1. Discuss the formation of European Economic Community. How did the European Community help in European integration?

**Ans:** The European Economic Community was created by the Treaty of Rome in 1957. It was often called the Common Market, since its core function was fostering economic cooperation between its member states: Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. The EEC operated alongside the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (EAEC). The three separate Communities were brought together in 1967, and the official name became the European Communities, although in practice most people spoke only of the EEC or the Common Market, the most important of the three. This also meant that the practice of using the plural ‘Communities’ became increasingly uncommon outside of official documents. These names stayed unchanged through the 1970s and 1980s, although the use of the middle E in EEC, i.e. that standing for ‘Economic’, fell into disuse.

With the 1992 Maastricht Treaty, the EC became the EU. Maastricht brought into being three ‘pillars’, the first of which remained the EC, the other two being Common Security and Foreign Policy (CFSP), and the second covering Justice and Home Affairs (JHA). Strictly speaking the EC went on existing, but in practice references to the EU eclipsed those to the EC – and the Treaty of Lisbon in 2007 abolished the pillar structure.

The European Economic Community (EEC) was a regional organisation which aimed to bring about economic integration among its member states. It was created by the Treaty of Rome of 1957. Upon the formation of the European Union (EU) in 1993, the EEC was incorporated and renamed as the European Community (EC). In 2009 the EC’s institutions were absorbed into the EU’s wider framework and the community ceased to exist.

The Community’s initial aim was to bring about economic integration, including a common market and customs union, among its six founding members: Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. It gained a common set of institutions along with the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (EURATOM) as one of the European Communities under the 1965 Merger Treaty (Treaty of Brussels). In 1993, a complete single market was achieved, known as the internal market, which allowed for the free movement of goods, capital, services, and people within the EEC. In 1994, the internal market was formalised by the EEA agreement. This agreement also extended the internal market to include most of the member states of the European Free Trade Association, forming the European Economic Area covering 15 countries.

Upon the entry into force of the Maastricht Treaty in 1993, the EEC was renamed the European Community to reflect that it covered a wider range than economic policy. This was also when the three European Communities, including the EC, were collectively made to constitute the first of the three pillars of the European Union, which the treaty also founded. The EC existed in this form until it was abolished by the 2009 Treaty of Lisbon, which incorporated the EC’s institutions into the EU’s wider framework and provided that the EU would “replace and succeed the European Community”.

The EEC was also known as the Common Market in the English-speaking countries and sometimes referred to as the European Community even before it was officially renamed as such in 1993.

2. Explain different stages in the evolution of Economic and Monetary Union.

**Ans:**

3. What is Common Agriculture Policy (CAP)? Discuss the reforms in CAP.

**Ans:** The EU protects its farmers and growers through its Common Agricultural Policy (CAP). European farmers receive CAP subsidies of around £40 billion each year, and these subsidies account for around 35% of the entire EU spending budget. CAP was created by the Treaty of Rome (1957) to ensure food supplies for Europe, and provide a fair income for European farmers. The creation of CAP was central to the formation of the European common market, and an early step on the road to European integration.

Farmers suffer from three potential problems:

1. Farm incomes have fallen because of increasing global food production, and higher yields following the application of new technology in the developing world, and new entrants into the market.
2. Farm prices are extremely unstable, largely because of random supply shocks, such as poor weather and disease.
3. Farmers and growers have lost power to the large supermarket chains, which can exert their monopsony power in pushing farm prices down.

As a result, farmers are often regarded as a special case for government support. Food is a strategic good, and governments around the world often view food security as a key economic objective. The introduction of CAP, in Europe, was seen as an important step in establishing food security for Europe. Price support schemes, such as guaranteed prices, were first introduced in 1962, and became the main means of supporting European farmers. So effective was the support to farmers, over-production was encouraged, resulting in the infamous wine lakes, butter mountains, and the $2 a cow of Reform of CAP

By the mid 1980s, over-production led to sweeping reforms, including the use of set-aside programmes. Set-aside programmes, which involved the voluntary setting aside of land in an attempt to reduce agricultural surpluses, were introduced into the UK in 1988. Other measures were introduced during the 1980s and 1990s to limit production, including fixed quotas for milk production, with penalties for over-production. These measured, combined with set-aside, gradually reduced the huge surpluses.