruptcy of Greece's relations with the US (with the American and NATO acquiescence to the Turkish invasion of Cyprus) that calls for a new kind of umbrella and a new kind of protection. This protection "cannot be sought from the major economic power of the European Community -- West Germany --; hence it is towards France that the (Greek) elites are likely to lean in the hope that they will receive a special treatment in the Community and special supports. After all, France is also out of NATO and the French armaments industry is capable of supplying the Greek forces." This search for a new protector by joining the EC, however, misses entirely the point as El "has no common foreign policy; it does not have a common strategy. In fact all it has depends to a very great degree upon the USA. If France were indeed to come to the support of Greece, it would have to do it against both West Germany and England supported by the USA (...) The overall advantages, therefore, that Greece is likely to gain from entry are not political or strategic." For the
same general reasons, Spain and Portugal are in the same boat with Greece. The overall costs and benefits for the Three should be assessed primarily on the economic consequences of their accession to the EC. The Community, after all, is basically an organization for economic co-operation and co-ordination.

One of the more obvious benefits of membership for the Three will come from the operation of the Regional and Social Funds. The Commission estimated, on calculations based on the 1976 budget, that Greece would be a net beneficiary of 302 million units of account (UA) (see Appendix III, Table 1). It was further estimated that if existing policies continue, there will be a transfer of an extra 1.3 billion UA each year from the present EC to the newcomers. In addition, although the three new members would have to contribute to the capital of the EIB, they would eventually benefit by way of loans and credits which could be used to stimulate industrial development. Also, the markets of the Three will become less protected and foreign companies could recognize new investment opportunities, thus potentially speeding up industrial growth. In Greece, for example, foreign investment has been quite limited during the past two decades -- since 1945, total direct investment has amounted to less than $800 million, or less than 5 percent of all investment in manufacturing. Also, with the opening up of domestic markets to foreign competition, the firms of the Three will be forced to modernize and increase their productivity.

In the case of Greece, its long association with the EC is held by some to have been beneficial and it is taken to be an
example which "demonstrates convincingly that trade relations with a group of highly developed countries can yield substantial benefits to the associated country." Greece's association with the EC, it is argued, "provided the opportunity for accelerated industrial development and a broadening of the Greek manufacturing base." On the basis of this, supporters of the present expansion argue that Greece will benefit as much if not more through full membership. Between 1960 and 1971, Greece managed to raise its share of EC imports from 1.02 percent to 2.06 percent. During the last sixteen years, it has had an average growth of 6 percent in GNP, with income per capita rising to over 52 percent of the Community's (see Appendix III, Table 2). The output per Greek employed has risen on an average during this period by 6.9 percent, compared to an EC average of 4.1 percent for the same period. Between 1962 and 1975 Greek industrial production increased by an average of 9.4 percent, against 3.7 percent for the Nine and about half the exports to the EC are now industrial and handicraft products -- manufacturers pushed up their share of total exports to the Six from 5 percent in 1962 to 52 percent in 1974. Agriculture's share in Greece's GNP has fallen from 22 percent in 1961 to 14 percent in 1974 (see Appendix III, Tables 3 and 4), while the manufacturing sector has increased from 13 percent to over 20 percent over the same period. In general, then, it seems from this account that Greece has coped well with free trade, and be expected to continue to do so after membership. Some of the industries likely to do well include textiles, food processing, chemicals, fertilizers and cement,
all of which have blossomed over the past decade.\textsuperscript{54} Although export subsidies will have to disappear when Greece joins the EC, it will probably be allowed to offer special tax concessions to attract multinationals, as Ireland was.\textsuperscript{55}

For Greece itself, the application of the EC's CAP should be mainly beneficial. In fact, some argue that the problem with association is that it did not come to include agriculture, as about 50 percent of Greece's agricultural products go to the EC.\textsuperscript{56} Greece has a small farm export surplus and higher CAP prices will help the Greek farmers. Ireland, which is at about the same development level as Greece, managed after its entry into the EC to raise the earnings of farmers by 60 percent without a comparable rise in costs to customers.\textsuperscript{57} In fact, "Greece would like to follow Ireland's example of boosting the whole economy by raising farm incomes fast."\textsuperscript{58} Also, with entry into the EC pressures to improve agricultural productivity will increase. The Greek government will be instrumental to this end as it controls the Agricultural Bank, upon which many farmers depend heavily, and will have a determining voice in deciding, among other things, what farmers will grow.\textsuperscript{59} The Greek government also hopes to get an extension of the CAP by introducing a cotton regime to subsidize Greek cotton. This will probably come about as it is cheaper to subsidize cotton than fruit or vegetables which would otherwise be produced in the same fields, and since the EC is short of cotton. Cotton is an important crop for 70,000 Greek farmers and accounts for 5 percent of Greece's farm output; existing cotton subsidies add 15 percent to farmers' incomes.\textsuperscript{60}
Spain, though its economy is relatively small in comparison with the Community's, competes most efficiently with the Community in a number of areas. Since the 1960s large, export-oriented firms using advanced technology have been set up, in part following the implementation of a vigorous policy of liberalization of foreign investment. The iron and steel industry expanded greatly between 1966 and 1975, a period during which production tripled. Recent production capacity is 15.3 million tonnes and it is estimated that it will be about 18.3 tonnes in 1981. Spain also possesses a large shipbuilding capacity and its shipyards, which rank third in the world in terms of output, are highly competitive. Of the three members-to-be, Spain has the greatest potential for developing its industrial capacity after accession. In 1975 industry accounted for 40.7 percent of Spain's GDP (a figure compatible with the Community average of 44.4 percent), compared to only a third of GDP in the case of Greece, and over the period 1960-75 it (like Greece) achieved a relatively rapid productivity growth of 7 percent. Spain, like Portugal and Greece, will also benefit from the freer access of its agricultural products to Community markets.

Portugal, which has the weakest economy of the Three, will benefit from accession mainly due to the fact that the Commission will designate the whole country as an underdeveloped area of the EC. This will also allow the Portuguese government to continue some of its protectionist policies and make available to it funds from the Community for the development, restructuring and ration-
alization of its industry and agriculture. Similar concessions will also be made for Greece and Spain, but only for some of these countries' regions.

What of the costs for the Three of their membership of the Community? Two things stand in the way of large profits from the CAP by Spain, Greece and Portugal. First, most of their exporting specialties, such as peaches, tomatoes and olive oil, are also produced in Italy and other Mediterranean countries to which the EC has promised to open its markets; and EC prices for these products are only a little higher than world prices. Second, all three are net importers of meat, milk, cheese and cereals, for which EC prices are much above world prices, and producers of these products in the Three are likely to suffer in the face of competition from northern Europe. Also, the CAP will not help the consumers of the members-to-be as it will push up the prices of many products. The Three will have to substitute imports of cereal, meat and dairy products from cheaper non-EC sources for those from Community countries; and it is highly doubtful whether they can secure export prices for their Mediterranean products which will compensate them for losses incurred as a result of higher import prices. In fact, Spain and Portugal are net importers of agricultural goods; while Greece has a small net surplus. A serious problem arises in the case of Portugal, the poorest of the Three, which is likely to be a net loser from its participation in the CAP.

"Although the three applicants have enjoyed high rates of growth and rapid industrialization during the last fifteen years,
they do not belong to the category of highly industrialized countries which includes all the present members except Ireland.\footnote{70}

Their industries are not very diversified and a large chunk of their output is manufactured by small firms. In Greece, for example, in comparison with the population the number of small, handicraft firms is extraordinarily large, with 93.5 percent of all firms employing fewer than ten workers and less than 2 percent employing thirty or more (see Appendix III, Table 5). In Portugal, of a total of 43,000 firms only 1,000 employ over 100 workers.\footnote{71}

The percentages of different types of Greek industrial exports for 1974 are as follows:

\begin{center}
\begin{tabular}{lcc}
\hline
\textbf{Type of Industrial Product} & \textbf{\% of Industrial Exports} \\
\hline
motors, appliances, transportation equipment & 2.6 \\
food stuffs, wines, etc & 29.1 \\
fertilizers & 9.0 \\
raw materials (first stage refinement) & 12.0 \\
handicraft products & 47.3 \\
\hline
\end{tabular}
\end{center}

The figures speak for themselves.

Greece did progress during the years of association with the EC, but this need not necessarily have been due to association. Also, this progress, as is the case also for Spain and Portugal, was mainly in quantitative rather than qualitative terms. The high growth rates of the 1960s and early 1970s achieved by the Three fail to reveal certain structural characteristics of their industrial base which will be central to the problems posed by their accession. Their \textquotedblleft industries are still characterized by poor vertical structure, limited diversification and a preponderance of small firms servicing the domestic market.\textquotedblright\footnote{73}
The Three did not escape from their relative underdevelopment and it is doubtful that they will be able to do so through membership of the EC. Their industries are still weak and freer competition with highly industrialized states is not likely to benefit them on the whole. Many uncompetitive firms could be put out of business or taken over by multinational giants from the EC. Despite the tariff acts already undertaken their industries are still partly protected against the full blast of EC competition through high tariffs and subsidies in the form of interest rate rebates and tax incentives. With the dismantling of the protective tariffs and the network of state aids after membership, a number of industries will likely suffer. Appliance makers, for example, will go under, just as they did in France in the face of Italian competition. Also, metal working industries, foundries, machine tool manufacturers and most makers of capital goods will face trouble. With enlargement, the three states will also face competition from Third World states (in textiles, for example) as they will have to accept the common external tariffs, which are usually lower than their own. The adjustment to free trade will perhaps be most difficult for Spain which still keeps its industry behind high protective walls, although the potential of Spanish industry is by far the greatest.

With membership, problems will also arise with respect to further foreign investment. As the Commission has noted for the three potential members, the industrial sector presents a dualistic structure, with firms which are competitive at the international level, oriented towards exports, and often
wholly or partly owned by foreign companies. These firms, which mainly produce for foreign markets have access to international capital markets, introduce more sophisticated technology, and improve the quality of management; at the same time, the fact remains that their growth strategies are determined by their parent companies, and that their net contribution to improving the balance of trade is not always significant because of the high import content of their products. Moreover, being in general highly capital-intensive, they are only partly capable of meeting employment problems. Following enlargement, the possible reduction or indeed abolition of the concessions which originally induced firms to set up in the applicant countries, could influence the continued operation of some of these firms. (77)

In addition,

the comparative labour cost advantage hitherto possessed by the applicant countries is tending to diminish as a result of the social changes consequent upon the return to democracy. Membership of the Community will doubtless reduce their advantage still further, as their social legislation is gradually brought into line with arrangements in force in other Member States. (78)

We noted earlier that membership of the EC will give Greece, Spain and Portugal a greater say in Community decisions that affect their domestic policy decisions and the allocation of scarce Community resources. EC integration, however, as we have made clear in Chapter Two, has been based so far mainly on the old liberal approach with the emphasis on the elimination of obstacles to trade rather than the close co-ordination of economic policies and the creation of new common ones and particularly the creation of new, jointly administered instruments of economic policy. (79) In this light, membership will give the Three a greater control of their economic (and political) future only if the Community develops substantially along lines of positive integration. In the present state of the Community,
the accession of Spain, Greece and Portugal will result in these states increasingly becoming like autumn leaves carried by the forceful winds of a greater capitalist market. Their new status of Community membership may in fact mean little more than their increased dependence on more powerful economic concentrations and their inability to control their political destiny, to organize their national resources, and to program their economic future. The capitalist integration between unequals will strengthen that inequality for, as we have argued earlier, the present EC is primarily a mechanism for the deeper and broader penetration and exploitation of the smaller and weaker by the larger and more powerful concentrations of economic power.

Membership of the present Community cannot solve the problems of these relatively underdeveloped states. Experience tells us that the economic development gap between the Three and the Nine will grow as the rules of a freer market are enforced. The polarization pressures at work within the Community have not slowed down their pace, and disparities between advanced and backward regions continue to exist. In 1973, the Thompson Report on the Regional Problems of the Enlarged Community indicated clearly the continued existence of marked economic disparities between Community regions.⁸⁰ (See Appendix II) This report, focussing mainly on income per head, unemployment and net emigration in these regions, identified Ireland (north and south), Scotland, north-east and north-west England and central and southern Italy as the prime regional problem areas.⁸¹ Portugal as a whole will probably count as an under-
developed region, and the Greek government would like all of Greece to be classified likewise so that its own generous subsidies can continue unchecked, but the Athens-Piraeus complex is already overdeveloped. The Regional and Social Funds will certainly help the three states to fight the increased polarizing pressures of freer market forces, but the size of these funds is of little significant consequence given the magnitude of the problem. In general, the transfer of resources inside the Community from rich to poor states is miniscule for the states that are able to contribute to the effectiveness of these funds are the same ones that benefit from their impotence.

The adverse economic consequences of the accession of Spain, Greece and Portugal will in general be fewer for the Nine. First, farm produce from the Three -- wine, citrus fruits and vegetables, olive oil, etc. -- directly compete with that from Mediterranean regions which are among the poorest in the Community. Both France and Italy have such regions, which will be hard pressed by competition from the Three since the applicant countries have lower labour costs and hence prices, giving them an undoubted advantage. It is already clear that for products such as wine or olive oil, supply in the Community will outstrip demand, and surpluses will build up. Also, the export industry in the members-to-be is frequently active in areas such as textiles, shipbuilding, shoes, etc. where the Community already suffers from excess capacity. And, with unemployment in the present Nine running close to six million, member-states are apprehensive about opening up their borders to migrant workers from the Three.
Though the inflow of migrant workers had greatly decreased even before the Nine closed their doors (and Greece has her own guest workers from Egypt and a net inflow of migrants since 1975) there is presently close to one million unemployed in Spain; and West Germany, whose unemployment runs presently close to one million also, still has 250,000 low-paid job vacancies.

On the positive side, one of the most obvious benefits will come to the exporting firms of the Nine as trade barriers erode and new markets are made more easily accessible -- the Community market will expand from 260 to some 320 million consumers -- especially for those dealing in consumer goods and consumer durables. Also, consumers and net exporters of temperate products are likely to benefit as Mediterranean produce prices drop (with increased competition from the new members) for the former and as new markets are opened up for the latter. Also, the large Greek-owned merchant fleet will add to those of the Community fleets, giving the EC 33 percent of the world merchant shipping tonnage. Given the protectionist moves taken already by Third World states and the US and the threat of undercutting by Eastern Europe and the Soviet Union, there is a possibility of an EC shipping policy developing, which could in turn benefit the shipbuilding industry in Europe.

