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ECONOMIC INTEGRATION - SOME ASPECTS OF THE EUROPEAN EXPERIENCE

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SCOPE

The paper looks first at some of the salient features of the movement towards economic integration in Europe. It then examines the experience of the original six member of the European Economic Community (EEC) with integration in the industrial field (agriculture is not covered here). Attention is given particularly to the expectations as to the likely benefits and problems, mechanisms put in place to deal with the latter and what actually happened. The paper also deals, along similar lines, with Britain's experience in the Community. It concludes with some comments on the implications for consideration of a comprehensive trade agreement with the United States. A short note is appended on some of the trade and economic effects of the European Free Trade Association (EFTA).

A. SALIENT FEATURES

A Long Process

The movement towards economic integration in Western Europe has been going on for a long time and it is still far from complete. In the nineteenth century, formation of a customs union between the German states preceded political union by several decades. Abortive attempts were made to get rid of trade barriers within particular groups of European countries, such as Belgium and the Netherlands and the states of central Europe. There was a short-lived experiment in reducing tariff barriers between most of the major European countries to very low levels. In the 1920's and 1930's, efforts were made to liberalize trade between certain neighbouring countries (e.g., Belgium and the Netherlands again). Proposals were made, particularly by French political leaders, for some kind of European federal union.

However, practically all the solid progress towards integration has been made in the 40 years since the end of the Second World War. In the removal of tariffs and quantitative restrictions (QRs) on trade in industrial goods, the achievements have been impressive. Western hemisphere is now a vast tariff - and quota-free zone where such barriers are a rarity. It is not the same for agriculture, where there are not only tariffs but also variable import levies and other restrictive devices. In addition, a variety of non-tariff barriers still exist, even between members of the

EEC. They include differing product standards and safety and health requirements, government procurement practices and cumbersome customs procedures. Moreover, except within the EEC, European countries are still free to use measures of contingent protection against one another, such as anti-dumping and countervailing duties though generally only after prior consultation and joint study. On the other, the members of the Community, although they have not completed their hand common market, have in some respects moved beyond this level of integration towards economic, and perhaps eventually political, union. How far they will actually succeed in going in this direction is a matter for speculation at the moment.

Different Approaches

Especially in the early post-war years, a variety of approaches were taken towards integration. Even before the war was over, the governments-in-exile in London of Belgium and Luxembourg (which had formed an economic union in 1922) and of the Netherlands agreed to establish the customs union which became known as BENELUX. Instead of starting with a detailed blueprint, enshrined in a treaty (as the EEC countries did later), they took a series of practical steps based on protocols, conventions and ministerial agreements over a period of almost 15 years. Then they capped the process with a Treaty of Economic Union which codified and consolidated what had been done and reaffirmed the principles and intentions.

In 1948, the Organization for European Economic Cooperation (OEEC) was set up to help in distributing Marshall Plan aid and to further economic cooperation between the member countries. The convention establishing OEEC provided for the rapid completion of customs unions and free trade areas already agreed upon (this effectively meant BENELUX) and the study of other possible arrangements along these lines. However, this part of the work rapidly degenerated into an effort to standardize descriptions of tariff items, largely it seems because of British opposition to anything more ambitious. OEEC concentrated on freeing up international payments and getting rid of QRs. It also set up a number of industry sector committees, with a view to coordinating European investment plans and avoiding duplication.

The disappointing results of this approach was probably one of the factors leading to the decision of Germany, France, Italy and the BENELUX countries to set up the European Coal and Steel Community (ECSC) in 1951. In effect it was a sectoral customs union with some elements of supra-nationality and provisions to maintain a competitive environment, ensure a greater degree of stability in production and trade and promote rational development of the coal and steel industries. The very success of this initiative and the relationship of iron and steel and coal to their many downstream products and to other forms of energy, especially atomic power, strengthened the arguments for a much broader integration of the economies of the six members. This was part of the economic background in the creation of the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM), both of which came into existence at the beginning of 1958. (There was also a political background as we shall see later).

The Rome Treaty, establishing the EEC, provided for not only a customs union (i.e. removal of internal tariffs and other trade restrictions and establishment of a Common External Tariff (CET) and a common commercial policy towards third countries) but also the following other important measures of integration:-

- free movement of capital and persons and freedom to supply services
- a common agricultural policy
- a common transport policy
- a system for ensuring competition
- procedures for coordinating domestic economic policies and dealing with balance of payments problems
- removal of differences in national laws where necessary for operating the common market
- a social fund to facilitate adjustment
- a European investment bank to assist development
- the association of dependent overseas territories
- provisions for admitting other European states to the Community
- provision for concluding "Unions of states" or association arrangements with other third countries or international organizations

The Treaty also set up institutions to run the Community, particularly a Council of Ministers, a Commission, a Court of Justice and a Parliament.

While the Six were moving towards a relatively high level of integration, other European countries, unable or unwilling to go so far, negotiated the European Free Trade Area (EFTA). Known as the "Outer Seven", as opposed to the "Inner Six", the founding members were Britain, Norway, Sweden, Denmark, Austria, Switzerland and Portugal. With minor exceptions, their association did not cover agricultural products. Nor did it involve setting up a common external tariff or operating a common commercial policy towards the rest of the world, though the Seven did work together to a considerable extent in their relations with the Six and in their approach to international trade issues generally.

Today, there are two types of groupings in Western Europe -- a common market, on the way to becoming a full economic (and perhaps someday political) union, and a free trade association. The EEC has undergone two enlargements. First Britain, Denmark and Ireland (which had concluded a free-trade agreement with Britain in 1965) joined in 1973. Then in 1981 Greece became a member. Spain and Portugal have concluded accession agreements and will be entering the Community at the beginning of 1986.

EFTA, on the other hand, after expanding to include Finland and Iceland (making 9 member all told) has now contracted with the entry of three of its members into the EEC and will soon lose a fourth. The members of EFTA are all linked to the Community by association agreements, which essentially provide for elimination of tariffs and QRs on industrial products but differ somewhat according to the special circumstances of each country. The EEC also has association agreements with Turkey and with a host of overseas countries (mostly former colonies) as well as non-preferential trade agreements with many other nations.

The "Ups and Downs"

This state of affairs was by no means the result of a smooth, orderly and harmonious process. Even within the EEC, the progress that has been made has been punctuated by crises, and periods of virtual immobility or even backsliding. Five years after it came into being, the EEC was under severe strain, when, after a year of negotiations for British entry, General de Gaulle declared this to be politically unacceptable. A little over two years later, the decision-making process of the Community was almost brought to a halt for seven months when France withdrew from the Council of Ministers and a number of committees over differences regarding the powers of the Community and its institutions and the relationship between Europe and the United States. On numerous other occasions, Community decisions have been the result of hard-fought battles stretching over lengthy periods. Deadlines have been met by negotiating day and night (the famous "nuits blanches" of Brussels) and by the practice of "stopping the clock".

More recently, the economic and monetary upheavals, "stagflation", and recessions of the seventies and early eighties have made it difficult to go ahead in such areas as eliminating differences in product standards and government procurement. There is much debate about how to restore the momentum and whether this may require revisions in the Rome Treaty and/or a "two-speed" Europe, where member states prepared to integrate faster would move ahead of the others.

The Community's relations with the rest of Western Europe got off to a bad start with the failure, while the Treaty of Rome was being negotiated, of efforts to associate all of them together in a pan-European industrial free trade area. The Six, and particularly the French, were concerned that this would lead to distortions of trade (because of differences in the level of external tariffs) and would dilute and weaken the EEC. Besides this, it would be unbalanced because of the exclusion of agriculture. When most of those outside the EEC formed EFTA, it was partly with a view to bringing the Community to terms. But efforts to build a "bridge" between the two groupings were not successful. Europe was then divided into two completely separate, and in some respects rival, trading blocs. It was not until after the departure of General de Gaulle from the scene that the first enlargement and the association arrangements with the EFTA countries could be carried through.

Political Factors

This underlines the extent to which political factors have influenced the pace and nature of the moves towards European economic integration. Efforts along these lines before the Second World War foundered mainly on the rivalries and suspicions between the great powers. In the immediate post-war period, political considerations usually favoured the integration process. In Europe there was an upsurge of interest in federalism as a means both of avoiding a recurrence of the economic nationalism of the thirties and of breaking the cycle of European wars. Concerns about the growing power and the intentions of the Soviet Union spurred the U.S. decision to mount a massive aid program and the initiatives aimed at economic cooperation through OEEC. The establishment of ECSC was seen as helping to prevent a revival of the historic conflict between France and Germany, for it would make it easier to manage the competition between their steel industries for the iron ore of Lorraine and the coal and coke of the Saar and the Ruhr. A major factor leading the BENELUX countries to propose a broader-ranging integration of the economies of the Six in 1955 was concern over the deterioration of Franco-German relations. The French Parliament had failed to ratify the treaty for a European Defence Community which would have contributed to the rehabilitation of Germany. The two countries were also having differences over such issues as the future of the Saar (not reunited with Germany at that time), and construction of a

Moselle Canal to bring Ruhr coal to French steel mills. It was hoped that working together on the "construction of Europe" would make it easier for France and Germany to resolve such problems - and this did in fact turn out to be the case.

There were, however, other situations where political factors impeded economic integration. Austria, Finland, Switzerland and Sweden could not join the Community because of their status as neutrals. (Some of them also had economic inhibitions). In the mid-fifties, Britain still saw itself as a world-scale power and was not interested in joining an exclusively European trade grouping which would weaken its ties with the Commonwealth and the United States. Spain's internal regime was, for years, an obstacle to association with or membership in the Community.

