

3. "EUROPE 1992"

3.1 The Context

The European Community was launched by the 1957 Treaty of Rome, signed by Belgium, France, Italy, Luxembourg, the Netherlands and the Federal Republic of Germany (FRG). The first ten years of the Treaty's existence were characterized by a consistently rapid pace of adjustment. The adoption of a Common External Tariff, the abolition of customs duties on intra-Community trade and the establishment of the Common Agricultural Policy were all completed before the deadlines provided for in the Treaty. The results were almost immediate; the proportion of total exports of Member States into the European Community went from 35 per cent in 1957 to over 50 per cent in 1970.

In the 1970s and 1980s, the EC expanded considerably. The United Kingdom, Ireland and Denmark entered in 1973, Greece in 1981, and Spain and Portugal in 1986. However, the integration process itself made little progress. Although tariff barriers had been eliminated, non-tariff barriers (particularly standards) were used to limit imports from other Member States: the food and agricultural sectors were particularly affected by this problem. Furthermore, divergent value-added tax (VAT) rates necessitated costly and time-consuming border controls, public procurement remained under national control, and no significant progress was made on harmonization of professions or the right of establishment in the services sector. As a result, by the beginning of the 1970s, the proportion of intra-Community trade began to level off.

The first half of the 1980s were marked by Euro-pessimism. During the 1960s and most of the 1970s, the main continental European countries had growth rates considerably higher than the American rates. The 1980s, however, were characterized by diminished growth

and high levels of unemployment. Furthermore, in the context of increasingly rapid globalization, European countries limited to narrow national markets appeared unable to hold their own against American and Japanese competitors.

These circumstances created a political context favourable to revival of European integration. The Single European Act was the result of this revival.

3.2 The Single European Act

The objectives of the Single European Act -- eliminating all non-tariff barriers, opening up public procurement, establishing freedom of establishment and the free movement of capital -- do not differ from those set forth in the Treaty of Rome. In fact, it has not been necessary to resort to a new treaty to launch Europe 1992. The Single European Act establishes, however, that EC Member States acknowledge a principle, a regulation, and a target that have quickened the pace towards a unified market, which in turn made it credible to set 1992 as the deadline.

a) Mutual Recognition

Before the Single European Act, most attempts to open the market focused on harmonization of standards, diplomas, regulation of professions, etc. as a prelude to liberalization. There were always particular interest groups that objected to some parts of the harmonization efforts and therefore delayed it. The famous ruling "Crème de Cassis de Dijon,"³ established the basic principle of mutual recognition of standards, diplomas, regulations concerning professions, etc. Furthermore, for a limited number of sectors and domains, European standards and regulation have been universally imposed.