In addition, with the instability in Lebanon, Athens is gaining from Beirut's losses and is "rapidly developing into a major financial and business centre of the Eastern Mediterranean and the Middle East." Greek construction firms have been highly successful with the Arab world and have succeeded in
landing 300 major construction contracts there. Joint ventures between Greek and EEC firms will benefit from Greek experience and goodwill in Arab and African markets (and Greece) could become a route for carrying European goods to the Middle East. Similar inroads can be made in Latin America by taking advantage of the traditionally strong relations between this region and Spain and Portugal. In addition to strong cultural ties, Latin America consists of an important area for Spanish foreign economic activity -- in 1978, for example, Spain's investment in Latin America amounted to over 75 percent of its total investment abroad.

Ireland was the only state of the EC that publicly voiced reservations about the proposed expansion, fearing that it might divert some of the money from the Regional and Social Funds while making it harder for the EC to reach decisions. Also, in January 1976, the Commission put forward its opinion on the Greek application which was in clear contrast to the enthusiastic responses of member-states. The Commission proposed a pre-accession period and emphasized the economic difficulties likely to arise both for the Community and for Greece and expressed concern about the political consequences in terms of Community cohesion and relations with third states, especially Turkey. However, after strong pressure from the Greek government the Council of Ministers rejected the Commission's proposals.

Practically all the reasons given for expansion are either directly political or have political overtones. As we have seen, there are some positive economic consequences for the Nine due to
enlargement and these are emphasized to some degree. Primarily, however, member-state governments and officials emphasize the need for "maintaining peace and liberty in the south of Europe." The Nine, like the Three, seem to share a strong belief in the positive role that the EC can play in helping to guarantee the democratic stability of the potential members. Also, it is argued, "the idea of an enlarged Europe is the basis of the European Treaties and provides a procedure for admitting new members." In the preamble to the Rome Treaty, the signatories declared themselves "resolved (...) to preserve and strengthen the peace and liberty (...) calling upon other peoples of Europe who share their ideal to join in their efforts." (In the case of Greece, the Association Agreement of 1961 saw accession as its final objective). In this light, the Nine would seem to be contradicting themselves and defeating their original purposes if they opposed the accession of the Three.

For expansion to occur, there must exist a general consensus among the Twelve that it is a positive step. Presently, this consensus is in existence and unless dramatic events change the current situation the second round of enlargement will take place. Within the Nine, expansion is supported or at least not publicly opposed by most political parties. In Spain, all political parties are unanimous on the issue of Community membership. In Portugal, the only opposition to entry comes from the Communist Party. In Greece, as we noted earlier, the popular support of the parties opposed to entry -- PASOK and KKE -- seems to be on the rise. A poll published in January 1979 showed that
45 percent of the Greeks interviewed favoured membership while 36 percent desired another solution (see Appendix III, Table 6). However, of 4,297 people interviewed in early 1979, 60 percent held that a referendum should be held while only 17 percent said that one was not needed. The present New Democracy government plans to use its parliamentary majority, based on 42 percent of the popular vote, in entering Greece into the EC, as it claims that this does not really involve a new policy position but a logical continuation of the policy of association.

In any case, after Greece, Spain and Portugal join the Community the costs and benefits of expansion will become an integral part of the costs and benefits of Community integration. Each sector of the EC, whether it be a state, a region, or a social or economic group, will have to calculate the advantages and disadvantages of integration in the context of twelve Community states, for there is no juridicial method or precedent for expulsion of one or more members. In terms of the general attitude towards integration of these sectors there will be at least three differences in the Community of the Twelve from that of the Nine, which follow from our cost-benefit analysis and which we will discuss in greater detail when we consider the nature and consequences of the process of integration for the case of the expanded EC. Firstly, there will be greater dissatisfaction with the present state of EC integration, which being primarily negative in nature will affect adversely the increased number of disadvantaged economic sectors and regions in the Community. Second, the richer states, though they may desire greater inte-
gration along the lines of EMU, will be less prone to support measures for positive integration for that will imply an increased financial burden for them as the Community becomes more responsible for the now expanded underprivileged economic sectors of the EC. Lastly, there will be increased demands and support for greater positive integration to make up for effects of market forces and bridge the now wider economic development gap within the Community.

Enlargement will also increase the societal and cultural diversity within the Community. The languages of the Three are distinct from each other and from those of the Nine, and their membership will increase the Community languages from six to nine. The level of their economic development also limits the consumer nature of the Three; this being especially true for Portugal which still maintains some feudal characteristics in its economic and social structure. Greece is perhaps the most 'European' of the three as it has had long and established links with Western Europe. Spain, on the other hand, seems to "share some of the insularity syndrome of the British (...) In a sense, the Pyrenees are for (Spain) what the Channel is for the British, and more so."107 The "extraordinary duration of the Franco regime has prevented the establishment of institutional links between Spain and the main political organizations of Western Europe: the European Community, the Council of Europe, the Western European Union, NATO. Spain has remained in many respects as an appendage of a past era."108 Although, "the exchange of workers, scholars, and students with Western Europe
has been so intense in the last fifteen years that Spain is closer than ever before to its neighbours in attitudes and philosophy.\textsuperscript{109}

As for the geographical proximity of the potential members to the other EC states, we can generally say that they are on the periphery of the Community. Spain and Portugal are the more proximate of the three though they are separated from the rest of Europe by the Pyrenees. Greece is the most isolated and does not border any of the EC states. However, all three have established transportation and communication ties with the Nine and, in the case of Greece, the massive Greek merchant fleet and the fact that this country will likely form a pillar for the Community's relations with the Eastern Mediterranean and the Middle East, as Spain and Portugal may form one of the pillars for the Community's relations with Latin America and Africa, should help overcome some of the problems of distance.

II

Our analysis thus far of the consequences of expansion for the background variables of integration suggests that the limited integrative potential of the Nine will be further and significantly reduced for the Community of the Twelve. Enlargement will increase the asymmetry of EC members as all of the Three are at the bottom of the present EC scale of economic development. In addition, the Three are also less developed politically and their instability could prove to be a brake on the process of integration. The level of transactions between the Twelve will remain
at about the same level as that of the Nine, though the trans-
actions will be less balanced due to the one-sided dependence of
the Three on EC markets. The governments of the Twelve will be
of the same general nature, but the number of governments with
protective tendencies will increase, widening the gap between
the free market oriented states and the more interventionist
ones -- for the purpose of protection of weak industries and for
state support of uncompetitive products -- and economically weak-
er states. The common denominator of perceptions of external
coherence will be reduced, especially with respect to relations
with less developed third states whose products are competitive
with those of the economically troubled Community states and
regions as well as with respect to relations with the US. The
support for EC integration from external actors will be reduced
as expansion and further integration will be to the detriment of
their economic interests. Also, European integration, as it now
stands, will be unsatisfactory for a greater number of member-
states and the type of further integration desired by the
economically strong and the economically weak states will vary
to a greater degree. Lastly, the Twelve will be socially,
culturally and linguistically less compatible, and more dispersed
geographically.

Expansion, then, will have the effect of diluting the
potential for further integration as well as the support for the
present nature of EC integration. In one sense, this dilution
could act as a catalyst for the emergence of pressures for further
integration. A significant level of integration has already been
achieved within the Community and vested interests for its continuation exist. The consequences of expansion could cause a Community crisis that may in the end be resolved through greater (and necessarily positive) integration in order to overcome the dilution and to maintain the initial level of integration. Of course, such a crisis need not have a positive effect, and its outcome may be disintegration or at least stagnation rather than further integration. To answer whether a Community crisis situation will develop and, if it does develop, what its outcome will be is the purpose of our analysis to follow.

In our first chapter we discussed six consequences of integration which can affect, and along with the nine background variables, determine the process of integration: politicization, redistribution, reduction of alternatives, externalization, socialization, and the involvement of common institutions. When Spain, Greece and Portugal become members their clash of interests with other members and with respect to EC policies will necessarily become more politically important within the Community as the Three will be given the basic political rights possessed by other members. In effect then, expansion will give three economically poor states the political rights of the rich. With the increased rights possessed by the Three and with the negative effects that will be experienced by some sectors due to expansion, there will be increased demands and political support for the satisfaction of various grievances. For example, Mediterranean farmers of Spain, Greece, Portugal, Italy and France will likely demand the same protection and support given to northern farmers by the CAP;
the representatives of an increased number of economically weak regions or economic sectors will demand protection from the increased forces of the capitalist market due to integration and expansion. Shipbuilding, textile and shoe industries are likely to be among the complainants. Thus, expansion will lead to stronger demands for measures of protection and support in the form of positive integration--such as increasing the size and scope of the Regional and Social Funds--and for reform of the CAP to accommodate southern interests. The conflict of interests between more and less advanced states and regions will be exacerbated as time passes and as the transitions periods for the Three expire (for Greece the transition periods range from five to seven years, depending on the products and economic sectors; similar transition periods are now being negotiated for Spain and Portugal).

Negative integration, as we emphasized previously, will not close the gap between economically disparate regions without sufficient positive measures accompanying it. Ireland is usually given by many as an example of the benefits that a less developed state can derive from its integration with the EC. Ireland's benefits, however, are not a direct result of negative integration but result mainly from positive EC policies and primarily so from the CAP. Thirty percent of the Irish work force is engaged in agriculture and Ireland exports about half of her agricultural production. Since its accession, the return on milk alone, despite a butter mountain in Europe, rose from 12p per gallon to 37p per gallon in 1975; exports account for roughly
two thirds of production, and this means that the value of 600 million gallons exported rose from £72 million to £222 million. \(^{111}\) In the case of beef, and again despite a huge world surplus which has left the EC with 380 000 tons in intervention stores, the return on Irish exports, which account for 85 percent of the total beef production, has risen from about 22p per lb to 39p per lb. \(^{112}\) The Three, however, will not be able to benefit in the same manner due to much lower CAP prices for Mediterranean products. Ireland is also a net beneficiary of the Regional Fund, as the Three can expect to be also, but the impact is not, and will not likely be, dramatic in the foreseeable future, as the amount gained "is negligible in comparison with amounts a head spent by the Government in the poorer regions" \(^{113}\) and in comparison with the sums received as a result of the CAP.

If EC membership is as bad for the Three as we have portrayed it, then why do they want to join? The most potent reason for Spain, Greece and Portugal wanting to become members is their desire to participate on an equal footing in the Community political process which inevitably affects their economic interests and which can be used for the more favourable -- from their point of view -- allocation of EC resources. This access to Community decision-making, however, is not conditional on not demanding anything -- it would be practically worthless were this the case.

Membership of the EC will mean that the Three will have access to all Community decision-making organs and the ability to influence policy directions. Since the EC in its present state is more sympathetic to the interests of temperate farmers, Greece,
Spain and Portugal, along with other EC regions and states that are either characterized by Mediterranean agriculture and/or low economic development, will demand that their interests are taken into account on a more equal basis with respect to those of other regions. By virtue of being politically necessary for their survival, the governments and other representatives of the Three (and of other states and regions in similar predicaments) will have to press the Community for policies and measures to redress the present imbalance of benefits between centre and periphery (that is, between advanced and less developed regions) and between north and south (that is, between temperate and Mediterranean farmers).

One could argue that the Three do not want to enter a Community that will in the near future disintegrate due to their pressures for change. But neither can they ignore the pressures from their electorates, from opposition parties, from agricultural lobbies, from industrial sectors, from workers, from unions, etc. It may seem 'rational' to some that since the Three (and other similar EC regions) are poor, they have to undergo some sacrifices if they are to become more developed and close the gap between themselves and more advanced states and regions of the EC. That is, that advanced regions deserve a greater share of EC benefits by virtue of being more developed and thus having the capacity to extract more benefits, or that they deserve more since they contribute more. The less developed regions, the argument goes, should pull themselves up from their own bootstraps and not depend on the goodwill of others. Assuming, for the sake of discussion,
that such arguments are 'rational' one can still point out that the political process is not a rational one -- were it so, we would have far fewer problems than we presently do. In a democratic society, a politician does not get elected by preaching patience, or sacrifice, or, in the case of the EC, that other member-states deserve to get a disproportionately large share of benefits even though the Community decision-making process is based on unanimity.

The less privileged peoples of the EC will expect that the adverse effects of negative integration will be accompanied by common positive measures with more equitable redistributive effects. To enter into a negative integration process means to surrender part of national sovereignty -- the ability to independently determine at the national level the allocation of societal values -- since this process increases the power of market forces and undermines the effectiveness of national economic and welfare policies. And, with the increase within the EC of less advantaged regions and economic sectors, there will be increased pressure for the implementation of Community welfare and development policies to make up for the lower effectiveness of such national policies. The argument in a nutshell is that the EC cannot erode the sovereignty -- effectiveness of member-state policies -- without itself becoming more state-like in its functions.

To some extent, as the Three are progressively integrated with the other Community states their alternatives to integration will decrease as vested interests become established with the
integration process. There are significant limitations of the applicability of this argument to the case of the Three, however, since the present state of EC integration is not attuned to their needs and interests. In fact, because of the benefits that the more developed states and temperate agricultural regions derive from the functioning of the EC, the Three may well feel that they are in a good bargaining position since they have relatively less to lose from Community crises and possible disintegration than their more affluent partners.

Some sort of crisis may also develop within the Community with respect to its economic and commercial relations with Mediterranean and other states whose products compete with those of Spain, Greece and Portugal. We have already noted the adverse effects of expansion for these third states and the importance of EC markets for their economic well-being. There will certainly be pressures for the Community to develop a more elaborate Mediterranean policy that will take into account the consequences of expansion. However, the Three may throw a monkey wrench into the process if such a policy involved the transfer of scarce EC resources to these third states. This, of course, takes us back to the preceding discussion of the needs and possible demands of the Three.

The socialization of decision-making elites may reduce to some degree the likelihood of crisis situations emerging. The process of socialization, however, is likely to be reduced in its effectiveness due to the increase in the number and diversity of participants in Community institutions. Three more ministers
will be added to the Council of Ministers and three or four Commissioners will be added to the existing thirteen. In consequence, this will also limit the efficiency and effectiveness of these and other common institutions as forums where routinized collective decision-making can occur and the Commission's role of mediator and initiator. With three more languages, there will exist seventy-two possible combinations for translation and interpretation, calling for twice the existing staff of translators, which already makes up 38 percent of the Commission's staff. Also the inflow of new and inexperienced officials will affect the functioning of the whole Commission; and, of course, the Council of Ministers, which still functions on the principle of unanimity on important matters, will have more problems in reaching decisions with three more participants.