Domestic political considerations entered in, too, at times. The left wing of the Labour Party in Britain was concerned that joining the Community would make it more difficult to maintain full employment and lead to pressures to water down the welfare state and hold off on further extension of public ownership. Thus, although it was a Labour Government that made the second, unsuccessful, bid to join the EEC, the party became distinctly ambivalent about membership when in opposition from 1970 to 1974. It called for a fundamental renegotiation of the terms of entry and a referendum to consult the British public. (It was suggested that joining without either a general election or referendum was somehow illegal and unconstitutional). The minority Labour Government returned to power in 1974 found itself stuck with carrying out this policy. It entered into a rather modest renegotiation which did not require amendment of the Treaty of Accession, the main feature being an adjustment of Britain's financial contribution. A consultative referendum was then called and the Cabinet recommended a vote in favour of continued membership (although more than half of the Labour M.P.s took the other side). The vote went 2 to 1 for staying in the EEC. Labour went into opposition again in 1979 and moved sharply to the left. It called for Britain's withdrawal from the Community in the 1983 election. With the Party now running ahead of the Conservatives in the public opinion polls some uncertainty has once again arisen about Britain's continued role in the Community. In addition to those on the left, there are a few anti-Marketeers on the right. Their hostility to the EEC is based on a variety of things, ranging from imperial nostalgia to concern about changes in the traditional British way of life.

Miscalculations

To determine where they fitted into the process of European economic integration, therefore, countries had to weigh a complex set of considerations, political as well as economic. Inevitably mistakes were made and it is easy to see them in retrospect. This is especially true of Britain's relations with the Community. If, instead of trying to stop it, Britain had gone in from the beginning, it would have been able to influence the content of the Treaty of Rome and the early development of the Community, including the Common Agricultural Policy. If Britain had not negotiated so hard and so long in 1962 on such issues as safeguards for Commonwealth interests and arrangements for agriculture, it might have been more difficult for de Gaulle to impose his veto.

Europe and the World

Community membership has not, in fact, prevented Britain from pursuing its foreign policy interests (e.g., the Falklands, the current close relationship with the United States on a variety of issues). The same is true of other members of the EEC. Nor has economic integration in Europe prevented the EEC and other countries of the region from taking an active part in the liberalization of trade on a multilateral basis. Efforts to form customs unions and free trade areas between neighbouring countries before the Second World War often ran afoul of the most-favoured-nation principle (requiring that concessions given to one partner be extended to all entitled to this kind of treatment).

When the GATT was negotiated in the early post-war years, provision was specifically made in Article XXIV for the formation of customs unions and free trade areas, subject to certain conditions. The Treaty of Rome and the EFTA Convention were examined in the GATT and some countries questioned whether the relevant conditions had been met. However, while pressure was applied for changes in some of the features of these arrangements, no formal decision was ever reached as to whether they did or did not conform to Article XXIV.

Since the founding of the GATT, both the EEC and EFTA countries have contributed to the success of a number of major multilateral trade negotiations. It can be argued that they might have been more forthcoming if they had not been members of regional groupings. There are indications that, today, the reluctance of these countries to weaken too much the preferential aspects of the European system may make it more difficult to continue the process of multilateral trade liberalization. However, the European countries do, and will continue to, have an important stake in their trade and commercial relationship with North America, Japan and many others.

B. THE EUROPEAN ECONOMIC COMMUNITY

Expectations

While the immediate impetus for creating the Community was political, it was also expected to bring important economic benefits. Some of the objectives were set out in the Preamble to the Rome Treaty -- for example, improvements in living and working conditions, a steady expansion, balanced trade, fair competition, and harmonious development by reducing the differences between the various regions.

These were expected to be some of the main results of freeing up movements of goods, services, capital and people, within the framework of common policies and rules in some areas and harmonized national policies in others. Classic international trade theory taught that the removal of trade barriers would allow countries to specialize in the things they could produce most efficiently. But even more important, it was anticipated that interpenetration of markets in the EEC would lead to profound changes in production structures to take full advantage of economies of scale. The productivity of capital and labour would be increased; wages and profits would rise; investment would be stimulated; and the rate of growth would be accelerated.

However, all of this was seen as a long-term process. There were concerns, especially on the part of those in close touch with the business world, that, over the short term, there would be abrupt changes in trade and production patterns, bringing serious problems of adjustment for some firms and a certain amount of unemployment.

There were also some particular worries in some of the member states. France saw the Common Market as, in some degree, a trade-off, in which it would have to open up its market for manufactures to stronger German producers in return for benefits for its agricultural sector. In addition to the perceived economic weaknesses of French industry, it was feared that French social policies in such fields as overtime pay would make it difficult to compete.

There were concerns too in France, and even more so in Italy, that economic integration would increase the polarization of industry in the triangle Amsterdam - Dusseldorf - Lille, aggravating regional disparities within Europe. France and Italy were also particularly vulnerable to balance of payment problems. They could foresee the possibility that action to deal with such difficulties might conflict with their obligations to free up trade and capital movements.

Safeguard Provisions

To deal with these contingencies and other special situations a number of safeguards and transitional provisions were written into the Rome Treaty. They can be divided into those which would be in effect only for a transitional period and those which were of a continuing nature. The more important are as follows:[1]

Transitional Provisions

1. The dismantling of tariffs against the products of other member states and establishment of the Common External Tariff (CET) was to be carried out in small steps over a transitional period of 12 years. [2] There was also provision to extend the transitional period to 15 years or to adjust tariffs more rapidly if circumstances permitted. A schedule was also laid down for abolishing QRs over the transitional period..

2. If the reduction of internal tariffs gave rise to "Any special problems ....," the Council of Ministers of the Community was to settle them by directives based on proposals of the Commission. (Article 14(5)).

3. The rules for tariff reductions also applied to duties of a fiscal nature; but if the Commission found that substitution of an internal tax for a fiscal duty caused serious difficulties, it was empowered in the first year of the Community to authorize the retention of the duty for as long as six years. (Article 17(4))

4. In the event of injury caused by dumping, the Commission was to recommend the cessation of this practice and, if the situation continued, was to authorize the injured country to take appropriate protective action. Moreover, in order to discourage dumping, member states were required to readmit, free of duties or quantitative restrictions, any goods exported to other members. (Article 91)

5. The Commission was given the power to authorize protective measures in the event of discrimination by state monopolies of a commercial nature. (Article 37)

6. At the special request of France, the Commission was given the power to authorize member states to take safeguard measures in the event that industries were affected in equalities in overtime pay. (Protocol relating to certain provisions of concern to France, Part II)

7. A general safeguard clause (Article 226), which turned out to be the most important, provided that a member state might ask the Commission to authorize relief measures if there were "serious difficulties which are likely to persist in any sector of economic activity or difficulties which may seriously impair the economic situation in any region ....". The Commission was to determine the measures to be taken, which might include derogations from the Treaty. The latter were however to be limited in extent and duration, to what was strictly necessary to restore the situation and adapt the sector concerned. Priority was to be given to measures which would least disturn the functioning of the common market.

Continuing Provisions

1. The rules governing the elimination of quantitative restrictions (QRs) on exports and imports were waived for controls which were justified on grounds such as the protection of public health, morality, safety, industrial and commercial property and national treasures. However, such controls are not to constitute a means of arbitrary discrimination or disguised restriction on intra-Community trade. (Article 36) Member states are also free to take measures with respect to production or trade in military products which they deem necessary for their security, but such measures are not to prejudice conditions of competition for items not intended for military purposes. (Article 223)

2. Procedures are laid down to deal with a situation in which a member state encounters or is seriously threatened by balance of payments difficulties. This can include mutual assistance. If aid is not granted or is inadequate, the Commission may authorize the country to take appropriate protective measures. The Council may modify or revoke this authority. (Article 108) There is provision for the affected member state to take unilateral action on a provisional basis in the event of a sudden crisis. (Article 109) Such measures are however not to exceed the minimum necessary to remedy the situation and are to be selected so as to cause least possible disturbance to the functioning of the Common Market. The power to authorize a country to depart from its obligations rests with the Commission and the power to control unilateral action with the Council. There are special provisions relating to Italy and France.

3. Where enterprises engage in such practices as discrimination, limitation of production or market sharing, the Commission may propose steps to end the situation and, if it continues, may authorize member states to take protective action (presumably tariffs, QRs etc). (Article 89)

4. The Commission may authorize protective measures if a member state alters its exchange rate in a manner which "seriously distorts the conditions of competition" and is incompatible with an exchange rate policy necessary for balance of payments equilibrium accompanied by high employment and stable prices. (Article 107)

5. Where conditions of competition are distorted by a disparity in legal and administrative provisions of member states, which cannot be resolved by consultation, it appears that one of the options open is the authorization of safeguard measures. (Article 101)

6. When diversions of trade or economic difficulties result from lack of

harmonization of commercial policies and cannot be resolved through cooperation, the Commission is to authorize the necessary protective measures. There is provision for unilateral action during the transitional period in case of emergency. Again, the action chosen is to be that which will cause least disturbance to the functioning of the Common Market and interfere least with the early introduction of the Common External Tariff. (Article 115)

7. Although not strictly safeguards, the provisions relating to state aids to industry (e.g., grants, low-or nil-interest loans and tax concessions) are certainly relevant. While the Treaty set up procedures to deal with aids which were incompatible with the Common Market because they distort competition and adversely affect trade between member states, it did provide a good deal of leeway for measures of this kind. They may be used, among other things, for promoting the development of depressed regions, remedying a serious disturbance in a member state, and assisting individual consumers. Certain conditions are laid down for their use, including review by the Commission and other member states. (Article 92)

8. A European Social Fund was established with the aim of promoting employment opportunities, especially by facilitating geographical and occupational mobility. A European Investment Bank was also created and given the task of using its own resources and those of the capital markets to contribute to "the balanced and smooth development of the Common Market in the interests of the Community".

The Actual Experience

The difficulties of adaptation and adjustment were not as wide-spread or severe as some had feared. Economic conditions were generally buoyant. There was some temporary unemployment but apparently those displaced were easily absorbed elsewhere in the economy. General levels of unemployment in all member states fell from 1958/59 to 1963 and remained at very low levels until around 1974 with the exception of a slight increase in some countries in 1968. Real wages rose rapidly over these years. Regional disparities were not aggravated. The share of the peripheral regions in the community's GDP did not change much from 1960 to 1969, while that of the triangle Amsterdam - Dusseldorf - Lille declined slightly. On a country basis, Italy continued to lag well behind the rest of the Community in GDP per capita, on account of its depressed south, but the gap was somewhat smaller in 1970 than in 1960.

Since the problems of adjustment were much less serious than some had feared it was possible to shorten the period for phasing in the internal and external tariff changes by 18 months, completing the process of 10.5 years instead of 12 years from the beginning of the transitional period. Moreover, relatively modest use was made of the transitional safeguard provisions having to do with removal of internal barriers.

In the case of industrial materials and manufactures, the general safeguard clause (Article 226) was used mainly to give temporary relief to a number of Italian producers, particularly in the southern part of the country. The items affected included silk and derived products, certain forms of lead and zinc, sulphur and its products, iodine, and two chemical products manufactured from local raw materials. The Italians brought these problems to the Commission early in the transitional period. They had been encouraged to do so during the negotiations between the Six on the level of the Common External Tariff on some of the items or on the raw materials from which they were manufactured. Their concerns related perhaps even more to competition from outside the EEC than from their Community partners. The safeguard action permitted was, in some cases, "isolation" of the Italian market through a ban or quota control on imports and, in others, delayed removal of tariffs against imports from other member states. In most cases the Italians were required to submit a program for putting the industry concerned on a sounder footing. Extensions were granted for some of the Italian safeguard measures but practically all were eliminated before the end of the transitional period.

In the early years of the Community, several other member states were allowed to take safeguard action on industrial products. The Benelux countries were permitted to maintain a quota on penicillin and its preparations, to conserve domestic production. A French request for authorization of a quota on semi-conductors was granted. Germany was given permission to set up an equalization fund to support its lead and zinc producers. The duration of these measures ranged from several months to a year.

In 1962 the Commission developed some strict criteria for considering any further applications under the general safeguards clause to ensure it was not used to circumvent the inevitable difficulties resulting from the speed-up in the dismantling of internal barriers which had been agreed upon. From this time on, it seems that the Commission was more inclined to reject requests for permission to extend existing measures or introduce new ones.

In the middle and latter part of the transitional period France sought authority on several occasions to take safeguard action. In 1962 it wanted to impose a temporary 12 per cent duty on refrigerators to counter an upsurge of imports from Italy which was causing serious difficulties for the French industry. The Commission agreed, subject to a gradual reduction of the duty to 6 p.c. and a tight deadline for its removal.

Four years later, with its white goods industry in the throes of a painful adjustment, France asked for permission to apply import quotas for two years on refrigerators, washing machines, and electric and gas stoves. The French kraft plyboard industry was also in trouble, and it was proposed to introduce QRs for that product too. The Commission decided that quotas on plyboard might lead to deterioration in the conditions of intra-Community trade and invited the French Government to come up with another solution. It rejected the application regarding white goods. Shortly afterwards, in May and June, 1968, France found itself in a serious economic situation as a result of widespread social and industrial unrest. Permission was therefore granted for import quotas, not only on white goods but also steel, motor vehicles and textiles, under the balance of payment safeguards provisions. However, the quotas were to be allocated fairly among the member states and were to be removed by the end of the year. The Commission rejected a French request for an extension on refrigerators.

An item which gave rise to difficulties in the Netherlands, Belgium and Germany was carded wool. The first-named country was allowed to adopt safeguards but applications from the two others were rejected.

The Commission approved a number of safeguard actions to deal with deflections of trade and it made many decisions granting or denying permission to levy countervailing duties, although the latter appear to have affected mainly agricultural products.

A number of allegations of dumping were investigated. In some cases they were apparently resolved without formal action, while in others the Commission took the problem up with the offending firm. No member-state was actually authorized to apply anti-dumping duties in the first 3 1/2 years of the Community's life.

There were instances of member states taking safeguard action illegally. Up to mid-1961 the Commission had taken two of these to the Court of Justice.

What happened to the industries which were granted temporary relief under the transitional safeguard provisions? The information is sketchy, but there are some indications.

Output of lead and zinc ores in Italy dropped by about 40 per cent from 1958 to 1968 and then continued on down in the early seventies. In the case of secondary lead and primary lead and zinc, production either held steady or declined somewhat at first, then recovered and started to increase. However, secondary zInc production seems to have disappeared after 1963/64. Sulphur production in Italy seems to have declined by 1968 to only about 10 per cent of the 1961 level. Production of woven silk fabrics fluctuated considerably from 1958 to 1968 and no very clear trend is evident. Carded wool production dropped more than one quarter in

Germany and over 15 per cent in the Netherlands during the first decade of the Community's existence and continued to decline to 1974. In Belgium, however, output of this product increased substantially, although that country had at one time wanted to apply safeguards.

As regards France's problems in the white goods sector, production of cookers, electric refrigerators and electric washing machines in 1968 was 170 per cent, 47 per cent and 94 per cent respectively above the 1958 levels. In the case of refrigerators there was a subsequent falling off, but in 1972 output was still about the same level as in 1958.

The data studied do not, in some cases, cover the precise items on which safeguard action was permitted, but rather relate to wider groups of products or different stages of manufacture. Moreover, they do not throw any light on the position of individual firms or regional patterns of production. A good deal more study would be needed to reach definite conclusions. Nevertheless, the analysis does seem to suggest that in some cases safeguard action may have helped in putting the industries on a sounder footing while in other cases it was a temporary palliative. It also bears noting that, for the most part, the items concerned occupied a relatively small place in the total economies of the countries concerned, even though they may have been important to specific companies and regions.

It appears that there has rarely been recourse to the continuing safeguards. The most notable cases relate to Italy, which was, in 1974 and again in 1976, authorized under the balance of payments provision to introduce a system requiring importers to consumer goods to deposit cash in advance with the Bank of Italy against purchases of foreign exchange. The amounts to be deposited were to be progressively reduced to nil. The Italian Government also took unilateral action under the balance of payments safeguards to impose a tax on the purchase of foreign currency.

It is virtually impossible to determine to what extent state aids were used to cushion the effects of dismantling trade barriers because of the lack of transparency in this area. However, the member states certainly had the means to intervene in this way. Not only did they all have programs designed to aid particular industries and regions; they also had powerful general instruments of policy at their disposal which could be used to influence the response of their firms to the problems and opportunities of integration. These ranged from relatively modest devices like special depreciation and other tax concessions to more interventionist mechanisms such as using the economic power of nationalized industries and infusing capital into certain private enterprises through control of the banking system or special investment funds.

There is not much information about the way such practices may have influenced the pace and nature of integration but there are some indications. In the early years of the Community, there were many mergers and cooperation agreements between firms. The great majority of these operations were not transnational but took place within an individual country. It is difficult to believe this was not to some extent due to the influence exerted and inducements offered by national governments.

The Commission did try to get a handle on state aids. During the first few years of the Community's existence, it started to prepare an inventory of existing measures of this kind and made decisions on the compatibility with the Common Market of various new programs. Regional aids authorized included schemes to help the economic and social development of Sardinia and to improve the balance of Luxembourg's economy. Examples of aids to specific industries which were approved were schemes for helping the German and Italian textile industries. In some cases member states were asked to modify or withdraw their proposals, but sometimes the Commission was overruled. For example, the French wanted to aid the production of certain grades of paper pulp, and when the Commission raised doubts about the proposal, they made a successful appeal to the Council of Ministers.

In addition to dealing with specific cases, the Community's institutions, from 1969 onward developed guidelines for assistance to problem industries, such as shipbuilding, film production and textiles. However, in all of this, they came up against two difficulties in particular. First there was the dilemma of how to reconcile the requirements of competition policy (avoiding distortions of competitive conditions within the common market) with those of regional and structural policy (which was certainly recognized as legitimate under the Rome Treaty). A second problem was that examination of general schemes was often not very conclusive and it was necessary to look at the way they were being applied -- something on which the member states were loath to provide information.

Ten years after the Community came into being, the Commission was well aware that there were problems in regard to state aids with which it was not yet able to come to grips. In its 1968 Report it acknowledged that member states were vying with one another to attract new investment, particularly from non-member countries. Efforts to obtain greater transparency did have some effect. From 1971 onward procedures were followed to cut down competition in regional aids. This involved setting up a coordinating committee with the member states and establishing ceilings for aid to certain regions. New and revised guidelines were issued for aids to specific industries. Also it would appear that the Commission was, in the latter 60's and early 70's taking a tougher stand on specific proposals. For example, in 1969 it took France to the Court of Justice over its schemes for aiding the textile and pulp industries.

The economic difficulties of the mid- and latter- 70's led member states to make more intensive use of state aids. On the whole, the Commission did not try to interfere with this as long as the measures were of limited duration and subject to its supervision. Moreover, there are grounds for thinking that by no means all of the assistance to 1industries and regions was actually notified to the Commission.