The second EC enlargement which will bring Spain, Greece and Portugal into the Community will create significant if not insurmountable problems for the future progress of EC integration. In the next chapter we will examine the necessary as well as the desirable steps that the Community should take in the near future so as to ensure its stability and progress; we will also consider the likelihood of such steps being taken.
Growth in the EC of the Twelve can no longer continue on the laissez-faire principles of the Treaty of Rome without major social and political frictions. As L. Tsoukalis has put it, 

"(t)he negative integration approach, based on free trade, cannot survive for very long in a world which has little to do with laissez-faire or in a Community with serious structural problems, declining sectors and wide regional disparities and in which each member tries to maintain some form of a welfare state."² Enlargement will underline the necessity for an effective regional development policy, which is not limited to small transfers of funds from rich to poor. Unless economic integration is accompanied by regional and social policies to ensure regional development, jobs, social justice and an acceptable allocation of resources, the base of EC integration "could be threatened by a combination of sectional or national autarkic pressures and apathy."³

We talked in Chapter Two of the prospect of EMU among the Nine and the problems inherent in the progress towards such an end. The more countries that join, the more diversified the Community becomes, the more difficult it will be to develop such a union. The major obstacle to EMU is the marked economic disparity that will characterize the expanded Community. And the fear of the less developed countries is that "a monetary union might dash their chance of catching up economically with other countries by imposing the same pace of development for all
and thus freezing existing economic disparities." What will be needed to overcome these fears, is for the Community to arrange the necessary transfer of resources and provide graduated investment incentives with a view to putting these countries and regions on the road to more rapid growth.

Studies by expert have shown that, to provide sufficient resources to finance the minimum transfers necessary to guarantee a more consistent development of economically backward regions, economic and monetary union in an advanced phase would require a Community budget of between 5 and 7 percent of the combined national products and indeed, in the pre-union phase, with one of between 2 and 3 percent of that aggregate. Accounting for just under one percent of national product, the present EC budget is still much too small to allow such an undertaking, especially since the bulk of the resources available has to be used for financing the CAP. Clearly, if progress is to be made towards EMU, "much would depend on the economically stronger member countries being willing to pay more into the common budget than they get out of it so as to assist the weaker states. The latter, understandably, are unlikely to be enthusiastic about a Community that lacks this kind of solidarity."

Arguments for an EC regional development policy as an active and necessary ingredient of EMU were also put forward in Chapter Two, and in both Chapters Two and Three we emphasized the increased pressures in the present and the enlarged Community for greater responsibility at the EC level for the less advantaged sectors -- whether they be states, regions or economic classes.
If the enlarged Community is to gain enough support for developing further or maintain sufficient support for its present level of integration, it needs to share the responsibility with the national and regional authorities of its member-states, for helping to narrow the gap between its regions. The rule is that the more the EC integrates, the more it needs to undertake such a responsibility.

What has been achieved in terms of an EC regional policy thus far? A quick glance at the Rome Treaty will reveal to the reader that there is no separate Title (that is a group of Articles relating to a policy problem) relating to the regional problem and, indeed, no explicit call for a Community regional policy, as there is for agriculture or transport for example. Rather, there are a series of Articles scattered through the Treaty which relate to the regional problem and indicate the need to tackle this problem and narrow the existing disparities, but it is not made apparent whether this is to be achieved by national or Community action. The creation of a European Social Fund and a European Investment Bank are called for and they have made a contribution to the solution of regional problems. The main provisions relating explicitly to regional policy are to be found in Article 90 which basically says that "aids for regional development may be permitted (this is a derogation from the general principle that state aid is prohibited) and that the Commission shall exercise a general supervisory role."
It is not surprising that given the limited authority delegated by the Treaty, regional aid schemes posed a considerable control problem for the Commission; the basic problem being with the various regions competing with each other to attract foot-loose investment capital, giving rise to reciprocal neutralization of these aid schemes with unjustified profits for the beneficiary enterprises. A common policy in this field was achieved in 1971 when the Council of Ministers adopted a First Resolution on Regional Aid Schemes setting out certain general principles. However, this resolution only governed the giving of aid in the central zones without indicating what was to be done in respect of the peripheral zones. It was in 1975 that the Commission introduced a supplementary element covering these peripheral zones. Both of these resolutions emphasized the need for new aids to be 'transparent' and that existing aids be progressively modified to make them so, and the need for aid to be regionally specific -- that is to say, they were not to cover a whole state, but should relate only to the regions really in need, and these regions had to be clearly specified.

As already pointed out, Article 90 delegated to the Commission the authority to supervise regional aid without complementing it with the authority to take any positive action. "The Commission would vet aids but would not be involved in the giving of them -- the latter would be a national authority." This is only partially true, for even in the earlier days three Community aid-giving bodies had been established whose assistance had some impact on the regional problem. One of these, the European
Investment Bank, established under the provisions of Articles 129 and 130 of the Rome Treaty, was devised to grant loans and guarantees on a non-profit-making basis within the Community for the following purposes:

(i) projects for developing backward regions;

(ii) modernizing projects;

(iii) projects of common interest to several member states which cannot be entirely financed by the various means available in the individual member states.

Between 1958 and the end of 1976 loan and guarantee contracts for 9,900 million UA (at 1976 prices) had been signed. About three quarters of this was devoted to regional development with the bulk of the money going to Italy (about half), but with the first round of enlargement the UK and Ireland have also become major beneficiaries. However, because the Bank raises its capital in the open market it has to gear its rates of interest on loans to what it has to pay, and is therefore not in the business of lending at subsidized rates. "Thus whilst the Bank channels aid to underdeveloped regions it is not strictly in the regional aid business. Indeed many of the regional weapons such as capital grants, rebates of interest, employment premiums, etc are clearly outside its scope." Two other bodies have made a contribution to regional development. One is the European Social Fund which since 1971 "has existed with new criteria for action which specifically enable it to intervene in order to deal with structural unemployment arising indirectly from the working of the EEC."
significant to note that in 1978 the Social Fund had at its disposal 538 million UA; that is, about 4.4 percent of that year's budget. The other fund is the Guidance section of the Agricultural Guidance and Guarantee Fund which is directed to the structural improvement and modernization of farms. One problem with this fund is that although it does aid in raising the productivity of farms it cannot be used for industrial job creation in backward agricultural areas where its efforts at modernization create more unemployed agricultural labour. It should also be noted that since 1967 the Brussels Commission has also been responsible for operating the relevant provisions of the Paris Treaty, such as making loans available to develop new sources of employment in areas where coal and steel industrial employment has contracted, and making grants to tide workers over until they can find new jobs, to assist with resettlement and to contribute to the cost of retraining.

Since the establishment of the EEC the Commission has been attempting to get agreement on a policy that would deal effectively with the regional problems within the Community. In 1969 the Commission proposed the "idea that it should itself be an active participant in regional policy -- that is to say it should play a role in the actual process of aid-giving and not just be concerned with negative controls and studies of the general problem." Some progress toward this end was made at the Paris Summit of 1972 where the British were instrumental in securing agreement of the Nine to the establishment of a Regional Development Fund. The British were not so much moved by a desire for an
effective regional policy at the EC level as they were by the need to balance their expected high contribution to the Community budget relative to the benefits they were likely to receive. The Regional Fund was expected to do for the UK what the CAP had done for France. The Fund came into operation on 1 January 1975 and its size was 300 million UA for 1975 and 500 million for each of the years 1976 and 1977 (580 for 1978, 620 for 1979 and 650 for 1980). The largest beneficiaries were Italy (40 percent), the UK (28 percent) and France (15 percent). Only the governments of the member states may apply for assistance from the Fund which in principle is aimed at supplementing state given aid. 22

New rules for the European Regional Fund came into force in February 1979, making it a more flexible instrument. The main part of the Fund will continue to offer support for national regional development measures through the national quota system (giving the bulk of the resources to Italy, the UK and France). This part can help finance two types of investment in member states' aided areas:

-- industrial or service-sector investments which create new or guarantee existing jobs, with rates of grant going up to 20 percent of investment cost;

-- public infrastructure works which contribute to the development of the region concerned (roads, ports, industrial estates, tourist facilities, etc.), with rates of grant going up to 40 percent of investment cost. 23

"Grants are paid to the national governments which, in accordance with the Fund rules, can either pass the money on to the investor
or treat it as part reimbursement of national aid. In all Member States grants to industrial investments are retained by the national authorities; for infrastructure investment the grants are in most cases passed on to the local authority involved, though practice varies from country to country.24

The new rules create a second, 'quota-free' section of the Fund, which will finance specific Community actions outside of quota systems. It will be able to provide assistance to areas affected by the Community's policy decisions in other fields, or to internal frontier regions which feel the effects of integration with particular sharpness.25 Until the end of 1980 the resources of this section are limited to 5 percent of the overall Regional Fund budget.26

What we have described so far does not represent a regional policy, at least not one that can deal effectively with the serious regional problems of the EC. It does not give us any hope that these problems will be dealt with in a manner that will ensure some progress toward the reduction of regional disparities. The amount spent on policies that one may consider to be part of an EC 'regional policy' amounted to 12.2 percent of that budget (4.4 percent for the Social Fund, 4.3 percent for the Regional Fund, 3.5 percent for agriculture/structural policy).27 Drawing a parallel with national budgets one may consider this amount as substantial. But this is not the case when we compare it to the 74.9 percent of the budget which is spent on financing the CAP.28 This is a figure six times as large as that which we attributed rather loosely as being spent as part of an EC regional
policy. The EC budget as a whole "is neither a true instrument for financing a wide range of policies (because of its size) nor a means of redistribution worthy of the name."29

A Community regional development policy must ensure that EC policy decisions, in all fields which affect the regions, take proper account of the regional interest; it must aid its own financial effort to that of the national, regional, and local authorities; it must compare and contrast, and where necessary and appropriate, coordinate national regional development policies.30 It must develop a "concept of 'integrated operations' where the Regional Fund and one or more of the other instruments (Agricultural and Social Funds, Coal and Steel Funds, EIB) can provide coordinated assistance to help solve the problems of specific areas in the least favoured regions."31 The principle responsibility can and should remain with the regions themselves, and with national authorities. But the Community must have a real role as well -- as an instrument of redistribution of Community resources, an instrument of national development policy coordination, as well as a centre of regional development policy formation and implementation.

II

Progress towards the development of a comprehensive and equitable regional development policy would be a significant step in building the foundation for EMU, which in the present economic downturn and monetary instability is all the more necessary for safeguarding the Community's achievements to date. The general
customs union established in the 1960s, including the common market in agricultural products, would be placed in extreme jeopardy if it proves impossible to prevent member-state currencies from developing along divergent paths.\(^32\) As past events have shown on more than one occasion, "member countries experiencing balance of payments difficulties have had, in these circumstances, to resort to quasi-legal administrative measures to curb, or make more expensive, imports from their Community trading partners. The danger of a return to this kind of non-tariff protectionism cannot be averted unless a currency union is established within the Community."\(^33\)

The international economic crises of the 1970s have not bypassed the Community. Until the crisis of 1973-74, the more favourable economic climate and the expansion of the common market had enabled the Community to enjoy high growth rates. Growth has now slowed down substantially, the average rate for the Nine in 1978 was 2.6 percent, \(^34\) compared with 4.6 percent per year between 1960 and 1970.\(^34\) Unemployment has increased dramatically, the total number of unemployed in the Nine standing at 6 million in October 1978 (over 7 million for the Twelve) compared to a 2.1 million average between 1960 and 1970.\(^35\) Inflation, which reached 13 percent in 1974 and 1975, averaged 7.5 percent in 1978 but again rose to over 10 percent in 1979, and certain countries experienced 14 percent or more; for the Three, inflation presently runs at over 20 percent.\(^36\)

The consequences of inflation are well known: those with the highest price rises become less competitive, external trade falls
into deficit, the national currency loses value; and exchange-rate fluctuations themselves discourage investment and exacerbate unemployment. This makes a concerted EC response all the more necessary because:

-- 800 000 million dollars can be rapidly wired across the world in search of the most favourable exchange rates of the moment. No Community country can hope to be able to resist the pressure of speculators and the consequences on its exchange rates.

-- variations between rates of inflation, rates of economic growth and the competitiveness of the Nine can fuel suicidal protectionist tendencies and retard economic recovery. The countries with deficit trade balances must cut back on consumption, thereby shrinking the market for those most likely to succeed.37

Exchange-rate stability is one of the requisites for continued member-state benefit from the free trade provisions supported by the EC. With the establishment of the customs union, achieved ahead of schedule in July 1968, intra-Community trade in goods and services expanded rapidly -- now accounting for half of the member-state total foreign trade as against one third in 1958.38 During the same period, member-state foreign trade increased 275 percent and now accounts for no less than one quarter of gross Community product (that is, one quarter of the aggregate amount of all services supplied and goods produced in the nine countries).39 As the Commission has noted, however, this level of trade is
highly vulnerable as long as frontier posts remain in existence and as long as currency exchange rates can fluctuate sharply enough to price one country's products out of foreign markets altogether. The EEC customs union has eliminated the fear that tariff barriers between Community countries might be restored overnight against member countries' goods, perhaps depriving entire industries of their export markets. By contrast, it has not managed to prevent excessive exchange rate fluctuations, which can have a similar, if not greater, disruptive impact on trade than customs duties. As a result, intra-Community trade is still fraught with uncertainty despite the fact that the customs union has brought about an unprecedented degree of interdependence between the member-states. (40)

Fluctuating currencies have also raised problems with respect to the functioning of the CAP. "As originally conceived the aim of the CAP was quite literally to provide for common prices."41 To this end prices were specified not in terms of national currencies but in terms of the Community's UA -- one UA being the same as the American dollar before 1971 but now worth somewhat more.42 "An assumption of the CAP, which early commentaries tended to overlook, was that the rates of exchange of individual Community currencies against the dollar and against each other would not be changed."43 Due to the inconvenience caused by fluctuating currencies for those who have to work out the prices payable to farmers, there is a fixed and artificial rate of exchange (the Green Rate) between the UA as used for farming transactions and national currencies. "This arrangement, however, puts farmers at an advantage in some countries and at a disadvantage in others, thus distorting agricultural competition. In order to even this out, 'compensatory amounts' may be paid or collected by the Community on produce crossing its internal frontiers."45
The fact that member-states already carry out 50 percent of their foreign trade with one another reflects the impressive degree of their mutual reliance. Indeed, Ireland and the three Benelux countries carry out between two thirds and three quarters, and France, Italy, Denmark and Federal Republic of Germany (and Spain, Greece and Portugal) half of their trade with other member countries; the UK is the exception, transacting two thirds of its foreign trade with non-member countries. Given this high degree of 'interdependence' and an international economic crisis that does not seem likely to subside significantly in the short-term, a customs union alone cannot provide the necessary long-term security. Without economic and monetary stability, member-states will struggle along increasingly divergent paths as inflation continues to undermine their prosperity.

In addition to bringing greater monetary stability within the EC, EMU can also help strengthen the international monetary system in general. The previous reform of the international monetary system still left the dollar as the sole world currency -- less than 4 percent of the world's foreign exchange reserves are held in the form of the Special Drawing Right, the neutral and jointly administered world currency of the International Monetary Fund. However, "the dollar is no longer sufficiently strong to shoulder alone, on behalf of the rest of the world, the responsibilities associated with a key reserve currency in which all countries can safely denominate their assets. On the other hand, the Community as a whole is big enough to create a second strong world currency that can help underpin the international
monetary system." The Twelve could constitute an entity that
is of the optimum size advocated by economic theorists for a
single currency area. 49

A strong well-managed reserve currency in Europe other
than the dollar could help alleviate the fears of industrialized,
oil-exporting and developing countries of depreciation of their
foreign exchange reserves. And, as the Commission argues, the

United States and Europe would be compelled to
manage their currencies properly since the other
countries would have a choice of reliable reserve
 currencies unlike under the present system of
narrow-based national currencies. A policy of
'benign neglect', of which the US monetary
authorities have been accused in recent years as
regards the dollar, would no longer be conceivable.

If the exchange rates of the major world currencies
could no longer fluctuate as widely as they have
done of late, this would create conditions much
more favourable to long-term export business and
investment decisions, thereby enhancing apprecia-
bly the prospects for continuing steady growth in
a world economy free from the recessions suffered
in the last few years. (50)

The attempt by the EC in the 1970s to create an EMU by way
of a stage-by-stage plan spanning ten years ended in failure.
At the request of the member-state governments, a stage-by-stage
plan for EMU based on a blueprint previously drawn up by the
European Commission was produced in 1970 by a group of experts
chaired by the then Luxembourg Prime Minister and Minister of
Finance, Pierre Werner. In March 1971, the member-state govern-
ments adopted the main short-term proposals of the plan, which
advocated an approach centred on the gradual reduction of exchange
rate fluctuations between member-state currencies, without how-
ever endorsing its more far-reaching longer-term political impli-
cations. 51 At a time of hectic fluctuations in the world's
currencies, particularly the dollar, not all the member-states were able to live up to the highly ambitious objectives underlying the Community exchange rate system (the snake). In the course of time, the UK and Ireland (June 1972), Italy (February 1973), and France (January 1974 and, after re-entering for a short while, again in March 1976) and the associated non-member countries, Sweden (August 1977) and Norway (December 1978), withdrew from the snake. The ultimate failure, however, does not take away from the fact that the European exchange rate system (the snake) was responsible directly and indirectly for the establishment of the main monetary co-operation mechanisms in the Community -- including the European Monetary Co-operation Fund, the European unit of account and the monetary support mechanisms -- that eventually formed the basis of the EMS.

In 1977 there was a revival of interest in the objective of EMU -- an ambition which had appeared to have been shelved -- and the Commission laid before the Council an action program for the years ahead, aimed at steering the Community back on the path of growth and stability by way of closer co-ordination of economic and monetary policies. In 1978, a practical, although limited, initiative was launched by the French President and German Chancellor to set up a European Monetary System. The new EMS (which we discussed to some length in Chapter Two) must not however be confused with the projected EMU, let alone with a common currency. "It will initially be used like the European exchange rate system as an instrument for combating excessive fluctuations in exchange rates and hence for reducing a factor
of uncertainty in trade and payments between member-states.\textsuperscript{55}

III

Enlargement, if it is to have constructive consequences must be accompanied by an increase in the solidarity among EC states. Some type of compensatory and redistributive mechanism must be set up to ensure that the benefits of freer trade and competition are divided more equitably among the Twelve. Such an expression of solidarity will substantially enhance the chances of success of the EMS and the proposed EMU. At least two questions can be raised at this point: 1) Would a Community regional development policy solve the present problems of the EC, or merely waste precious resources? And, 2) what are the chances that such a solidarity will be attained by the Community of the Twelve?

There is an inherent assumption in arguments for a regional development policy that such a policy would aid in alleviating interregional disparities. Some authors, however, question the necessity and desirability of government intervention in problems of regional disparity. E.G. west, for example, has argued that government policy is frequently based on narrow interests and characterized by an inherent "overemphasis on the short run and remedies that emphasize 'expediency' and the 'politically possible'."\textsuperscript{56} That is, due to their need for political survival, politicians are short-sighted political actors who rely on short-term, patchwork solutions to pressing problems. However, since all of the Nine (and the Three) have for some time now carried on regional policies of their own, the basic problem in
this controversy is knowing what would have been the case if
governments had not intervened.

Some evidence, though it is not conclusive, exists to show
that regional policy matters. A 1979 study by The Economist,
for example, has shown that in the past ten years while regional
disparities within EC states (where regional policies are carried
out) have narrowed, regional disparities within the EC as a
whole (where no comparable regional policy has been attempted)
have actually widened57 (see Appendix III, Table 7). In the same
study, The Economist raised some doubts concerning our inter-
pretations, arguing that in the member states the "great leveller
has not been official regional aid but the economic slump, which
has spread misery more widely."58 The validity of this argument
can be questioned, however, if one asks why the economic slump
has not levelled international (intra-EC) as well as intra-
national disparities.

It would be difficult to argue that regional policies, in
general, have not worked towards alleviating regional disparities
to which they do within the territory applied as they redistribute resources and
incentives for investment from the richer to the poorer regions,
helping to raise income levels, employment opportunities, and
quality of services, in the latter. One could argue that such
governmental intervention tackles the 'symptoms' of the regional
inequality 'disease' and not its basic causes. That is, a region-
al policy might raise living standards in less fortunate regions,
and it might even help establish a number of industries there,
but these 'successes' can be maintained only as long as the
regional policy is in effect. From our perspective, however, regional policy is important not so much because of what it does, but rather because of what it appears to do. Even if, for the sake of discussion, we assume that it only alleviates some of the symptoms and none of the causes of regional disparity, the political purpose of a regional policy is fulfilled nonetheless. Whether more or less state -- or EC -- intervention is needed to overcome the root causes of regional and other disparities is not a relevant issue from our point of view. What is important is that at the present level of Western political development, state intervention for the purpose of aiding the less fortunate, whether they be regions or social classes, is a politically accepted and expected state function.

IV

The prospect of enlargement has brought forth a number of proposals from various circles to overcome the regional problems of the Community. Mr. Natali has called for a big transfer of resources to the Mediterranean regions of the expanded Community, involving both the Agricultural and Regional Funds as well as the EID. In the same spirit, Mr. Jenkins has emphasized the need for an increase in the size of the Community budget and a bigger transfer of resources from rich to poor regions. Meanwhile, "the German Social Democrats have set up a committee to examine the proposal for a 'European Solidarity Fund' or a mini-Marshall plan for the Mediterranean." (It has also been proposed that a multi-disciplinary attempt be undertaken "to
identify what are the causes of the vicious circle of regional deprivation and how they can be put right.\(^62\)

Is there any possibility that progress along these lines will come about? In the present political and economic climate, it seems unlikely that measures of a scale envisaged by Mr. Jenkins and Mr. Natali will be adopted in the near future.\(^63\)

The richer countries, with expansion and the present economic downturn, will understandably be much more reluctant to underwrite expensive Community schemes which would benefit the poor. This was the case with the present Regional Fund, which was finally approved in 1975 on a much more modest scale than originally envisaged.\(^64\)

We argued in Chapter One that one of the possible problems in the process of integration may be that the dynamics inherent to integration become operational prematurely -- that is, pressures for further integration increase significantly before a sufficient base for further integration is created. This seems to be the case for the Community of the Twelve due to two developments which we analysed earlier. First, the economic and monetary crisis demands that greater levels of co-operation be achieved so as to better safeguard and improve the existing level of integration. Second, and perhaps more important, expansion leads to the necessity for further integration, especially greater positive integration in the form of a common compensatory mechanism to redress the inequalities in terms of economic development and opportunity. Such developments, however, are much more difficult in a Community of Twelve due to the increased diversity of national economic
situations and interests. There seems to be an unstated rule in matters of politics that what is most needed is also most difficult to attain -- and the dilemma of the expanded EC does not appear to constitute an exception.

The major obstacle to establishing an effective Community mechanism for redistribution and compensation is the lack of political will among the member-state governments. Common policies with definite political implications -- such as an EC regional policy or EMU -- require the existence of political commitment if they are to be established and function properly. Enlargement, which will dilute even further the existing consensus between member-states by introducing differing and contradictory interests, exacerbating the diversity of interests that already characterizes the Community, will create a double problem for the future process of EC integration. On the one hand, given the economic diversity of the Twelve, the present level of negative integration will not enjoy as much support among the less developed members (unless accompanied by greater positive integration) while, on the other hand, the more advanced states will be even less inclined to support positive integration measures because of the disproportionate costs they would have to shoulder.

T.M. Franck, based on studies of the attempted federations of West Indies, Central and East Africa, and Malaysia, has argued that the principal cause of failure of each of these federations "can only be found in the absence of a sufficient political-ideological commitment to the primary concept or value of federation itself. 65  Five Federation was, and to some extent still
is, the ultimate goal of West European integration; however, our interest in this paper rests primarily with the nature and future progress of the EC integration process and not with the attainment of any one particular level of integration. Nonetheless, T.A. Franck's analysis is useful to us because of its emphasis on the importance of political will in the process and progress of political integration.

The process of EC integration was always a political one, but with the accession of Spain, Greece and Portugal it will become much more so. The diversity of interests that will characterize the Twelve will increase the level of politicization for many aspects of the Community integration process, as their more conflictual visions (compared to those within the Nine) of the common interest will require greater political effort and compromise. By giving the Three, whose basic economic interests differ greatly from those of the more advanced states of the EC, the political rights of membership, you in effect give them the right to express their particular interests and to increase the scope of Community political tension and controversy. In Chapter Three we gave some examples of the issues whose politicization will increase after expansion -- such as the issues related to Mediterranean agriculture declining industries, backward regions, etc.

The pressures for spillover that are inherent to the process of integration will increase significantly with expansion, but they will do so prematurely. The level of integration among the Twelve will be important and controversial enough to ensure the involvement of potent political forces -- interest groups, parties,
governments, etc. -- and the inherent conflicts will increase pressures for spillover. But given the diversity of interests within the Twelve, the importance and controversiality of the integration will directly affect the vital interests of the member-states. The backdrop of ideological and major interest consensus necessary for the process of spillover to function in neo-functionalist practice as it does in A theory will not exist within the Twelve.

Some hope for the development of the necessary political commitment and the upgrading of the common interests of member states to form as a base for instituting the necessary reforms within the EC is presently placed on the new, European Parliament, consisting of 410 Euro-MPs directly elected for the first time in June 1979. Articles appeared in the fall of 1979 issues of the Economist, for example, with such titles as "A power-starved parliament in search of teeth"66 and "A parliament beginning to behave like one."67 It all started with the new parliament's attempts to reduce farm spending and increase regional and social funds. At its budget session in Strasbourg on November 7th 1979 the parliament voted to boost spending on the EC's non-farm policies, notably a £230 million increase in regional spending, and to slice £250 million from next year's budget spending on the Community's milk surpluses and to raise £160 million through a tax on dairy farmers.68 "As a rule, the European parliament cannot raise revenue. But by a quirk of the EEC law, the milk tax is not treated as revenue but as negative expenditure. This increased tax would save another million ecus by discouraging farmers from producing
These proposals for the 1980 EC budget were rejected by the Council of Ministers and, as a result, the parliament rejected the whole budget for 1980 in December 1979.

Addressing the National Press Club in Washington on 28 January 1980 Mrs. Veil, the President of parliament, said that the new parliament, now that it has been directly elected by the citizens, differed from its predecessor not only because it had more members but also because they were more representative. Mrs. Veil reminded her audience that direct elections did not in themselves extend parliament's powers as defined by the Treaties. Nevertheless, "the new elected Parliament has been quick to demonstrate that it intends to be a political force in tackling the major problems facing the European Community. Witness the autumn debates on the draft budget for 1980." Referring to the parliament's rejection of the draft budget, Mrs. Veil said that "this episode showed that the new Parliament is determined to make itself heard by all the means available to it under the Treaties ... The voice of its members has spoken, since their election, and will be heard louder and louder, as the democratic counterpoint to the political cooperation developed by the governments." The original problem of lack of political weight, however, remain unresolved, as the parliament possesses few positive powers of policy formulation -- it can reject the budget, as it can also dismiss the Commission, but it can do very little beyond that. Three quarters of the budget goes on obligatory spending, which the parliament can do little about, and any increase
in the rest is subject to a ceiling. For example, a maximum increase of 5.7 percent of the total budget was permitted in 1973. In addition, the Council of Ministers can reduce parliament's rights to the barest minimum by ignoring the amendments that parliament has made. For example, of the 29 amendments Euro-XPs made to the 1977 budget, 21 were not implemented that year; five more were implemented by less than half the amount voted; and only one was implemented in full. Of the 154.4 million units of account the parliament added to the 1977 budget, only 4.6 mua -- about 3 percent -- were actually paid out in that year. But even if every amendment had been implemented in full ... parliament's role in the budget would still have been nugatory. The most striking feature of the budget is the vast change to which it is subject in the course of the financial year, long after parliament has ceased to have any influence on the way the money is spent. Of the 8,651 mua voted for the 1977 budget, for example, 1,659 mua were carried over from 1977 to 1978, with no guarantee that the money would be spent in that year; conversely, 1,900 mua were cancelled; and supplementary budgets to cover agricultural spending, over which the parliament has virtually no control, added 773 mua. All this shows, in the words of a highly critical report drawn up by Lord Bruce of Donington on the EC's budget for the 1977 financial year, "that parliament is left to fight for control of the petty cash, while the commission and council are free to determine without any democratic control the use or misuse of thousands of millions of units of account."
The new Euro-MPs will for some time to come have more time on their hands than they will know what to do with. If they are to spend this time more constructively, then the parliament's power must be increased significantly. As it stands today, the European parliament is a consultative rather than a legislative body -- and, partly due to its present preoccupation with reducing farm spending, it will likely remain so if France has any say in the matter (and France does).