The Community's own programs for aiding regions and industries were slow getting off the ground and were not very significant in easing problems which arose in the first decade of its existence. The assistance available from the European Social Fund was meager. Over the whole period, 1960 to 1968, the amount spent was under $26 million. However, the fund does seem to have been of some help in readapting and retraining workers, such as the miners made redundant by the decline of the Italian sulphur industry. Apart from this, it was used mainly to facilitate migration of workers within the Community - especially from Italy to Germany, France, and to a lesser extent the BENELUX countries.

In the case of the coal, iron and steel industries, much more substantial assistance was available for readaptation of workers under the ECSC Treaty . Aid was also extended to firms in these industries for restructuring.

From 1958 to 1967, the loans and guarantees of the European Investment Bank were running at an average of under $100 million a year. More than half of this was channelled into investments in Italy - particularly the south. In the Community as a whole, about half of the bank's financing went for industrial development (new plants and expanded facilities) and the other half for infrastructure (mainly communications, energy and water). Among all the bodies, public and private, marshalling funds for investment, the EIB played a relatively small role.

Other Factors Affecting the Use of Safeguards

The Treaty of Rome provided not only for the abolition of internal customs duties and QRs, but also for the elimination of other measures and practices which hindered free movement of goods. This was, and is, seen as necessary to obtain the full benefits of trade liberalization. The other side of the coin is that foot-dragging by member states can be a means of shielding their firms from competitive forces. It can therefore reduce the need for recourse to safeguard provisions.

The more important steps to be taken were as follows:

- Standardization of customs procedures and simplification of customs formalities and documentation requirements.
- Approximation, or as it is more usually referred to, "harmonization"

of product standards, (maintained for reasons of health, safety etc.) and systems of taxation.

* Development of rules on competition, to come to grips with such practices as collusion between suppliers and abuse of a dominant position.

* Coordination of government purchasing policies to ensure bidding is permitted on a fully competitive basis.

* Operation of the common transport policy so that supply of transportation services is not manipulated in such a way that it impedes or distorts trade.

In point of fact progress on all these issues has been slow and, in some cases, minimal. A few examples will suffice.

* While steps have been taken to simplify border routines, they are still often cumbersome and time-consuming, increasing significantly the cost of shipping goods. The European Commission estimates that the cost of getting goods across frontiers represents 5 per cent of total transport costs.

* The EEC has issued 177 directives on product standards since 1969 but it has taken an average of 10 years to get each of the last 15 directives out. Sometimes they were out of date before they were issued. Moreover new national standards have been constantly emerging.

* Road traffic, which accounts for 42 per cent of goods traded between member states, is still to a considerable extent controlled by quotas established bilaterally. The Community's Parliament took the unprecedented step of censuring the Council of Ministers for its lack of progress on the common transport policy.

* Although all member states have adopted the Value Added Tax (VAT), standard rates vary from 12 per cent in Luxembourg to 23 per cent in Ireland.

* Telecommunications, transport, water and energy - all areas where an integrated market is important - have been excluded from the Community's directives on government purchasing. It appears that, in procurement of items which <u>are</u> covered, the rules are often

disregarded.

In addition to these barriers to free movement of goods maintained by governments, there are the ones for which the private sector and even the general public are responsible. Foremost among these are the business practices which restrict competition, particularly significant in Europe, where there is a long history of cartelization.

The Community initially made slow progress in developing an approach to competition policy. In the meantime, many new agreements were concluded between firms, most of them involving exclusive distribution arrangements. There was probably also a good deal of price fixing and market sharing. Under the Rome Treaty, such practices could be permitted if they contributed to improved production or distribution of goods or promotion of technical or economic progress. They must however not enable the firms concerned to eliminate competition for a substantial proportion of the goods affected or impose restrictions not necessary for achieving the prescribed objectives. Moreover the consumer must benefit and competition must not be completely eliminated. All of this was not easy to interpret and apply. For one thing it involved reconciling objectives which were partly in conflict. For another, there were so many agreements and the EEC Commission was so short of staff. Much has been done to work out principles and procedures and establish Community authority through the courts, both on collusive practices and on abuse of dominant position. However there are indications that competition is still being restricted in many fields. For example, there are substantial differentials in prices for similar products in various parts of the Community, which cannot be explained by differences in internal taxes.

One must also include, among the invisible barriers, language differences, different ways of doing business and even the national prejudices which still influence some businessmen as well as consumers. For all these reasons it has been said that while the European Community operates a tariff union, it is not really a customs union (because barriers still exist at the border) and certainly not a common market (as long as there are many other obstacles to free movement of goods within the internal market). Imperfections also exist in the free movement of persons, capital and services.

The conclusion that emerges about the adjustment process in the Community is that it has probably extended over a much longer period than might have been expected on the basis of the timetable for tariff dismantling. Indeed it is no doubt still taking place. This needs to be borne in mind in assessing the reasons why so little use was made of safeguards provisions in the early days.

Benefits of Integration

In its first decade or so, the Community experienced a remarkable expansion in trade, output and productivity, considerably exceeding that achieved by the U.S.A. and bettering U.K. performance by an even wider margin. (See Table 1)

Following are some of the salient points about the economic progress of the Community (figures are for the period 1959 to 1969 unless otherwise indicated):

* The Community's internal trade increased by 347 per cent. Its external trade rose by 136 per cent compared with 124 per cent for the U.S.A. and 77 per cent for the U.K.

* With the exception of Luxembourg, all member states achieved greater rates of growth in GDP (constant prices) than the United States.

* All of them expanded GDP per employed person at a faster rate than the United States (for Germany, France and Italy, the growth rate was more than double that of the U.S.A.).

* In 1969, industrial production was 84 per cent above the 1958 level in the Community compared with 64 per cent for the U.S.A. and 39 per cent for the U.K. There is no clear-cut difference here between the experience of the "big three" and that of the smaller member states. While Belgium and Luxembourg had the lowest growth rate for industrial production, the Netherlands had the highest.

* Average income in the Community was 1/3 lower than that of the United States in 1974, compared with 50 per cent lower two decades earlier.

There has been much debate about the extent to which these developments can be attributed to formation of the Community. Professional economists have attempted, with varying results, to estimate the amounts of new trade creation and trade diversion. Efforts have been made, on the basis of these figures, to determine what proportion of the growth of the Community's GDP should be credited to economic integration. Most of these estimates have been rather small, in the order of fractions of a per cent, and not at all in line with the perceptions of people in business and government.

It is generally acknowledged that, in addition to integration, a number of other factors contributed to Europe's impressive economic progress in the Sixties. A fast pace had been set during the post-war reconstruction period when a great deal of new plant and equipment was put in place. Interest rates were low and inflation was moderate. After the French devaluations of 1957 and 1958, the Community enjoyed a decade of exchange rate stability. (It might be argued, of course, that this was a result as well as a cause of the Community's economic success). There was the trade creation effect of reducing tariffs on a multilateral basis in a number of GATT rounds, which continued after the formation of the community, and progressively removing post-war quota controls, until they had been practically eliminated by the early sixties. There was the expansion of the industrial work force as a result of modernization of agriculture and migration from East to West Germany.

Thus, the Six had a variety of things going for them in the Sixties. Nevertheless there are grounds for thinking that conventional economic analysis has often understated the gains from economic integration. Recent studies of what has happened in certain industry sectors support this conclusion. The following examples are indicative:

Refrigerators and other White Goods

Intra-Community trade in refrigerators, washing machines, small household appliances, radios and TV's increased six-fold from 1960 to 1970.

In the late 1950's certain Italian producers installed large-scale automated plants to produce a narrow range of small-volume refrigerators. They were thus able to achieve dramatic reductions in unit costs and cut prices sufficiently to make major inroads into the markets of their neighbors. By the early 60's they had 2/3 of the French market and 40 per cent of the German market. Under pressure of this competition there was a series of mergers in France and by 1970 one sole producer was left in the industry. It had an optimally-sized plant and concentrated on larger refrigerators. In this way it was able to retain 45 per cent of the French market. The German industry was already more concentrated than the French in 1958 and this process continued. By 1970, Germany was producing the same number of refrigerators as in 1958. In the Netherlands and Belgium, production ceased.

Some of the same features were repeated in the integration of the Community's washing machine market. As was also the case for refrigerators, the Italians showed ingenuity in finding marketing channels and overcoming the handicaps of unknown or less acceptable brand names.

Trucks

It would appear that scale was the basis of the predominant positions which Daimler - Benz, Fiat and Ford carved out in European markets. They achieved the necessary volume by a change in manufacturing philosophy away from customized engineering and a shift in perspective from national to European markets.

Automobiles

While no one country emerged as the clear front-runner (contrary to the experience with white goods) there was great increase in the inter-penetration of markets. Community producers had 31 per cent of one another's markets in 1970 compared with 7 per cent in 1958. The consumer benefitted from wider choice and probably from lower prices than would otherwise have prevailed. In addition there was a trend to concentration of production. Scale proved to be a major determinant of unit costs.

The behaviour of the "national champions" (major nationally-owned auto companies in France, Germany and Italy) was different from that of the subsidiaries of U.S. producers. The former had few plants elsewhere in the Community, and in at least one case an existing assembly plant was closed down. The U.S. firms operated in several EEC countries and they took advantage of the removal of tariffs to increase the degree of specialization between their various plants.