The European movement grew out of a past historical situation and represented a broad aspiration. But this longing, and the cunning procedures Monnet devised for its fulfillment, have not succeeded in creating a common will. Europe, today as in the 1950s, is a necessity and a possibility; but it is not a will, it is no longer much of an ideal, and, as a result, it may end up being, like so many necessities, a missed opportunity. (79)

Western Europe remains a collection of self-encased nation-states. The various governments of Western Europe have found it useful to establish common institutions to deal with their common problems (...) But the basic unit of concern remains the nation-state, however inadequate (...) There was, to be sure, a collective projet at the outset; its very ambiguity about ends -- federation or confederacy? A strong entity or a contribution to global solutions? Free trade or common dirigisme? A new power bloc in the world or an exercise in transcending power politics? -- helped it grow in the beginning. But later, when each step seemed to require clarification of the final goals, its ambiguous nature began to plague it. (80)

Progress of the EC requires a common sense of direction. If this was overlooked in the 1950s and 1960s due to the euphoria of economic growth, the economic and energy crises of the 1970s and 1980s and the expansion towards the south in the 1980s will help bring it back into focus. A common sense of direction, if it is to be achieved, must take into account not only the needs
of the more developed regions of the EC (as is the case presently) but also those of the less fortunate regions. Unless a staggering amount of money is devoted to this task "there are bound to be defensive operations on a grand scale to undermine the widened Customs Union. Once this piece of knitting starts to unravel there is no knowing where the psychology of defensive panic may lead." 81

With the second round of enlargement the EC will no longer be a 'rich man's club', if it ever was one. The inclusion of the three new members will give it a more dualistic nature, especially so in terms of economic development. As such, the needs of a Community of Twelve will be much different from those of the Nine, as the present level and nature of EC integration will not satisfy all the political interests. Change along the lines defined in this paper, however, is hard to imagine. The EC is more likely to stagnate or disintegrate rather than become attuned to the economic and political needs of the poorer states and regions. Each member state is still primarily concerned with its national interest and one would have to be excessively optimistic to suggest that the richer states will be willing to pour their resources into the poor ones. As a result, the expanded Community of the 1980s and 1990s will experience a crisis not too different from the one described by Gramsci when he depicted the Italy of the 1920s: "the old is dying and the new cannot be born." 82
What is needed for EC integration to succeed is a collective determination to build a common future. Yet it is this very determination which has declined in force over the years and will decline even further with expansion. As Stanley Hoffmann has noted,

(1) In West Germany -- because it has recovered status and influence so hugely -- the European avenue, while economically advantageous, is by no means so essential as it once seemed. In Italy the domestic crisis leaves no room for the old myth of Europe as an undoer of national knots. In both cases, Europe remains necessary -- as an outlet for German goods and a cloak for Germany's naked strength and as a source of material and moral help in Italy's lonely ordeal. But we are dealing with a utilitarian Europe. In France, the original faith has been eroded by years of 'theological' disputes. (1)

In Britain, with the present dissatisfaction with the balance of costs and gains, the EC seems at best as a mixed blessing. As for the Three, though they have picked up much of the old phraseology related to European unity, the Community is more like a healthy cow ready to be milked if only the appropriate policies are developed. Each state is seeking first of all to gain from the functioning of the EC, looking at membership as a means towards the fulfillment of their private ambitions; but the EC must also be treated as an end in itself if it is to survive the diversity of the Twelve.
The Community of the Twelve will be characterized by two dimensions of diversity which were hardly as important in the Nine. The first dimension, that of centre-periphery tensions, will correspond in general to the conflict of interests among the developed states and regions of the EC, which are located mainly in central Europe, and the less advanced regions and states, which are for the main part located on the geographical periphery of the EC (see Appendix II, Map). The central regions will identify their interests with the present common market, with further negative integration in the direction of EMU and with liberalizing international trade, because of the benefits they can derive from freer competition due to their preponderant economic position. The peripheral regions, on the other hand, will be more interested in protecting their less competitive economies from international market forces by reducing the effectiveness of the common market rules, by being more protectionist with respect to extra-EC competitors and/or by accompanying freer competition with common compensatory/redistributive policies.

The second dimension, that of north-south tensions, will incorporate part of the centre-periphery tensions, but will also go beyond them for we can include, for some purposes, Italy and France, as well as Spain, Greece and Portugal. Part of the north-south conflict within the Twelve will be along the lines of centre-periphery economic interests, and part of it will extend along the lines of north-south diversity of agricultural interests. To
this mainly economic interest emphasis of the north-south dimension, however, one must also add the diversity of economic/political orientations between northern and southern EC states.

In contrast to Northern Europe, capitalism in any of its variants has not gained full legitimacy in any Southern European country, as it has not in France. In a poll taken in January 1977 in Spain, for example, 39 percent of those interviewed chose the word 'socialism' and 30 percent chose 'private property'; 11 percent chose both, and 20 percent expressed no opinion. When asked how enterprises should be run, 16 percent said by their owner, 42 percent said that owners and personnel should participate in the appointment of management, 5 percent were in favour of state ownership, and 29 percent wanted ownership by the personnel and management by those elected; 9 percent did not answer. Capitalism in Italy, Spain, Greece and Portugal, as J. Linz notes, was not successfully established before, or at the same time as, liberal democracy. Precapitalist elites and a strong (...) church (influence) never accepted the ethos of capitalism, and a dwarfed capitalist industrial development could not provide the masses of workers with a satisfactory standard of living. In Spain, and to a lesser extent in Portugal, capitalist economic development took place largely under an authoritarian regime that did not allow the emergence of a trade union movement that would have institutionalized economic class conflicts and forced, in the moments of prosperity, a more equitable redistribution of national income. (3)

In addition, and particularly in Spain, Greece and Portugal, capitalist economic development has taken the form, more or less, of dependent capitalism with the presence of multinational corporations, which have drawn the attention of nationalistic hostility of the Left.
In Spain, Portugal and Italy, anticapitalism was condoned at the verbal and the ideological level by the authoritarian regimes, and incorporated Catholic corporatist, antiliberal traditions as well as the Fascist ideological heritage. This background -- the lack of empathy with business values among large sectors of the middle classes that emerged from the early development of the modern state (bureaucrats and a large professional and educated sector) and the tensions between the more bureaucratic and political/national capitals such as Madrid and Rome and the industrial commercial counterparts, Barcelona and Milan -- accounts for the lack of legitimacy accorded the industrial commercial bourgeoisie among the otherwise conservative middle classes (...) The techocratic values that dominate so many of the councils of the New Europe, the skillful bargaining between corporative-ly organized interests -- particularly trade unions and employers -- the prominent role played by civil servants and experts in serving or imposing their choices on political leaders in Northern or a large part of Western Europe, is not the dominant or at least the most visible, and certainly not the legitimate pattern of politics in Southern Europe.(4)

Southern Europe, including France, in contrast to the rest of Western Europe, is characterized by an intellectual hegemony of marxist thought. Communist and most Socialist parties of Southern Europe, in contrast to Northern Social Democrats, pay significant tribute to marxist ideology. And, such parties received a total of 45.5 percent of the electoral vote in Italy (June 1976), 37.3 in Greece (November 1977), 54.4 in Portugal (May 1976), 49.3 in Spain (June 1977), and 46.5 in France (March 1978) (see Appendix III, Table 8). "Mediterranean Socialist parties define themselves programmatically as Marxists, though recently Felipe González, perhaps as a reflection of the PCE's abandonment of Leninism, raised the question of whether it might be desirable to drop the commitment to marxism in the party
program without questioning the obvious Marxist contribution to Socialism."^5

The Communist parties of Southern Europe cannot easily be classified under a label of Mediterranean Communism as they range from the Moscow-oriented Communist party of Greece (KKE) to the PCI and the PCE, which have become the leading representatives of Eurocommunism; but in general, in contrast to the rest of the West European Communist parties, they have had considerable electoral successes -- except for the French PCF, the Finnish, the Communist-dominated People's Alliance in Iceland, and the Luxembourg party, none of the West European Communist parties have achieved comparable electoral strength.~ If we average the Communist share of the total vote in recent parliamentary elections in Spain, Greece, Portugal and Italy, we get 24 percent, in contrast to an average in the Nine, including Italy, of some 10.3 percent.~

II

The second round of enlargement will certainly precipitate a crisis -- which may have come in any case, though not to the same extent, due to the deteriorating economic environment -- over the basic economic purposes of the Community. Questions will arise, for example, concerning "whether the free-market philosophy, which was that of the founding fathers and which is still for the most part that of the West Germans, or the more interventionist philosophy of France and Britain is to become the prevailing rule of the Community."~ Such questions, however, cannot find answers
unless the common denominator of the separate interests of the soon-to-be Twelve is upgraded — a prospect which based on our analysis has become all the more unlikely.

What will happen to the Community in the years to come? There are at least four possible routes along which the Community can travel, three of which seem likely and realistic alternatives and one which, based on our analysis thus far, seems utopian. The first possibility is that the richer and less developed states of the expanded EC will follow different rates of integration, resulting in a two-tier Community. In fact, "Mr. Tindemans insists that a two-tier approach is merely a matter of timing, and would help the weaker member-states to catch up with the strong." The prospect of EMU suggests that such an approach will help in

separating the economic men from the economic boys (...) it is hard to imagine all members of an enlarged EEC being able to live in the monetary company of its present nine, never mind its original six, members (...) The monetary likelihood is of a two-tier monetary system, with some currencies on a tighter ecu-related grid than others. (10)

In addition, if the weaker members protest too much of further negative integration and demand compensatory positive integration, and if the richer states are unwilling to give in to such demands, then the latter states may well move ahead on their own.

If a two-tier Community develops in terms of integration along the lines of EMU there might also be pressures from the more powerful states for a two-tier Community on the political level as well. "It is going to be difficult to have the reserves of Europe's strongest country, Germany, and the erratic political
strength of its largest landmass, France, backing an economic scheme without those two countries having the largest say. 

In fact, in 1977, France's President suggested that the EC ought to be run by a directorate dominated by the big countries (like the Security Council at the United Nations). 

Mr. Griscard d'Estaing's present ideas are not dissimilar. "He would like to increase the role of the Council of Ministers and increase the dominance of the Council by the big countries. He would like to see a permanent vice-presidency of the Council shared between big countries." This prospect, however, seems rather remote as the smaller and weaker states will not be willing to give up any of their political decision-making powers.

The second possibility is that of stagnation. As steps for further integration and harmonization become impossible due to the diversity of interests, the pressures for integration spill-over will lose their dynamism as there will not exist a background of general interest consensus. The Community decision-making process will become increasingly labourious as the participants are unable to come to agreement -- increasing the number of crises of the type presently experienced by the EC over the budget. The member-states, however, will be unwilling to take disintegrative steps, maintaining the status quo in the hope that progress may eventually come about and due to their fear of economic anarchy if disintegration (spillback) snowballs.

The problem with the possibility of stagnation is that it is difficult to imagine that the status quo can be maintained in the long-run in light of the increased diversity within the ex-
panded EC. Problems in decision-making, though they may not lead to formal disintegration, will likely have practical disintegra-
tive effects. For example, problems in deciding on a Community budget, on price levels for products covered under the CAP, on what regions deserve exemption from some common market rules, and economic and commercial relations with third states, will limit the effectiveness of common policies, forcing member-states to take individual and in some cases divergent decisions and measures.

This brings us to the third possibility, that of disintegra-
tion. Our analysis in Chapters Three and Four suggests that given the primary commitment of the Twelve to integration as a means for individual gain, and not as an end in itself, and the striking diversity of especially economic interests and needs, the expanded EC may well be a more practicable entity were it to maintain a much lower level of integration, one that would better reflect the balance of interests of its member-states. In fact, there is a school of thought on both sides of the Atlantic which argues that the prospect of disintegration as a result of enlarge-
ment is not a danger but a desirable outcome. "A Common Market stripped to the bare bones is, in this view, an organization much more appropriate to modern conditions that the conception of Monnet or even than the actual Community of Roy Jenkins, with its hypocrisy, its bent rules, and its neurotic obsession with its own identity and past dreams." Disintegration of the EC can take one or both of two forms: horizontal disintegration, where one or more member-states withdraw; and vertical disinte-
integration, where common decision-making patterns, policies and rules become increasingly ineffective and nonexistent.

Which of these three paths will the Community follow in the years to come? The most likely prospect is that, to a certain degree, the EC will travel along all three. We can divide the likely future of Community integration into two stages. The first stage, that of stagnation and limited differentiation, will likely come into being shortly after 1983, if it has not come already, when Spain, Greece and Portugal will have the same access to the Community decision-making process as other member-states do. This stage will be characterized by weak spillover pressures and decision-making crises due to the diversity of member-state interests, and by developments along different paths of integration as the economically more powerful states will probably move along greater monetary cohesion (at least relative to the economically weaker states). It is difficult to say how long this stage will last; though it seems safe to assume that it would at least cover the period till 1990, by which time the transition periods for the Three would expire.

The second stage, that of disintegration (defined basically by our third possible path), is likely to come after 1990 when the common market and other common policies will function in full in all of the twelve member-states, helping to clarify the diversity and incompatibility of interests held by the Twelve. Disintegration could well move the Community more along the lines of EFTA with certain states, the Benelux countries and West Germany, for example, maintaining 'islands' of higher levels of able to move integration. It is not inconceivable that these 'islands' will be to a higher level of integration that that of that of the present
EC. Among the Twelve as a whole, however, once the process of disintegration begins, it could well go all the way as the initial autarkic measures may create a state of panic. Like swimmers that panic in the deep, the Twelve may either singly or collectively scramble all the way back up the beach.

Many writers take the EC as a given, questioning its continued existence only in a rhetorical way. One could give examples of integration movements that have floundered or have failed to move beyond limited levels of co-operation, but many of these have taken place between Third World states and the parallel is highly questionable. There is an aura that surrounds writings concerning the Community that suggests that the sophistication of political and economic relations between and within EC states eliminates fears of disintegration. Can Europeans solve their problems rationally and sensibly through common ventures for the common good? Have they not learned from their troubled past that co-operation is the best method of securing peace and prosperity?

It is perhaps more than symbolic that many of the Community institutions and bureaucrats are based in the capital of a country that seems itself to be on the verge of disintegration. Belgium like the EC has neither a common language nor natural frontiers nor the tradition to give its people a sense of common identity. Belgium is also one of the most successful economies of the West, with its current inflation being a German-style 4.6 percent, its productivity between 1970 and 1979 rising 81 percent -- faster than any country in Europe -- possessing a comparatively stable
currency, and exports per head for the Belgium-Luxembourg economic union are the highest in the world. Superficially, the present unity problems of Belgium seem to emanate from linguistic differences but, as a study by The Economist has observed, "(1) it is the conflict of economic interests -- rather than linguistic battles -- that now poses the biggest threat to the survival of Belgium." Oddly enough,

both Walloons and Flemings say that their economic progress has been hindered by the other. The Walloons mean that private investors have invested a disproportionate share of their cash in Flanders. And they complain that the state has poured a bigger share of its capital investment into Flanders with such projects as the extension of the port at Zeebrugge. The Flemish say, on the contrary, that they have been subsidizing backward Wallonia -- when account is taken of total public spending. (18)

The economic disparities between Flanders and Wallonia are by far not as striking as those that will exist in the expanded Community, but this makes the parallel between Belgian and Community internal tensions all the more significant. If diverse economic objectives are so important in determining Belgium's future why would they not be at least as important in a much more economically disparate EC of the Twelve -- within which the net transfer of resources from rich to poor regions is dwarfed when compared to the case in Belgium. In fact, a study by two professors at the University of Louvain published in September of 1979 showed that there was a significant net transfer of resources to Wallonia; for 1974, for example, this transfer amounted to BF90 billion. The study also showed that productivity has risen much more slowly in Wallonia than Flanders. Indeed, if the two regions had separate currencies, the Walloon franc would have
had to have been devalued against the Flemish franc by 8 percent between 1970 and 1976. It has been possible to maintain Belgian monetary union precisely because there is a transfer of public funds between the regions. And thanks to monetary union, real wages have risen at the same rate in both regions. (Indeed in many industries wages are still higher in Wallonia: most absurdly in the Liege region, which also has the highest unemployment rate in the country). (20)

It is obvious that if political devolution is accompanied by some element of devolution in tax-raising and spending powers, Wallonia will be the loser. "Under stage two of the present devolution plan, finance will be dished out from Brussels by public grants, calculated to favour Wallonia. But in stage three, the Flemings are bound to demand a reduction in the transfer to Wallonia."21 For this reason, it seems to be in Wallonia's economic interest to oppose devolution. Instead, however, "Wallon politicians are demanding maximum devolution."22 If such political irrationality, if we may label it so, is to be found in one of the most advanced states of the EC, certainly it can be found in other EC states as well, especially in the Three. The EC, in its present state, may be seen by some to be to the benefit of all of the Twelve. But given that we have been able to show in the present work that some members of the expanded Community will benefit more than others and that member-states will hold diverse and even contradictory economic interests and objectives, without possessing a common political commitment to the EC as such -- being mainly concerned with the benefits that they derive from its functioning, seeing the EC as a means and not as an end in itself -- one has to seriously doubt the Community's 'immortality'. 
The fourth possibility for the future of the Community is that the EC moves further along the path of integration and comes to fulfill more of the aspirations of its founding fathers. Expansion in this case, as L. Tsoukalis puts it, must be "seen as a challenge and an opportunity for the Community to introduce reforms and policies which are long overdue." As we saw in Chapter Four, a massive redistribution of resources and purchasing power on the scale of the Marshall Plan has probably become the price of future progress of the EC. Such a development, however, requires a significant commitment to the EC as a whole, something that is not only lacking among the present Nine and the soon-to-be Twelve but has been on the decline over the three decades of European integration. To hope that economic gain within the EC will become responsible to the Community as a whole, rather than simply to the individual member-states, or that the new members will along with their increased rights of participation in the Community decision-making process acquire the virtue of patience, is to hope, under present and near-future circumstances, for the impossible.

There have been a lot of myths concerning the spirit of the Community that have come to surround the EC. Most of these originate from the noble and idealistic aims of the founding fathers; the EC, preceded by the ECSC, was to be a first step in European co-operation that was to secure long lasting peace and prosperity. However, though the EC has contributed to a limited extent to the economic well-being of its member-states and mellowed the relations among them, politically it has been
more of a reflection than a determining factor of the peace in Europe. Whatever the purposes of its creators, the EC is today little more than a broader base for the freer functioning of West European capitalism, where self-interest and not a Community spirit prevails. Perhaps one of the effects of the second expansion will be to shed some light on the nature of the EC; after all, it is not likely to turn the myths into reality.
APPENDIX I  MAJOR THEORIES OF INTEGRATION

The main theories of integration fall under the titles of federalism, pluralism, functionalism, and neofunctionalism. The model of the determining variables and process of integration as outlined in Chapter One employed some of the concepts and analyses used by these theories. Primarily, however, it relied on neofunctionalist theory, which it expanded to include more of the environmental variables and to take into account the criticisms of various analysts. As such, our model is for the most part a revised version of the neofunctionalist model and in many ways parallels the model expanded by J.J. Nye. In any case, let us take a comparative and critical look at the four major theories of integration.

Federalism

One of the seemingly simpler methods for dealing with the complex problem of peace and security is to assume that the problem is inherent in the existing system itself, and to propose the formation of a new system, a new regional or global order, that would be free of this problem. Federalists make this assumption and propose the creation of a world or regional government as the panacea for the existing shortcomings in the realm of peace and security. War being a necessary, natural and inescapable product of the state system, federalist theory "proposes to abolish and replace the system, rather than tinker with it." In this light, federation was seen as a solution of the age-old intra-European conflicts.
Federalism, however, seems more a prescription for the problems of peace and security and less a theory stating how such a federation is to be attained. There is a strong tendency among its proponents to assume that world or regional government is possible because it is believed to be necessary; as Mr. Nehru has said, world government must and will come, for there is no other remedy for the world’s sickness."

Federalists perceive integration "as a directly 'political' phenomenon, having to do with the behaviour of national political elites and with problems of power, responsiveness and control." Our model defines integration as being political in the sense that it is the political powers of the state that are integrated, but in the process of integration non-political as well as political variables are of importance. The central assumption by federalists of the 'primacy of politics' is much stronger than ours, as system-change is held by them to depend less on the vast, impersonal forces of economic or technical evolution, and more on the ability of the system's elites to amass, control and employ the assets of power (while we are more inclined to rely on qualities of the system). In short, federalism is "a non-deterministic philosophy, impressed with the random, willful and dramatic side of political life."

Admittedly, there are various shades of federalism. Its shades run from what A.J. Harrison labels 'radical federalism' -- which does not presume any natural harmony of interests, nor does it place any faith in the long term capacity of states for goodwill and
exploit -- to 'evolutionary federalism' -- which recognizes that other attempts at integration, like the EC, are helpful in keeping "alive the issue of European unity in a way their own unaided efforts to achieve publicity could never have matched."  

In any case, federalism, from our point of view, does not provide a satisfactory process for integration towards federation, and is too pre-occupied with only one of the levels and possible outcomes of integration. Its merit lies in emphasizing the necessity (though not sufficiency) of political will and commitment for the attainment and maintenance of supranational integration.

Pluralism

Unlike federalism, the pluralist approach does not concern itself with any specific type of legal and institutional framework but rather "with the conditions necessary to promote and maintain a sense of community among the population of a given region." Its basic premise "is that communication is the sole means of achieving the mutual relevance and responsiveness which distinguish organized social groups from random aggregations of individuals." The emphasis on communication is based on the argument that "the more one state interacts with another, the more relevant they are to each other."

Pluralists, like federalists, concern themselves foremost with resolving problems of peace and security, but find their solutions at the opposite extreme of institutionalization. Thus, integration for the pluralists is the condition in which the populations of a given region have attained a sense of community.
-- that is, "a belief on the part of individuals in a group that common social problems must and can be resolved peacefully" -- and practices, if not institutions, "strong enough and widespread enough to assure, for a long time, dependable expectations of peaceful change."

A community within a region, according to the pluralist approach, is built by communication among the peoples of that region. "A community cannot exist unless its members are to some degree interdependent, and interdependence can only be established by a network of mutual transactions." One of the problems arising from this emphasis on, if not preoccupation with, communication is determining which transactions are more important -- that is, which transactions lead to the creation of a community and which do not. Second, "(e)ven if transaction flow indices do provide some guide to the emergence of what (Paul) Taylor (...) calls 'socio-psychological community' (in the sense of common beliefs, values, attitudes and loyalties), it must be remembered that this is only one aspect of the regional integration process."

Our interest in this paper rests primarily with integration as it relates to the formation of a political rather than a socio-psychological community. The creation of a community feeling would of course affect the process of political integration, and we have taken this into account through our environmental variables 3 (rate of transactions) and 6 (societal compatibility). Thus, what the pluralist approach considers to be integration is for us only a part of the variables that make for integration and determine its progress.
Functionalism

In contrast to the federalists, functionalists are "(p)essimistic, in the realist tradition, about the prospects for resolution of political differences through constitutional arrangements which surrender sovereignty." While "the federalists see integration as superimposing a new state (either global or regional) to keep order among the old ones and, after some time, perhaps replace them entirely," the functionalists "are concerned with eliminating the state-system in the process of building a welfare-oriented world society (...) In the functionalists' eyes (the federalist approach) is no solution at all: federalism retains the old political divisions that are the source of our present discontents, and only compounds the evil by building even larger states on a new level."

Functionalists see war as having economic and social causes, which the state-system is inadequate to overcome. They are concerned with building a welfare-oriented world society: "a complex, interwoven network of cross-national organizations performing all the traditional welfare functions of the nation-state while at the same time rendering war impossible." The strategy for attaining this is an indirect one, working through the economic, social and technical sectors, and is based on the assumption that "political forms and practices are strictly defined by the economic or technical character of societies." As such, the functionalist approach to integration is essentially non-political, avoiding "situations of conflict to concentrate upon 'common needs that are evident' and upon 'making frontiers meaningless through the continuous development of common
activities and interests across them!" It "seeks, by linking authority to a specific activity, to break away from the traditional link between authority and definite territory."

Functionalist arguments rely "too much on the functional imperative for overcoming or avoiding existing political difficulties." Empirical studies that were designed as tests of the functionalist thesis have provided little support for it. J.P. Sewell, for example, "who examines the International Bank for reconstruction and development, found 'not so much habituation in agreement as the trappings of continuing conflict!'" In attempting to build and exploit common interests among peoples in the field of 'low-politics' as a method of overcoming the problems inherent in dealing with 'high-politics' the functionalists assumed state sovereignty to be like a salami that functionalist expansion can destroy by slicing it into small, even pieces. As Stanley Hoffmann suggests, however, sovereignty may be best portrayed as an artichoke, that "has a heart, which remains intact after the leaves have been eaten."

This argument becomes especially true today as the welfare state "has assumed more of the responsibility which the function- alists wanted as the foundation of world community."

From the point of view of our model, the functionalist approach is of importance in determining the nature and progress of the process of integration. But it emphasizes only some of the process factors that we have taken into account, and under-emphasizes many of our environmental variables due to the shortcomings of the approach as well as the contrast between our end-product of political integration and the functional end-product,
which is perhaps best described as political fragmentation or erosion.

Neofunctionalism

The three approaches to integration that we have looked at thus far had the primary intention of, or were primarily concerned with, solving the problems of international peace and security. Neofunctionalism is perhaps the first theory to be specifically and primarily concerned with the process of integration itself. It is a theory that developed as "an amalgam of federalism and functionalism. The federalists, initially at least (and still implicitly), supplied a model of the end-product -- a supranational state; the functionalists provided the dynamics of change in the idea of a structural evolution based on socio-economic pressures." 31

The essence of the neofunctionalist argument is that political integration comes about less through pressures from functional needs or technical change as such, and more through the interaction of political forces -- interest groups, parties, governments, international agencies -- which seek to exploit these pressures in pursuit of their own interests." Further, it is argued that when certain sectors of the life of sovereign states are integrated by being brought under joint control--assuming that the sectors chosen are important and controversial enough to ensure the involvement of the above-named forces. "but not so important that the vital interests of the states are immediately affected, nor so that political elites feel that their power and vested interests are seriously threatened" 33

"the conflicts inherent in such a process are resolved so as to
give greater powers and competence to common organizations, and increase the range and importance of decisions taken jointly rather than separately by national governments." A "group of national actors, having decided to collaborate at the international level to further their individual and collective interest in the performance of some technical function, discover that the fulfillment of their original purpose depends upon a widening of the range of the means available to them." Initially, these actors will remain active primarily in national politics. "However, as central regional institutions are given more power and functions by the member governments in response to such pressures, the theory is that the demands, the expectations and the loyalties of groups and parties will gradually shift to the new centre of decision making. The central institutions will respond and become the driving force or motor of the community."  

This is the neofunctionalist concept of 'spill-over', whereby the "acceptance of each stage in this integration process is best explained by the convergence of demands within and among the nations concerned, not by a pattern of identical demands and hopes." It is a concept of political conflict that "derives from one of the dominant images of American political science -- that of liberal, pluralistic interest-group politics played against a backdrop of ideological consensus." As such, in many respects, "neofunctionalism reflects the state and preoccupation of American political science in the late fifties and early sixties." However, though it may be "plausible to argue that certain areas of political life are imbued with a basic ideological consensus which allows for a competition over
scarce resources which can have integrative effects, (i)t is less 
easy to see how the 'end of ideology' assumption could be trans-
planted to an international system -- even one so seemingly 
cohesive as Western Europe -- and made into a component of the 
theory of political integration which laid claims to all sectors of political life."

With this (at least partly faulty) assumption of consensus, 
the neofunctionalist approach to integration ignores many of the 
inputs from the environment (both domestic and international), 
and underemphasizes the role that political commitment and its 
determinants can play to advance or limit integration. The 
main thrust of the neofunctionalist argument is crucial in 
understanding part of the process of integration, but for a 
complete picture we need to take into account more of the envir-
onment variables and their effects, as we attempted to do in the 
first part of this chapter. Thus, 'spill-over' becomes not an 
inevitability, but only one of the pressures for further inte-
gration that has to compete and coalesce with a variety of 
other environmental factors that may be pressures for further 
integration, for the status quo, and even for disintegration 
and diversification.
When we speak of underdevelopment what usually comes to mind is the relative economic condition of most Third World states. This is of course a global perspective within which the EC as a whole is anything but underdeveloped; it is in fact, along with North America and Japan (and a number of non-EC European states), the most economically advanced global region. To concentrate on this however is to confuse the issue. Just because in relation to many other global regions the EC is definitely developed does not mean that it lacks regional problems of its own. Regional disparities exist in a relative sense -- no region is absolutely developed. And within an EC perspective there exist significant regional disparities with important economic, social and political implications which cannot be overlooked.