These and other cases have underlined that the chief advantage of integration appears to have been the opportunity it has provided for achieving economies of scale. According to one of these studies, size of plant is more significant in general than that of the firm or the product line. The studies also point up the greater importance, in a group of advanced economies such as the major EEC countries, of specialization within rather than between industry sectors. This process brings improvements in efficiency, not only for the industry in the country which increases its market share, but also for the surviving industry in the country whose market share is reduced.

Based on this kind of case analysis, one recent study has estimated that the benefits of European integration, through increased trade in manufactured goods, may have been in the order of 3 - 6 per cent of GDP over the period up to 1980. This might show up as a measured increase in GDP of 10 per cent because of national accounting practices. These figures take into account the effects of industrial restructuring as well as the indirect impact on other sectors of the economy.

These figures certainly fit better than the very low earlier estimates with the perceptions of those in industry, trade and government. But they should be taken with some caution for they are based on the notable success stories of European integration - white goods and motor vehicles. While other industries do not appear to have been studied as intensively, enough has been done to suggest that the nature, pace and extent of the rationalization varied considerably from one sector to another. Government policies and measures and/or collusive business practices seem to have inhibited the process to a greater or lesser extent in important sectors like iron and steel, non-ferrous metals, processed foods, chemicals, pharmaceuticals, petroleum-refining and power-generating equipment. It would therefore probably be safer to regard the figure of 3 - 6 per cent of GDP as a potential which will be realized when the integration process has run its full course.

Multinational Enterprises and Inter-Corporate Links

The lags in integration may have been a major reason for the surprisingly large number of subsidiaries acquired or established by Community firms in other EEC countries up to 1971. From 1959 to 1971, large parent companies based in the Community established 553 manufacturing subsidiaries in other EEC countries. Moreover, there were only 35 closures of such subsidiaries from 1958 to 1971. A study carried out in 1975 indicated that some of the largest numbers of subsidiaries were established in industries where economies of scale were greatest. Certain of these were industries where intra-Community trade was expanding most slowly. This, together with examination of specific cases, led to the conclusion that many of these branch plant operations were not the result of "common market behaviour" but rather of efforts by national governments and the private sector to limit integration. But no doubt there were also cases (though they do not seem to have been as well documented) where Community firms set up, or continued to operate, subsidiaries elsewhere in the EEC for other reasons, such as the advantages of being close to a local market (e.g. because of transport costs or perishability of product) or of spreading risks (e.g. shut-downs because of strikes).

In addition to parent-subsidiary operations, there were several cases of trans-national mergers or cooperative arrangements between major firms in different EEC countries. However, such initiatives were not as numerous or as successful as had been hoped. Most have now been dissolved or have turned into straight take-overs of one partner by the other.

There were many American take-overs and new subsidiary operations in the EEC in the 1960's and early 1970's. The book value of foreign direct investment by U.S. firms in manufacturing in the Community grew from $1.1 billion in 1959 to $9.7 billion in 1972 (these figures include investment in sales operations). The number of subsidiaries established or acquired by U.S. firms in the Community was at least as great as the corresponding figure for EEC firms.

The attractions of the large, rapidly-growing Community market, in which internal tariff barriers were being removed, together with the difficulty of supplying it from the United States because of the Common External Tariff and transport costs, were obviously major factors in the upsurge of American investment. There seems to be little information on the extent to which the activities of American firms in the Community were influenced by the kind of considerations which seem to have impeded rationalization of the operations of European companies. However, in some industries, such as automobiles (already mentioned) and agricultural equipment and tractors, U.S. companies have increasingly organized the activities of their plants in the EEC on a specialized basis.

Is Integration Slowing Down?

Whatever may have been the benefits of the integration process so far, concerns have been expressed that, over the past decade or so, it has been running out of steam. The figures for the period 1973 to 1983 certainly do not look as good as those for the preceding fifteen years. (See Table 2) The main points to note are as follows:

- For the period examined, the Community ran neck to neck with the U.S.A. on growth in GDP (real terms) but lagged in industrial production. It did however, out perform the U.S.A. in growth of GDP per employed person. The U.S.A. had a greater relative increase in foreign trade.

- Imports of member states from one another did not grow as fast as their purchases from outside countries.

- The rate of growth in GDP, in total and per employed person was much lower than from 1959 to 1969.

Soaring energy prices and the EFTA agreements probably had something to do with the failure of the EEc's internal trade to expand at a faster rate than its trade with the rest of the world.

Entry of the slower-growing British economy into the Community contributed to the slackening of the EEC's growth rate.

Notwithstanding these extenuating factors some of the blame for the less impressive performance of the Community over the past decade or so has been attributed to the slow progress in removing the hidden barriers to trade mentioned above. In the latter 70's there were indications that these barriers might be increasing and in 1978 the Commission reported it was investigating 400 of them. There has indeed been a good deal of foot-dragging, not only on these issues but also in such areas as the development of an adequately-financed industrial policy and the adoption of a statute for a European company (which would facilitate trans-national mergers).

The world economic environment was, of course, much less favorable in the seventies, with the collapse of the Bretton Woods monetary system, the two oil price shocks in 1973 and 1979, the foodstuffs and commodities price surges, "stagflation" and recession. In 1983 the economies of EEc countries were operating below the long term trend level.

There were substantial movements in the rates of exchange between the currencies of member countries from 1969 onward. Though the European Monetary System, set up by the Community in 1978, succeeded in bringing about somewhat greater stability, there were still seven realignments of central rates up to 1984, four of them being quite significant.

What is seen as the loss of momentum in the Community has led to a certain "Europessimism" and more recently to initiatives for "relaunching Europe". Foremost among these is the proposal, considered at the EEC summit in Milan last June, to hold an inter-governmental conference to amend the Treaty of Rome, so that unanimity would no longer be required on such matters as harmonization of technical standards. Though the majority favoured this, Britain, Denmark and Greece bitterly opposed any changes in the Treaty. Unless they change their minds, the proposed conference will be of questionable value. On a more practical level, the EEC Commission has produced a program for creating a frontier-free internal market for goods and services by 1992. It also has action plans in such fields as public purchasing, competition policy, industrial development and science and technology; but most of these represent an extension of existing activities and their effectiveness will depend in some cases on cooperation of the member states and in others on adequate financial resources.

In the case of science and technology, progress will also depend on breaking down the monopolies of national firms in public procurement of hi-tech goods such as telecommunications equipment, on fiscal incentives to encourage innovation, on improved training and on a better correlation of research to the requirements of the market. Most of these are areas where a good deal of the responsibility lies with the private sector and the member states.

With some justice European businessmen have, among other things, been accused of lacking entrepreneurship, clinging to antiquated structures, being weak on management and marketing and preferring associations with, or take-overs by, U.S. and Japanese firms because of intra-European jealousies. The positive side is the significant number of success stories - the firms which have made good use of the opportunities provided by European integration and indeed by markets in other parts of the world. They include Daimler-Benz (trucks), Bosch (high-technology automobile components), BSN - Gervais Danone (yoghurt and other fresh dairy products), Heineken (brewing), Tetra Pak (packaging), L'Oreal (cosmetics) and Ciba-Geigy (pharmaceuticals).

Most of the world leaders are centered in Germany and France, few in the smaller countries of the Community. On the other hand, Sweden has produced such winners as Volvo, Electrolux (electrical appliances) SKF (bearings) and Perstorp (chemicals). While that country has been part of the Europe-wide free trade zone since 1973 and of EFTA since 1960, the success of these firms goes back a good deal further than this. In recent years, they have for the most part followed the "niche" strategy - carving out small market segments where they can establish strong positions. The extent to which European integration may have facilitated this would bear further study. It would be useful too, to know more about the role it has played in the success of many medium-sized firms distributed throughout the Community and its European associates.

The London Financial Times has recently published a series of articles under the title, "Can Europe Catch Up?". As one of the articles points out, the answer will depend as much on the performance of the United States and Japan as on that of Europe. Some U.S. industries such as steel are suffering from some of the same problems as are afflicting their European counterparts. Also, the extent to which European industries and markets remain divided by institutional and psychological barriers will have a bearing on whether the various parts of the continent move forward at different speeds or together. This in turn will depend to a considerable degree on results of current efforts to relaunch Europe - something which is far from clear at present.

C. BRITISH MEMBERSHIP IN THE EEC

Expectations

As it was about to begin negotiations for entry with the Community in 1970 the British Government published a detailed assessment of the benefits of membership and the problems likely to arise. On the industrial side, the benefits were along the same lines as those seen by the Six when they were negotiating the Rome Treaty - "a much larger and faster growing 'home market'", "opportunities for greater economies of scale, increased specialization, a sharper competitive climate and faster growth".

In one respect, however, the situation of Britain was quite different from that of the original Six. As the White Paper pointed out, they would be joining a market which was growing much faster than their own. This should increase the dynamic effects of membership. Moreover, Britain within the Community would, it was thought, be able to attract more overseas investment, especially from the United States. There would also be greater opportunity for British firms to grow to the point where adequate research and development expenditure would be profitable. In addition to the fact that a larger domestic market would provide a basis for British firms to expand their operations, their growth would be less inhibited by concerns about monopoly.

On the other hand there were what the White paper called the "impact" effects

- the immediate changes in trade and production patterns which would result from removal of tariffs against the Six, free entry into the Community market, erection of the Common External Tariff against third countries and the consequent changes in access to those markets. In the latter case the authors of the White Paper were thinking particularly of the loss of Commonwealth preferences. Using some simple and rather questionable mathematics, they estimated that Britain's balance of trade for items other than food was likely to deteriorate by £125 to 275 million. (The Economist called these estimates "unadulterated rubbish"). The expected increase in food prices as a result of adoption of the Common Agricultural Policy could also lead to a rise in wages which would make it more difficult for British industry to compete. Furthermore, if the burden on the balance of payments became excessive, the British Government might not have enough flexibility to pursue economic policies which would enable full benefit to be drawn from membership.