Regional problems within the EC can generally be divided into three categories: (i) areas which due to a variety of factors such as historical development, terrain, soil or climate have remained relatively underdeveloped; (ii) areas which are overdeveloped and congested; and (iii) zones that may have prospered in the past by concentrating on a particular industry but have declined due to unfavourable market forces and other factors.

The classic case of underdevelopment within the EC is of course southern Italy, comprising about half the land areas of the Country -- the southern half of the Italian peninsula and the islands of Sicily and Sardinia. The average per capita income in this area is about 50 percent of the national average and only
40 percent of the northern region's average (1965 statistics)\(^1\). France provides another example of persistent regional imbalances and major areas of underdevelopment with its main problematic regions being central France (Massif Central), the southwest (Languedoc, Roussillon, Pyrenees and Aquitaine), Brittany and Lower Normandy, Corsica and the Alpine region (Savoy)\(^2\). Even West Germany, one of the richest EC states, has designated 60 percent of its land area as being economically weak. Comparing the per capita GDPs of the nine member states (at 1976 market prices) we find that Ireland's is only one third that of Denmark's and less than half of the EC average.\(^3\)

The most economically active areas of the continental EC are found along the Rhine-Rhone axis which stretches from the Netherlands in the north to northern Italy in the south (see map). In this zone is to be found 35 percent of the land area, 45 percent of the population and 60 percent of the GNP.\(^4\) In the UK the main concentrations of economic activity extend from the west Midlands through London to the southeast.\(^5\) The depressed areas are to be found on the periphery of the EC; in particular, southern and eastern Italy, western France, northern UK and Ireland. The majority of these areas are predominantly agricultural with little or insignificant industry. As a result there are high emigration rates, as there is little in terms of alternate employment for those who wish to escape from the significantly lower income levels of agriculture. In Italy for the year of 1975, for example, one quarter million people emigrated from the south to northern Italy and central Europe.\(^6\) Other areas of high emigration
are Scotland, northern England, Ireland (except around Dublin) and the frontier zones of Belgium, France and Germany. 7

These areas of economic underdevelopment, the periphery of EC economic activity, will grow significantly in size in the next few years as the EC will expand to include Greece in 1981 and Spain and Portugal probably in 1983. Turkey is another potential member but no arrangements have been made as yet for its entry and it can only be considered in discussions of the relatively distant and uncertain future of the EC. In terms of GDP per head (at 1976 market prices) Spain and Greece are approximately at the level of Ireland, the poorest member of the EC, and Portugal is even lower with only about 65 percent of the GDP per head of Ireland. 8 With enlargement the extent of regional imbalances will be increased in the new Community as a result of the disparities in development between certain regions of the Three and the richest regions of the present Community. In fact, the EC may end up with its own, internal 'centre-periphery' conflict to parallel to some extent the so-called global 'North-South' conflict.

In the second category we have overdevelopment and congestion which result as capital and enterprise seeking to maximize profits are attracted to the already developed centers of economic activity where developed consumer markets already exist and transportation costs can be kept to a minimum. These centers also attract the majority of people that emigrate from the less developed regions as they offer better employment opportunities and higher income levels. Paris is one of the many examples of this occurrence in the EC. Similar problems also exist in the three prospective
member states where growth is concentrated in one region (Athens in Greece, Lisbon in Portugal) or in a few provinces (in Spain).

The third category of EC regional imbalances became more apparent in the 1960s and related to the decline experienced in areas such as the Ruhr, the Sambre and Lorraine which were heavily industrialized for many years with their prosperity based on iron ore reserves and coal. The domestic iron ore had to meet competition from cheap imported sources and iron and steel industries had to meet competition from Japan and the newly industrialized countries, while coal faced the combined threat of oil and natural gas. The decline was especially felt in the inefficient Belgian coal industry and severe-regional problems emerged. In the Borinage, for example, the coal industry which employed 10 percent of the Belgian industrial labour force was particularly inefficient owing to a combination of poor geological conditions, old equipment and small pits. Traditionally the problem area of Belgium was Flanders where agriculture was the predominant occupation and incomes were relatively low. But due to the decline of coal the Walloon area suffered considerably while the Flemish regions greatly improved its income levels by attracting new industries. We will likely witness declines in some of the inefficient industries of Spain, Greece and Portugal as they become exposed to competition from similar EC industries.
REGIONAL DISPARITIES WITHIN THE COMMUNITY, INCLUDING SPAIN, GREECE AND PORTUGAL, IN TERMS OF GDP PER HEAD

- more than 130% of Community average
- 110-130%
- 90-110%
- 70-90%
- less than 70% of Community average
APPENDIX III  Tables

Table 11

European Commission estimates of possible effect on the 1976 budget of Greek membership.

<table>
<thead>
<tr>
<th>Extra Spending</th>
<th>(million UA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm:</td>
<td></td>
</tr>
<tr>
<td>Price support</td>
<td>220</td>
</tr>
<tr>
<td>Reform aid</td>
<td>60</td>
</tr>
<tr>
<td>Social</td>
<td>40</td>
</tr>
<tr>
<td>Regional</td>
<td>100</td>
</tr>
<tr>
<td>Research</td>
<td>5</td>
</tr>
<tr>
<td>Administration</td>
<td>20</td>
</tr>
<tr>
<td>Payment for collecting own resources</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>453</td>
</tr>
</tbody>
</table>

Extra Income

<table>
<thead>
<tr>
<th>Greece's custom duties</th>
<th>(million UA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>farm levies</td>
<td>70</td>
</tr>
<tr>
<td>vat</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>73</td>
</tr>
</tbody>
</table>

Net Benefit to Greece 302

Table 22

% annual average growth rates 1970-77

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Labour force</th>
<th>GDP per head</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>1.2</td>
<td>0.75</td>
<td>3.3</td>
</tr>
<tr>
<td>Portugal</td>
<td>1.15</td>
<td>0.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Greece</td>
<td>0.7</td>
<td>0.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Industrial countries</td>
<td>0.8</td>
<td>1.0</td>
<td>3.2</td>
</tr>
</tbody>
</table>
### Table 3

<table>
<thead>
<tr>
<th>Country</th>
<th>1960</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>21.9</td>
<td>14.7</td>
</tr>
<tr>
<td>Spain</td>
<td>19.5</td>
<td>9.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>25.7</td>
<td>12.3</td>
</tr>
<tr>
<td>France</td>
<td>9.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Italy</td>
<td>11.6</td>
<td>8.2</td>
</tr>
</tbody>
</table>

### Table 4

<table>
<thead>
<tr>
<th>Country</th>
<th>1960</th>
<th>1975</th>
<th>1977</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>57</td>
<td>35.4</td>
<td>34.1</td>
</tr>
<tr>
<td>Spain</td>
<td>42.3</td>
<td>22.0</td>
<td>-</td>
</tr>
<tr>
<td>Portugal</td>
<td>42.8</td>
<td>29.1</td>
<td>-</td>
</tr>
</tbody>
</table>

### Table 5

<table>
<thead>
<tr>
<th>Size of industrial firms in Greece</th>
</tr>
</thead>
<tbody>
<tr>
<td>no. of workers per firm</td>
</tr>
<tr>
<td>no. of firms</td>
</tr>
</tbody>
</table>

| % of each class in Greek industry | 93.5 | 4.7  | 1.8  | 100  |
Table 6

Question: Should Greece enter the Common Market or not? (4297 people interviewed)

<table>
<thead>
<tr>
<th>Answer</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
</tr>
<tr>
<td>I don't know</td>
<td>19</td>
</tr>
<tr>
<td>Other special agreement</td>
<td>16</td>
</tr>
<tr>
<td>Continue present association</td>
<td>10</td>
</tr>
<tr>
<td>No relations at all</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 7

The gap widens. Index of GDP per head: EC average = 100

<table>
<thead>
<tr>
<th>Country</th>
<th>1970</th>
<th>1973</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Germany</td>
<td>124.4</td>
<td>140.5</td>
</tr>
<tr>
<td>Denmark</td>
<td>128.5</td>
<td>137.4</td>
</tr>
<tr>
<td>Belgium</td>
<td>106.5</td>
<td>133.7</td>
</tr>
<tr>
<td>Holland</td>
<td>98.8</td>
<td>125.9</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>127.3</td>
<td>124.2</td>
</tr>
<tr>
<td>France</td>
<td>112.9</td>
<td>113.2</td>
</tr>
<tr>
<td>Britain</td>
<td>89.1</td>
<td>75.0</td>
</tr>
<tr>
<td>Italy</td>
<td>60.3</td>
<td>55.8</td>
</tr>
<tr>
<td>Ireland</td>
<td>53.8</td>
<td>50.5</td>
</tr>
</tbody>
</table>
Table 8

Percentage of vote gained by different parties in recent elections in Southern Europe.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Extreme Left</td>
<td>1.5</td>
<td>4.8</td>
<td>3.05</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>Communists</td>
<td>34.4</td>
<td>12.0</td>
<td>14.6</td>
<td>9.28</td>
<td>20.6</td>
</tr>
<tr>
<td>Socialists</td>
<td>9.6</td>
<td>25.3</td>
<td>35.0</td>
<td>33.97</td>
<td>22.6</td>
</tr>
<tr>
<td>Other Left</td>
<td>7.6</td>
<td>24.0</td>
<td>0.75</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Regional and Nationalist Parties</td>
<td>0.7</td>
<td></td>
<td></td>
<td>7.81</td>
<td></td>
</tr>
<tr>
<td>Center</td>
<td>38.7</td>
<td>53.9</td>
<td>15.9</td>
<td>36.21</td>
<td>23.9</td>
</tr>
<tr>
<td>Right</td>
<td>1.3</td>
<td>0.5</td>
<td>8.4</td>
<td>22.6</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td>3.3</td>
<td></td>
</tr>
</tbody>
</table>
REFERENCES

INTRODUCTION

1. K.J. Twitchett "External Relations or Foreign Policy?" in K.J. Twitchett (Ed.) Europe and the World (St Martin's Press, N.Y., 1976) pp. 3,4


CHAPTER ONE


2. Ibid. p. 12


4. J. Hodges op. cit. p. 12

5. S. Hoffmann "Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe" in J.S. Nye (Ed.) International Regionalism (Little, Brown and Company, Boston, 1968) p. 177

6. Ibid. p. 178

7. Ibid. p. 178

8. Ibid. p. 179

9. Ibid. p. 179

10. Ibid. p. 180

11. Ibid. p. 180

12. Ibid. p. 181


14. S. Hoffmann op. cit. p. 222

15. Ibid. p. 223


17. S. Hoffmann op. cit. p. 225

19. J.S. Nye *op. cit.* pp. 88-93


21. J.S. Nye *op. cit.* p. 88


CHAPTER TWO


3. D. Swann *op. cit.* pp. 60-1

4. J. Lodge "Towards the European Political Community" *Orbis* (Summer, 1975) p. 627

5. D. Swann *op. cit.* pp. 61-2


7. D. Swann *op. cit.* pp. 65-6


11. *The European Community's Budget* (European Documentation, Brussels, 1979) p. 28


17. K.J. Twitchett in K.J. Twitchett (Ed) *op. cit.* pp. 3-4

18. As further examples one could cite the (less important and less effective) common transport policy, regional and social policies, and macro, industrial and consumer policies of the EC.

19. G. Yannopoulos "The external economic relations of the EEC" in G. Yannopoulos et al *ECC (Exantos, Athens, 1979)* p. 34


22. S. Hoffmann *op. cit.* p. 203


29. *Ibid.* p. 54

30. D. Swann *op. cit.* p. 237-8


32. *Ibid.* p. 239


34. J.S. Nye *op. cit.* p. 88

35. *The Economist* (December 22, 1979) p. 9


38. S. Hoffmann *op. cit.* p. 204


CHAPTE R THREE


2. Ibid, p. 171

3. Ibid, p. 168

4. The Economist (May 20, 1978) p. 63

5. "The Enlargement of the European Community" European File (March 1979) p. 3


7. Enlargement of the Community - Economic and Sectoral Aspects (Supplement 3/78, Bulletin of the European Communities) p. 29

8. Ibid, p. 46


10. Ibid, p. 25

11. Ibid, p. 30

12. Ibid, p. 26

13. Ibid, p. 76


15. Tachydromos (Athens, Feb. 15, 1980) p. 21

16. D. Swann op. cit. p. 300


19. Ibid. p. 440

20. Ibid. p. 440

21. Ibid. p. 438

22. Ibid. p. 438

23. Ibid. pp. 438-9

24. Ibid. p. 439

25. A. Shlaim "The Community and the Mediterranean Basin" in E.J. Twitchett (Ed) op. cit. pp. 77-78

26. Ibid. p. 91

27. The Economist (Oct. 7, 1978) p. 65

28. Ibid. p. 65

29. Ibid. p. 65

30. P. Loakimidis The Relations Greece-EEC-USA (Papazese Publications, Athens, 1978) p. 34

31. Ibid. p. 34

32. Ibid. p. 19

33. Ibid. p. 35

34. Ibid. p. 35


37. P. Loakimidis op. cit. p. 37

38. Ibid. p. 37

39. L. Tsoukalis op. cit. p. 438

40. Mr. Papandreou is leader of PASOK (Panhellenic Socialist Movement), the official opposition party of Greece.

41. X. Zolotas Greece in the European Community (Bank of Greece, Athens, 1976) p. 23
42. H. Macridis "Greek Foreign Policy: reality, illusion, options" in L. Tsoukalis (Ed) Greece and the European Community (Saxon House, Westmead, England, 1979) p. 147

43. Ibid, p. 147

44. Ibid, p. 147


46. L. Tsoukalis "A Community of Twelve in Search of an Identity" op. cit. p. 145

47. The Economist (Dec. 16, 1978) p. 75

48. A. Shlaim op. cit. p. 106


50. The Economist (Dec. 16, 1978) p. 72


52. Ibid, p. 62

53. The Economist (Dec. 16, 1978) p. 75


55. The Economist (Dec. 16, 1978) p. 75


57. Ibid, p. 119

58. The Economist (July 1, 1978) p. 53


60. The Economist (July 1, 1978) p. 53

61. Opinion on Spain's application for membership (Bulletin of the European Communities, Supplement 9/78, Brussels) p. 10

62. Ibid, p. 11

63. Ibid, p. 12

64. Ibid, p. 12

66. Opinion on Spain's application for membership p. 10
68. L. Tsoukalis "A Community of Twelve in Search of an Identity" op. cit. pp. 443-4
69. Ibid. p. 444
70. Ibid. p. 445
71. The Economist (April 1, 1978) p. 48
73. L. Tsoukalis "Second Round of Enlargement and the Mediterranean" op. cit. p. 159
75. Ibid. p. 62
76. L. Tsoukalis "A Community of Twelve in Search of an Identity" op. cit. p. 446
77. Enlargement of the Community - Economic and Sectoral Aspects p. 30
78. The Second Enlargement of the European Community p. 18
79. L. Tsoukalis "Second Round of Enlargement and the Mediterranean" op. cit. p. 159
80. D. Swann op. cit. p. 181
81. Ibid. p. 183
82. The Economist (July 1, 1978) p. 53
84. The Second Enlargement of the European Community p. 15
86. L. Tsoukalis "A Community of Twelve in Search of an Identity" op. cit. p. 446
88. The Economist (Dec. 16, 1978) p. 75
89. L. Tsoukalis "A Community of Twelve in Search of an Identity" op. cit. p. 446
90. Ibid. p. 444
91. The Economist (Dec. 16, 1978) p. 75
92. L. Tsoukalis "A Community of Twelve in Search of an Identity" op. cit. p. 446
93. The Economist (Dec. 16, 1978) p. 78
94. Ibid. p. 75
95. Ibid. p. 75
96. Opinion on Spain's Application for Membership p. 70
98. L. Tsoukalis "A Community of Twelve in Search of an Identity" op. cit. p. 441
99. Ibid. p. 441
100. Ibid. p. 442
102. Ibid. p. 2
103. Ibid. p. 2
104. L. Tsoukalis "A Community of Twelve in Search of an Identity" op. cit. p. 438
105. Ibid. p. 438
106. Eleftherotypia (Athens, January 20, 1979) p. 13
108. Ibid. p. 144
109. Ibid. p. 144
110. E.A. Browne "Ireland in the EEC" The World Today (October 1975) p. 426
CHAPTER FOUR


3. M. Shanks op. cit. p. 101

4. European Economic and Monetary Union (European Documentation, 3/79) p. 13

5. Ibid. p. 15

6. Ibid. p. 8

7. Ibid. p. 8

8. D. Swann op. cit. p. 229

9. Ibid. p. 230

10. Ibid. p. 230

11. Ibid. pp. 230-1

12. Ibid. pp. 231-6

13. Ibid. p. 233

14. Ibid. p. 233

15. Ibid. p. 234

16. Ibid. p. 235

17. Ibid. p. 235

18. The European Community's Budget (European Documentation, Brussels, 1979) p. 28
19. D. Swann **op. cit.** pp. 235-6
20. **Ibid.** p. 236
21. **Ibid.** p. 236
22. **Ibid.** pp. 239-40, 243
23. "Regional Development and the European Community" **op. cit.** p. 6
24. **Ibid.** p. 7
25. **Ibid.** p. 7
26. **Ibid.** p. 7
27. *The European Community's Budget* p. 28
28. **Ibid.** p. 28
29. **Ibid.** p. 34
31. "Regional Development and the European Community" **op. cit.** p. 6
32. *European Economic and Monetary Union* p. 11
33. **Ibid.** pp. 11-12
35. **Ibid.** p. 1
37. **Ibid.** pp. 3-4
38. *European Economic and Monetary Union* p. 5
39. **Ibid.** p. 5
40. **Ibid.** pp. 5-6
41. D. Swann **op. cit.** p. 181
42. A.J.C. Kerr **op. cit.** p. 66
43. D. Swann **op. cit.** p. 181
44. A.J.C. Kerr op. cit. p. 66
45. Ibid. p. 66
46. *European Economic and Monetary Union* p. 5
47. Ibid. p. 10
48. Ibid. p. 10
49. Ibid. p. 10
50. Ibid. p. 10
51. Ibid. p. 16
52. Ibid. p. 18
53. Ibid. p. 18
54. Ibid. p. 27
55. Ibid. p. 29
57. *The Economist* (Aug. 18, 1979) p. 44
58. Ibid. p. 42
60. Ibid. p. 160
61. Ibid. op. 160-1
62. A. Shanks op. cit. p. 42
63. L. Tsoukalis "Second Round of Enlargement and the Mediterranean" op. cit. p. 161
64. M. Shanks op. cit. p. 16
65. T.A. Franck op. cit. p. 177
67. *The Economist* (Nov. 10, 1979) p. 58
68. Ibid. p. 58
69. The Economist (Oct. 13, 1979) p. 48
70. EC Bulletin (1-1980) p. 54
71. Ibid. p. 55
72. Ibid. p. 55
73. The Economist (August 18, 1979) p. 44
74. Ibid. p. 44
75. Ibid. p. 44
76. Ibid. p. 44
77. Ibid. p. 44
78. Ibid. p. 44
79. J. Hoffmann "Fragments Floating in the Here and Now" Daedalus (Winter 1979) p. 3
80. Ibid. p. 2
82. "Preface" Daedalus (Winter, 1979) p. 111

CHAPTER FIVE

1. J. Hoffmann "Fragments Floating in the Here and Now" op. cit. p. 4

2. J. Liuz "Europe's Southern Frontier" Daedalus (Winter, 1979) p. 207 This lack of legitimacy of capitalism in all Southern European states is also reflected by the electoral successes of the Communist parties in these states.

3. Ibid. p. 179
4. Ibid. pp. 189-190
5. Ibid. p. 193
6. Ibid. p. 195
7. Ibid. p. 195
8. J. Watt op. cit. p. 8
APPENDIX I

1. This is argued by P. Schmitter in "Three Neo-functional Hypotheses about International Integration" International Organization (Winter 1963) p. 165 and paraphrased by J.IS. Nye op.cit. pp.92-9

2. See J.IS. Nye op.cit. pp. 55-107


4. Ibid. p. 4.4

5. I.L. Claude Power and International Relations (Random House, N.Y., 1965) op. 212-3


7. R.J. Harrison Europe in Question (George Allen and Unwin, 1974) p. 12

8. C. Pentland op. cit. p. 165
9. A.J. Harrison op. cit. p. 44
10. Ibid. p. 58
11. Ibid. p. 59
13. Ibid. p. 15
14. Ibid. p. 15
15. C. Pentland op. cit. p. 31
16. Ibid. pp. 31-2
17. M. Hodges op. cit. p. 16
19. M. Hodges op. cit. p. 19
20. A.J. Harrison op. cit. p. 34
21. C. Pentland op. cit. p. 149
22. Ibid. p. 149
23. Ibid. p. 70
24. Ibid. p. 149
26. D. Mitrany op. cit. p. 27
27. R.J. Harrison op. cit. p. 31
28. Ibid. p. 38
30. S. Hoffmann op. cit. pp. 200-201
31. A.J. Harrison op. cit. p. 35
32. C. Pentland op. cit. p. 113
33. Ibid. p. 100
34. A.J. Harrison op. cit. p. 76
35. Ibid. p. 76
36. C. Pentland op. cit. p. 100
37. M. Hodges op. cit. p. 23
38. R.J. Harrison op. cit. p. 76.
39. Ibid. pp. 76-77
40. C. Pentland op. cit. p. 110
41. Ibid. p. 111

APPENDIX II

2. Ibid. p. 224
3. The Economist (May 20, 1978) p. 63
4. T.K. Brewis The Regional Economic Policy of the European Community (Ottawa, Carleton University International Studies 1977 p. 4
5. Ibid. p. 4
6. Ibid. p. 5
7. Ibid. p. 5
8. The Economist (May 20, 1978) p. 63
10. D. Swann op. cit. p. 225
11. Ibid. pp. 225-6
12. Ibid. p. 227
13. The Community and its Regions (European Documentation, 1977/4) p. 4

APPENDIX III

2. The Economist (Oct. 21, 1978) p. 69
4. Ibid. p. 7
5. Ibid. p. 7
7. The Economist (Aug. 18, 1979) p. 43
8. J. Liuw op. cit. p. 191
BIBLIOGRAPHY.

A. Aron "The crisis of the European idea" Government and Opposition (Winter 1976)

E. Baklanoff (Ed.) Mediterranean Europe and the Common Market (Univ. of Alabama Press, 1976)


M.A. Birand "Turkey and the European Community" The World Today (Feb. 1978)


T. Buck "Regional policy and European integration" Journal of Common Market Studies (Vol. 13)


R. Clogg "Greece Joins Europe" The World Today (July 1979)

H.D. Clout Regional Development in Western Europe (John Wiley and Sons, London, 1975)


A. Etzioni Political Unification (Holt, Rinehart and Winton, N.Y., 1965)

T.M. Franck (Ed.) Why Federations Fail (N.Y. Univ. Press, 1968)


Lord Gladwyn The European Idea (Praeger, N.Y., 1966)


W. Hallstein Europe in the Making (W.W. Norton and Company, N.Y., 1972)

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Hodges</td>
<td>&quot;The legacy of the Treaty of Rome: a Community of equals?&quot;</td>
<td>The World Today (June 1979)</td>
</tr>
<tr>
<td>M. Hodges (Ed.)</td>
<td>European Integration</td>
<td>Penguin Books, 1972</td>
</tr>
<tr>
<td>S. Hoffmann</td>
<td>&quot;Fragments in the here and now&quot;</td>
<td>Daedalus (Winter 1979)</td>
</tr>
<tr>
<td>D. Ioakimidis</td>
<td>The Relations Greece-EEC-USA</td>
<td>Papazese Publications, Athens, 1978</td>
</tr>
<tr>
<td>I. Isanberg (Ed.)</td>
<td>The Outlook for Western Europe</td>
<td>The W. Wilson Company, N.Y., 1970</td>
</tr>
<tr>
<td>U Kitzinger</td>
<td>The European Common Market and Community</td>
<td>Barnes and Noble, N.Y., 1957</td>
</tr>
<tr>
<td>J. Linz</td>
<td>&quot;Europe's southern frontier&quot;</td>
<td>Daedalus (Winter 1979)</td>
</tr>
<tr>
<td>C. Liska</td>
<td>Europe Ascendant</td>
<td>The John Hopkins Press, Baltimore, 1964</td>
</tr>
<tr>
<td>J. Lodge</td>
<td>&quot;Toward the European political community&quot;</td>
<td>Orbis (Summer 1975)</td>
</tr>
<tr>
<td>R. Mayne</td>
<td>The Community of Europe</td>
<td>W.W. Norton and Company, N.Y., 1973</td>
</tr>
<tr>
<td>N. McInnes</td>
<td>&quot;The communist parties of Western Europe and the EEC&quot;</td>
<td>The World Today (Feb. 1974)</td>
</tr>
<tr>
<td>M. Medina</td>
<td>&quot;Spain in Europe&quot;</td>
<td>Government and Opposition (Winter 1976)</td>
</tr>
<tr>
<td>R. Morgan</td>
<td>&quot;Can Europe have a foreign policy?&quot;</td>
<td>The World Today (Jan. 1974)</td>
</tr>
</tbody>
</table>
J.S. Nye (Ed.) International Regionalism (Little, Brown and Company, Boston, 1968)

M. Palmer "EEC: the road to better political cooperation" The World Today (Jan. 1976)

C. Pentland International Theory and European Integration (Faber and Faber Ltd, London, 1973)


J. Pinier The Community and the developing countries (Vol. 12, Sep. 1973)

D.J. Puchala "Domestic politics and regional harmonization in the European Communities" World Politics (Vol. 27, July 1975)

W. Ross "Europe's multilingual future" Daedalus (Spring 1979)


D. Rudnick "Spain's long road to Europe" The World Today (April 1976)

J.P. Sewell Functionalism and World Politics (Princeton Univ. Press, N.J., 1966)

S. Shaber and V.E. McHale "Reflections on the political economy of regional development in Western Europe" Journal of Common Market Studies (Vol. 15)


C. Soames "The EEC's external relations" The World Today (May 1973)

D. Swann The Economics of the Common Market (Penguin Books, 1978)


L. Tsoukalis (Ed.) Greece and the European Community (Saxon House, Westmead, England, 1979)

L. Tsoukalis "A Community of Twelve in search of an identity" International Affairs (London, July 1978)

R. Vaughan Post-War Integration in Europe (St Martin's Press, N.Y., 1976)


D. Watt "The Community: performance and prospects" Daedalus (Winter 1979)

F.R. Willis (Ed.) European Integration (Franklin Watts Inc., N.Y., 1975)


X. Zolotas Greece in the European Community (Bank of Greece, Athens, 1976)

X. Zolotas The Positive Contribution of Greece to the European Community (Bank of Greece, Athens, 1978)

European Community Publications:

The Community and its Regions (European Documentation, 1977/4)

Towards Europe (European Community Publications, 1977)

The European Community and the Energy Problem (European Documentation, 1978/1)

Enlargement of the Community--General considerations (Bulletin of the European Communities, 1978/1)

Enlargement of the Community--Transitional Period and Institutional Implications (Bulletin of the European Communities, 1978/2)

Enlargement of the Community--Economic and Sectoral Aspects (Bulletin of the European Communities, 1978/3)

Financing the Community Budget: The Way Ahead (Bulletin of the European Communities, 1978/8)

Opinion on Spain's Application for Membership (Bulletin of the European Communities, 1978/9)

The European Community's Budget (European Documentation, 1979/1)

The Agricultural Policy of the European Community (European Documentation, 1979/2)

European Economic and Monetary Union (European Documentation, 1979/3)

25 Years of European Community External Relations (European Documentation, 1979/4)
The Second Enlargement of the European Community (European Documentation, 1979/5)

"A European Community—Why?" European File (Jan. 1979/1)

"The Institution of the European Community" European File (Jan. 1979/2)

"The Enlargement of the European Community" European File (May 1979/5)

"Europe's Common Agricultural Policy" European File (May 1979/9)

"Regional Development and the European Community" European File (May 1979/10)

"The European Community in the 1980s" European File (Jan.-Feb. 1980/1)