Some of these points may have been exaggerated a little to improve Britain's bargaining position with the Six, but there is no reason to doubt that they reflected, in their essentials, the government's thinking.

The Confederation of British Industries also made some estimates. It calculated that entry into the Community would mean a loss of protection on British manufactures of 2 1/4 percent (weighted average). On the other hand there would be a net reduction of only 0.09 percent in the tariffs facing their goods abroad (because there would be higher duties in markets where they had previously enjoyed preferences). They consequently saw an increase in the total import bill which would exceed that in export receipts. Thus, like the White Paper they expected an immediate deterioration in the balance of payments. However, notwithstanding this, the Confederation supported British entry because of the anticipated longer term benefits.

Various efforts were made by the Department of Trade, private research organizations and professional economists to define which British industries would be the winners in an enlarged Community and which would be in trouble. The conclusions differed considerably.

Professional economists divided on the issue of British entry - largely along right-left lines. The latter were sometimes accused of basing their opposition less on objective economic analysis than on their ideological biases in favour of economic planning and state ownership. Yet they did back up their option, with reasoned arguments. Professor Kaldor for example, considered that the adverse static effects of entry (the expected trade deficit, the rise in domestic costs, the large net contribution to the community budget and the loss of real income) would be so severe that the dynamic effects would be in a downward direction. Those who saw this kind of process taking place predicted that Britain would be frequently facing balance of payments deficits and would be confronted with the choice of continually devaluing or reducing incomes through deflation. Instead of a lot of new investment taking place, capital would flow out to the more dynamic parts of the Community, where higher wages would be offset by a more favourable business environment and a more highly developed economic and social infrastructure. Some anti-Marketeers also disputed the economies of scale argument, claiming the most industries in Britain were already operating at the optimum level.

Economists in favour of EEC membership replied with studies aimed at showing that it would in fact not affect Britain's trade balance on industrial goods and that there was in fact scope for greater economies of scale, particularly through intra-industry specialization. There would therefore be an increase in investment. It was also argued that, once Britain was inside the Community, EEC policies, especially in agriculture, would be more responsive to British interests. No one appears to have denied, however, that there would be adjustment problems in the short term.

The Minister of Industry in the Conservative Government returned to power in 1970 predicted an appreciable down-turn followed by a marked upturn in external trade. He expected the transitional period to be "vexatious" - not because of marked recession but because there would be dissatisfaction with the growth of exports.

Transitional and Safeguard Provisions

Probably based on the experience of the original Six, the British Government decided it would like to get the short term pain over with quickly, and get on to the long term gain. It readily agreed to a five-year transitional period - less than half the time it had taken the Six to dismantle internal tariffs. Moreover it proposed somewhat higher cuts on manufactures in the earlier part of the transitional period, which would have brought internal tariffs down 65 per cent by the beginning of 1975 and 90 per cent by the beginning of 1977 instead of 60 per cent and 80 per cent respectively under the EEC proposal. However, the Six were anxious to maintain the same timetable for industrial goods as that for British adjustment to the Common Agricultural Policy.

A general transitional safeguards clause (Article 135) was included in the Treaty of Accession, practically identical to Article 226 of the Rome Treaty . There was also provision, (in Article 136) for application of anti-dumping duties under certain conditions during the transitional period. However, this article for some reason did not include the requirement that goods exported from one member state to another should be re-admitted free of duty. Another feature of the original transitional arrangement which was carried over into the Accession Treaty was flexibility in the schedule for abolishing fiscal duties or converting them into internal taxes (Article 38(3)). Article 43 was designed to meet a special British concern about the way in which removal of their QRs on iron and steel scrap might affect costs of production in the steel industry. It allowed them to retain these quotas for two years as long as they did not discriminate against other member states.

In addition to these transitional provision, the British of course had access to all the continuing safeguard arrangements in the Treaty of Rome.

The Actual Experience

No evidence has been found of serious problems of adjustment which can be directly related to British entry into the Community. Unemployment in Britain did rise from a rate of 3.5 per cent in 1972 to 5.3 per cent in 1979, but this does not seem to be attributable in any significant degree to British entry into the Community, since there were similar, and in some cases greater increases registered in jobless in other EEC countries.

The British appear to have invoked Article 135 in only one case. A sharp drop in coal and coke production resulting from the miners' strike of 1974 led to shortages of certain steel products. The British were permitted, under the general transitional safeguard provisions, to set up an export licensing system for certain steel products and later in the year to add other forms of steel and coal to the list of controlled items. However, the problem which had been anticipated regarding steel scrap exports did not arise.

It would be difficult to determine to what extent the British Government used state aids, or state ownership of industries such as steel, to mitigate the effects of EEC entry.

By the time Britain joined the Community, the resources at the disposal of the European Social Fund and the ECSC re-adaptation fund had been greatly increased. The same was true of the European Investment Bank. Moreover, in 1975 the Community set up a European Regional Development Fund - something in which the British were particularly interested. However, the assistance available from these sources was small in relation to the needs, the EEC budget and the funds at the disposal of national governments.

By the middle of 1982, Britain had received from Community sources £3.5 billion in grants and £ 4.4 billion in loans to assist and promote industrial change and stimulate investment. The annual average was thus about £ 830 million, though there was a substantial increase over the 9 1/2 year period. It is difficult to relate the projects assisted to situations resulting from British entry, except to some extent in the case of aid provided for restructuring the iron and steel industry. Much of the EIB's financing went, as in other member states, for improvement of infrastructure.

The absence of major difficulties for British industry may seem surprising in view of the pronounced deterioration in Britain's balance of trade with other EEC countries on manufactured goods (which is discussed in more detail below). By 1979, Britain had a deficit on manufactures with its Community partners amounting to $6,175 million compared with a surplus of $41 million in 1972.[3]

This was probably far in excess of what had been envisaged by the most pessimistic economists before accession, even allowing for the general rise in prices which took place over these years. Other predictions also turned out to be wide of the mark. The initial cost of adopting the CAP was much lower than anticipated because after the boom in agricultural prices starting in 1974, it was actually cheaper to obtain some major agricultural products inside the Community than from outside suppliers. Moreover, Britain's own exports of agricultural products to the Six developed in a way that was quite unexpected.

Some of this was due to bad forecasting. However, there was more to it than that. The fact is that the effects of British entry had been largely overshadowed by the dramatic changes in the international environment which took place in the seventies. Some of these completely demolished assumptions on which predictions about the consequences of joining the EEC had been based. For example, with the floating of the pound sterling, balance of payments surpluses and deficits were compensated by fairly gradual movements in exchange rates rather tan by periodic substantial devaluations or by draconian measures to deflate the economy.

Has British Membership been a Success?

Under the best of circumstances it is a complicated process to try to separate the trade effects of customs unions or free trade areas from those of other internal and external developments. When we are dealing with the world of the seventies it is particularly difficult. To the changes in the international environment already mentioned we need to add such factors as the progressive reduction of trade barriers on a multilateral basis as a result of the Toyko Round and the increasingly intense competition, in some sectors, of the newly industrialized countries (NIC's). On the British domestic front, one has to take into account factors like the labour unrest and political instability of 1974 and the development of North Sea oil (which had its negative as well as its positive side).

Having recognized the limitations of this kind of analysis, however, we can start with a few basic facts about Britain's trade. After 1973 there was a striking shift in British trade towards the EEC. From 1972 to 1980, the share of British exports going to other members of the Community rose from 30.2 per cent to 43.1 per cent. In the case of imports the EEC share went up from 33.8 per cent to 42.7 per cent. The ratio of trade to national output also rose substantially.

As already mentioned there was a deterioration in the British trade balance with the EEC on manufactures. Much of this took place from 1972 to 1976, when four-fifths of British duties against the products of the Six were eliminated. Since, at the same time Britain actually increased its surplus with the rest of the world in manufactured goods, it would appear on the surface that tariff changes had something to do with the poorer performance vis-a-vis the community. However, British manufacturers were not holding their own with their EEC competitors in the eight years before accession. Indeed their position deteriorated more in that period than in the years 1973-81. Also, in the latter 70's, Britain's export-import ratio in manufacturing trade deteriorated less with the EEC than with certain other countries, including the USA and Japan.

The trend vis-à-vis the EEC was in fact part of a general worsening of Britain's position in this sector which had been going on for a long time. A decline in the country's share of the manufactured exports of 12 major industrial countries was registered from 1955-58 to 1970-73. It has been attributed to such factors as under-investment, bad labour management relations and stop-go economic policies.

There have been indications very recently of a marked improvement in manufacturing productivity in Britain. From 1979 to 1983, real value added in British industry per person employed rose at an average annual rate of 3.8 per cent - more than double that for the Community as a whole and considerably greater than that achieved by Britain over the period 1960 to 1980. Why has this not been reflected in a strengthening of Britain's position in world markets for manufactured goods? The OECD has pointed out that, although productivity has been rising, Britain's international competitiveness in terms of labour costs and prices has actually been weaker in recent years than in the 1970's. Up to 1981, this seems to have been due mainly to such factors as the appreciation of sterling, associated with North Sea oil, and increases in wage rates. Since early 1981 the pound has been failing, though apparently not enough to bring about an improvement in Britain's trade performance on manufactures. Indeed, this trade went into deficit in 1983 for the first time since the war and the position further worsened in 1984 and early 1985. This was attributable mainly to the fact that Britain came earlier and faster out of the recession than its European partners, and to the miners' strike.

It also bears noting that the deterioration of the balance on manufactures is not an across-the-board phenomenon. It is accounted for largely by sharp increases in import penetration in several specific sectors, particularly motor vehicles, and, to a lesser extent, metal manufacturing, office machinery and data-processing equipment and electrical and electronic engineering.

It would therefore be wrong to conclude from the widening deficit on manufactures that membership in the Community is not paying off for Britain. Special circumstances have, in fact, masked a notable improvement in manufacturing productivity. Nor does the evidence so far bear out Professor Kaldor's claim that membership in the EEC has "accelerated the de-industrialization of Britain". The share of manufacturing in Britain's GDP has certainly declined from 32 per cent in 1972 to 24 per cent in 1983. However, there is scarcely a western industrialized country that has not experienced some trend in this direction - associated with the growing importance of the service sector. In Britain's case it was more pronounced than in most other countries and a major factor in this would appear to be the much greater contribution of the energy sector to GDP. The share of agriculture, forestry and fishing actually declined slightly more than that of manufacturing.

Against all of this, it has to be admitted that the predicted dynamic effects of membership on British industry have yet to show up. One study suggests there is some trend towards intra-industry specialization but that there is decreased inter-industry specialization. Another of its conclusions does not bode very well for Britain's industrial future. The country has increased its share of the European output in low-growth low-skills industries such as tobacco, clothing and footwear, rubber and leather goods, textiles and printing. The viability of industries such as these can generally be maintained only by protecting them in one way or another from the "laser beam" competition of the NIC's. It has been suggested that the growth of these industries in Britain reflects the fact that, within Europe, it has become a low-wage economy with a relatively unskilled labour force.

Turning to the performance of the British economy as a whole, membership in the EEC has not altered the country's position as the slowest-growing major industrialized nation. Its GDP rose, in volume, by only 11 per cent from 1973 to 1983 compared with a Community average of 19 per cent (which, as already pointed out, was about the same as that for the United States). The rate of growth in Britain's real GDP per employed person over the same decade was also inferior to those of its major Community partners though better than that of the United States. But if we look at the most recent period, 1979-1983, a different picture emerges. Over these three years British real GDP per employed person was growing faster than that of any other leading industrialized country except Japan. The average annual rate of increase was 2.1 per cent compared with a Community average of 1.2 percent. A report recently prepared by the European Communities Commission notes that a significant improvement has been taking place in total factor productivity in Britain, and attributes it to "shake out" (more efficient use of capital and labour).

This fits in with what has already been said about the increase in productivity in manufacturing.

What about the anticipated inflow of foreign investment into Britain? Here the readily available evidence is mildly positive but not very conclusive. There has certainly not been the great flood of new investment that some had predicted. The proportion of total U.S. overseas investment going to Britain declined in the 60's and early 70's but recovered markedly after that. It is not clear how much of the increase represented investment in North Sea oil. As regards U.S. direct investment in manufacturing, Britain's share of the total increased from 12.6 per cent in 1976 to 15.7 per cent (estimated) in 1981. In 1980, Britain accounted for nearly 59 per cent of total U.S. direct investment in the Community, excluding oil. The corresponding figure for manufacturing was 34 per cent of the world total. About half of Japan's investment in the EEC is in Britain. British membership does not seem to have had a strong effect on investment flows to and from other members of the Community. Indeed, direct investment in and out of Britain grew much more with North America from 1970/72 to 1980. Perhaps this should be expected in view of the extent to which direct investment and trade are alternative ways of developing a market.

To summarize the apparent effect of British entry so far, while there is some evidence of short term adverse impact effects, and there are indications of a very recent improvement in productivity it cannot really be conclusively demonstrated that the country is now getting the benefits from membership that the original Six obtained. There are, however, a number of extenuating factors:-

1. Studies of what happened to the industries of the Six after 1958 suggest that integration is a slow process. Once economist who has looked into this experience suggests it may take 15-20 years to show measureable results and 40-50 years for completion.

2. Britain joined the Community just as it was coming to the end of 15 years of rapid growth, and thus "missed the best of the party". The British also came on the scene when EEC members were having increasing difficulty keeping up the momentum of harmonization and removal of non-tariff obstacles to trade.

3. As already mentioned, Britain went in with its manufacturing sector much weakened by developments over the preceding decade or so.

4. The economic and industrial relations atmosphere at the time of entry was not such as to encourage new investment and the inflow of foreign capital (e.g. rapid increases in wages and prices, the miners' strike which led to the fall of the Heath Government).

5. The ambivalence in Britain regarding membership in the Community may have led to the postponement of business decisions needed to take advantage of the larger market, at least until after the 1975 Referendum. In the last several years, uncertainty has again arisen about whether Britain will stay in the EEC in view of the Labour Party's official position favouring withdrawal "in a amicable and orderly way" because membership is an obstacle to the "radical, socialist policies..." to which it is committed. Public opinion polls also suggest that the British people might be persuaded to vote against remaining in the Community.

X 6. Government policies have not been such as to facilitate positive adjustment and restructuring. Among the main criticisms it has been pointed out that, from 1974-1979, the Government pursued policies which enhanced the bargaining position of organized workers, reduced management's flexibility on prices, wages and profits and propped up industries in trouble instead of forcing them to face the economic facts. The gains in cost competitiveness flowing from the sharp depreciation of the pound in 1976 had been completely eroded by the first quarter of 1979. More recently Britain has been making herculean efforts to get inflation down to more manageable levels and reduce government deficits. However necessary this may have been, it has been suggested that Britain went beyond what its Common Market partners were doing to reduce deficits and placed an added burden on the economy at a time when major structural changes were needed. On the other hand it appears that British efforts to upgrade the skills of workers so that they will be more on a par with those of such competitors as Germany have been inadequate. So have the incentives to invest in new plant and equipment.

7. Exchange rate changes since the pound was floated have introduced an element of uncertainty into business transactions. British producers of certain manufactured goods, including motor vehicles, have cited this as a problem they have had to contend with in selling in Community markets.

Notwithstanding the somewhat disappointing results so far, the British business community seems convinced that there have in fact been important benefits. At the very least, it is believed that Britain over the past decade has been much better off inside than it would have been outside the Community. Although the inflow of investment has not been spectacular it is thought that it would have been considerably smaller if Britain had not joined. Interviews with officers of multinational companies suggest that, should Britain withdraw now, there would be an exodus of subsidiaries. The view has been expressed that the current difficulties of certain industries, such as steel, would have been much greater if Britain had not had the protection of EEC policies and supports. This then is perhaps the bottom line in the debate about whether Britain should remain in the Community - what is the alternative?

D. RELEVANCE FOR A CANADA - U.S. ARRANGEMENT

Some caution is advisable in attempting to apply lessons from the EEC experience to the situation in North America. There are some important differences, especially the following:-

1. The EEC is a common market, to some extent still in the making, heading towards economic, and perhaps eventually political, union. Entry into the EEC entails ceding sovereignty to a much greater extent than is the case in a free trade area. EEC institutions have supra-national powers. There are no provisions in the Rome Treaty to cover a situation where a member state wishes to withdraw. Presumably in the last analysis it could do so. However, as long as it remains in, it is required to comply with the decisions and directives of community organs. All of this entails problems (and benefits) that are not met in a more limited trading arrangement. Conversely, where there is no common external tariff or harmonization of economic and social policies, there can be distortions in the conditions of competition and deflections in trade which are not found in an EEC-type system.

2. In contrast to the Canadian situation, political considerations have provided a major impetus to economic integration in Europe.

3. The EEC started with six members, the three largest having approximately the same population. The decision-making process, with unanimity required on some matters and qualified majorities on others, makes it difficult for certain combinations of countries to dominate the Community and strengthens the position of the smaller ones. This again differs greatly from the Canada-U.S. situation where we would be dealing, one on one, with a partner which has nine times our population and ten times our output of goods and services.

4. Canada-U.S. trade is much less restricted than was that between the EEC countries in 1958. Tariff levels are a great deal lower. We have the Autopact,

which has brought about major changes in trade and production patterns in the important motor vehicle sector. Our trade is not limited by extensive quota controls.

Moreover, there is a much greater degree of integration in North America in transportation and communications systems, technical standards, and ownership and control of industries and intercorporate links than exists in Europe today, even a quarter of a century after the EEC came into being. National prejudices and differences in language, culture and ways of doing business are generally not such as to have a significant effect on trade and investment decisions in North America. These factors do still seem to have some influence in the European business world.

What all this adds up to is that, other things being equal, one would expect the benefits of getting rid of trade barriers in North America to be smaller than those of integration and harmonization in Europe. One the other hand, they are likely to be achieved much more rapidly (because some of the factors which slowed down the process in Europe would not be present). The other side of this coin is that safeguards might be more necessary in a Canada-U.S. arrangement during a transitional period.

Nothwithstanding these and other differences, there are some useful lessons to be learned from the European experience. The more important ones would appear to be as follows:

1. It certainly illustrates that, under the right conditions, permanent dismantling of tariffs and NTBs can provide a stimulus to industrial restructuring which increases efficiency and competitiveness, through specialization and greater economies of scale. This process in turn leads to faster growth in incomes and output.

2. The restructuring which took place in Europe seems to confirm the thesis that, where there is integration between highly developed countries which have a broad range of secondary industries, intra- industry specialization tends to predominate. The adjustment problems this involves, while not negligible, are generally less severe than those associated with inter- industry specialization.

3. To the extent that inter-industry specialization does take place, it is obviously desirable to avoid, if possible, getting into the situation in which the British to some extent find themselves - expanding their share of Community production in industries which use low-skill, low-wage labour.

4. Just because the likely adjustment problems were exaggerated when the Rome Treaty was under negotiation, we cannot assume that the same is true now in

Canada. However, the European experience should make us take a harder look at whether the fears being expressed are really justified.

5. Comparison of the experience of the original Six and that of Britain suggests that a generally favourable economic climate contributes to the ease and speed of adjustment. It is for consideration how far the assurance of exchange rate stability is necessary to get the full benefits from dismantling trade barriers, in view of what has been said in Britain about this.

6. The way in which state aids were treated in a Canada-U.S. trading arrangement could have an important bearing on its regional impact. The Rome Treaty took a particularly tolerant attitude towards measures of this kind. Moreover, such constraints as it did establish proved exceedingly difficult to enforce. It would appear that state aids and other forms of government intervention made a major contribution to the of regional development within the Community.

7. EEC experience with state aids and government procurement illustrates the kind of trade-offs involved in deciding how much autonomy to give up in these fields and the difficulty of policing any common rules.

8. Obviously integration cannot be expected to cure the long-standing weaknesses of particular industries. However, it may, as in the case of steel in Britain, make it impossible for governments and business to avoid going ahead with steps to deal with these problems which should have been taken long ago.

9. It is clear from what has happened in Britain over the past decade that the response of governments, business and even the general public to a comprehensive trading arrangement could be crucial. Just to touch on a few points, government policies should encourage investment in plant and equipment and, perhaps even more so, in human resources. Businessmen should draw the right conclusions about economies of scale - whether, in their own industries, it is the size of the firm, the plant or the product line that is important. Once having taken the step to integrate, energies should not be dissipated and uncertainties created by debating whether to undo it. If it is not possible to go ahead with a large measure of consensus, the success of the initiative will be prejudiced to some extent.

10. Because of the differences in the North American and European situations already mentioned, it would be inappropriate to try to draw firm conclusions about the implications for Canadian sovereignty and political independence. It bears noting, however, that, in spite of the much higher degree of economic integration between EEC countries and their efforts to cooperate on foreign policy, there still seems to be room for considerable differences of stance on such issues as the military defence of the West and the Falklands crisis.

11. The success of the BENELUX proposal for European economic integration in 1955 and failure of British efforts to join in 1962 and 1967 each in its own way underlines the importance of getting not only the decision but also the timing right.

ENDNOTES

[1] Provisions relating to alignment of tariffs against third countries on the CET are not dealt with here. Nor are those having to do with agriculture, which was to be subject to a system of managed markets.

[2] These changes were actually to be accomplished in 11 years, since the first adjustments were not to be made until one year after the Treaty came into effect.

[3] There were substantial fluctuations from year to year. For example the deficit was much lower in 1980. However, the general trend over the decade was towards a worsening of Britain's balance on manufactures with other EEC countries.

EFTA

While the EFTA experience was not within the scope of this study as originally envisaged, it is certainly relevant to the Canada - U.S. situation. A few facts and figures are therefore set out here to give some indication of the repercussions which EFTA had on the trade and economic development of the member countries. Some of the consequences were similar to those found in the study of the EEC - for example, faster growth in trade with EFTA partners than with the rest of the world and restructuring of industries to take advantage of new trade opportunities. But in view of the discrete and indicative nature of much of this material, it would need to supplemented by a more detailed and comprehensive analysis before drawing any firm general conclusions about the economic benefits of EFTA.

Trade Patterns

- From 1959 to 1967, all members of EFTA expanded their imports at a faster rate from their partners in the trading group than from the rest of the world. In the case of Austria, Sweden and Britain, the annual average percentage increase in imports from other EFTA countries was more than half as great again as the corresponding figure for imports from all countries. For Denmark, Norway, Finland and Switzerland, the rate of growth in imports from EFTA was between one quarter and one half higher than that of total imports.

A study by the EFTA Secretariat estimated that the total increase in EFTA countries' intra-area imports, resulting from the removal of internal trade barriers, was about $2.2 billion in 1967. These "EFTA effects" on imports grew considerably from 1965 to 1967, reflecting, it was suggested, the progressive removal of tariffs and the time it takes for trade patterns to adjust fully to this. It was also estimated that about 40 per cent of the increase in imports from EFTA partners due to trade liberalization represented trade diversion and about 60 per cent trade creation.

The figure arrived at for trade creation in 1967 amounted to 7.9 per cent of total imports of EFTA countries from all sources in that year and 25.8 per cent of their imports from partners in the trading group. The corresponding figures for manufactured goods (more relevant, since EFTA was essentially an industrial trade area) were 10.3 per cent and 31.3 per cent respectively.

Industrial Structures and Productivity

The EFTA SEcretariat did not examine in detail the impact of trade creation in EFTA on specialization, scale of production and efficiency. It did, however, in another study, identify several cases where, up to 1965, some of the expected effects of trade liberalization within EFTA appeared to have taken place. These included more processing of pulp in Scandinavia, the growth of high productivity industrial sectors in Denmark, the installation of modern textile machines in Portugal and the Rationalization of the Austrian tire manufacturing industry.

NORWAY

The following deals with the repercussions on Norway of its membership in EFTA and, later, its free trade agreement with the Community:

- Trade liberalization associated with Norway's membership in EFTA is considered to have played an important role in the major transformation of the country's manufacturing industries in the sixties. (See Fritz Hodne, The Norwegian Economy, 1920-1980, p. 202). The main features were:

    - Firms were forced to seek out niches in home and/or export markets.

    - The winners (industries with expanding output and employment) included chemicals, machinery (ex. electrical), electrotechnical machinery, transport equipment, printing and publishing, basic metal industries; the losers included textiles, garments and apparel, furniture, leather products and tobacco.

- In the engineering industry the expansion was particularly noteworthy - greater than in GNP and in manufacturing industry as a whole. Its contribution to total value added in manufacturing increased more than its share of manufacturing employment (i.e. it was improving productivity faster than was Norwegian manufacturing industry as a whole). The number of establishments was just about cut in half from 1960 to 1975, indicating a strong trend towards concentration, presumably to take advantage of economies of scale.

- It is more difficult to assess the effects of Norway's free trade agreement with the EEC, because in the seventies the development of North Sea Oil overshadowed all other economic developments. Attention is, however drawn to the following:

- In purely statistical terms, one would have the impression that Norway has taken more advantage of the link with the Community than any other EFTA country. Its exports of the EEC were up 450 per cent and imports 228 per cent over a seven-year period. In 1978, Norway had a trade surplus with the Community for the first time. However, analysis of the trade figures in detail would probably show that North Sea Oil rather than free access to the Common Market was the big factor in all this.

- Norway's real GNP rose at an annual average rate of 4.9 per cent from 1973 to 1979, a better performance than any other OECD country. The corresponding figure for 1979 to 1983 was 2.3 per cent, compared with 0.6 per cent for the EEC, and bettered only by Japan, Finland and Turkey among OECD countries. Here again, however, the credit probably should go mainly to North Sea Oil.

- A different picture emerges when one look Norwegian manufacturing output since 1973. There was practically no change from 1973 to 1982. But the machinery and industrial chemicals sectors continued to do well (as in the sixties). The poor performance of manufacturing as a whole was attributable to such sectors as textiles, apparel, leather and products, footwear and rubber products, most of which has exhibited weakness in the earlier period. It seems likely (though this would need to be confirmed by checking the trade figures) that the competition in these sectors was coming mainly from the NICs rather than the EEC. A hypothesis which might be tested is that the development of North Sea Oil, through its effect on wage rates and allocation of resources, aggravated the problems of industries which were already having some difficulty surviving.

AUSTRIA

- While the Austrian situation has not been looked at in detail, the following gives some indication of the country's economic performance since it concluded a free trade agreement with the EEC.

  - Austria's real GDP increased at an average of 2.9 per cent from 1973 to 1979 and 1.5 per cent from 1979 to 1983. In both periods was significantly better than the EEC's performance.

  - Real value added in manufacturing grew at a considerably faster rate in Austria than in the EEC over the decade beginning in 1973. Also, Austria performed better in manufacturing productivity (as measured by the increase in real value added in manufacturing per person employed).

In order to establish what, if any, connection there is between these developments and the removal of trade barriers between Austria and the EEC, a thorough study of the trade figures and of structural changes in Austrian industry would need to be carried out.

STATISTICS

Selection of years for statistical comparisons in this study has been governed to a considerable extent by availability of data and time constraints. In some cases it may be open to criticism on such grounds as the unrepresentative nature of one of the years chosen (because of substantial year to year fluctuations) or the fact that one of the years reflected a different phase of the business cycle than the other. However such problems are not likely to have had a significant effect on the general conclusions reached.

SOURCES

A variety of sources, both primary and secondary, were consulted in writing this report.

Principal primary sources and public documents used included the files of the Department of External Affairs, the Annual Reports of the EEC Commission (later the Commission of the European Communities), reports of the European Investment Bank, OECD economic surveys by country, EEC annual economic reviews, statistical publications of the EEC and the OECD, the UN statistical year books, a number of official publications of the European Communities in the series European Documentation and European File, a report of the Commission entitled Britain and the Community, 1973-83: The Impact of Membership, a report of the Directorate General for Research and Documentation, European Parliament, entitled The Effects on the United Kingdom of Membership of the European Communities (1974), the British White Paper entitled Britain and the European Communities: An Economic Assessment (Cmnd, 4289), and a series of articles on the EEC in the London Financial Times which appeared during 1985.

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