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## Economic Community—Political unity?

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# ARTICLES

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## EUROPEAN INTEGRATION

### Economic Community – Political Unity?

by Senator Helmuth Kern, Hamburg \*

At a cursory glance the evolution during the past ten years of the European idea and the movement towards European unity would appear to be one of the greatest historical paradoxes. In the same space of time during which the European Economic Community was able to register unexpected successes, exercising, as it does, a constantly increasing pull on countries that are still outside it, the nationalist idea has gathered force in the field of politics. This would not be such a paradox but for the constantly repeated assertion that the economic unification of Europe is not only the precondition for political unification, but the first step on the road which must inevitably lead to political unity. This conception of an ineluctable historical process, of an automatic transformation into something qualitatively different, i.e. a politically united Europe, is still in the hearts and minds of many although the facts speak an entirely different language. Economic imperatives do not necessarily produce political unity.

#### **Increasing Weight of the EEC**

At the present time all states in the world are competing to achieve the highest rate of growth for their economies. In this competition there are "pioneer governments" which are the first to reach the highest level of development attainable at the time, and there are other governments which as "imitators" follow this example in order not to be left behind. It is beyond question that the United States has up to now been playing a decisive role as a pace-maker. Its importance will, however, increasingly diminish as other large areas form unified economic systems. The amalgamation of the economies of six states on the European continent, the European Economic Community, has created a dynamic interior force which in spite of initial scepticism and in the face of at times serious crises is exercising an increasing influence on affairs outside its own boundaries. As a result the "Voice of Europe" is therefore being listened to more and more attentively whenever world economic problems are to be solved. Two very recent events testify to this:

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□ The favourable outcome of the Kennedy Round is a proof of the EEC's successful policy. Left to itself no European state would have been able to obtain so many concessions from the USA.

□ In the debates about the reform of the world currency system the opinions of the member states of the EEC finally prevailed, notwithstanding the fact that they differed considerably from the original standpoint of the Americans.

In the light of these obvious successes on the part of the EEC it is by no means surprising that in some part of the world the example of the European integration is being imitated and is becoming more and more attractive to non-member states and in particular other European countries. It is therefore safe to assert that the integration of "Little Europe" has fostered the growth of an economic force which pulls in the direction of an integrated larger Europe.

What are the essential forces which have brought about the economic growth inside the EEC and what chances are there for a further development of economic and political cooperation in Europe?

#### **The Growth Potential Inside the EEC**

On the economic level the EEC aims at the creation of a Common Market. The first decisive impulses making for growth, therefore, came from the creation of a customs union. The customs barriers between member-states were to be progressively lowered to disappear completely by 1970, while a common customs tariff for imports from outside was to be imposed. De jure this aim will already be achieved on July 1, 1968. In practice, however, the customs union is a reality already today because business has long since adapted itself to the Common Market, frequently anticipating the lowering of customs duties in order to be in a better position to gain a foothold in the markets of the member-states more quickly. Witness the considerable and rapid increase in the internal trade. The astonishing extent of this growth is best realised by looking at some figures: Trade between the member

states in 1958 had a value of about DM 58,000 million; by 1966 it had already risen to DM 185,000 million. This represents an increase of 222 per cent. During the same period trade with non-member states rose by 81 per cent to DM 241,000 million.

It would doubtless have been possible to increase the volume of trade even further, had the EEC embraced more countries. The present EEC is therefore only a second best. It is, however, equally certain that trade with non-member states would have risen less steeply, had there been no EEC. It was precisely through the abolition of internal customs duties that it was possible to achieve an increase in the productivity inside the Community which in turn resulted in a high rate of growth of incomes and in the greater demand, not only for EEC products, but also for goods from non-member states.

### **Prospects for Future Cooperation**

Endeavours to achieve an "internal consolidation" of the Economic Union are progressing only with difficulty. More and more frequently long drawn-out negotiations are required to coordinate the interests of the six countries into a common European attitude. More often than not it is political objections that stand in the way of all progress towards integration because member-states steadfastly refuse to transfer more and more of their sovereign rights to the supra-national organisations in Brussels. One should have thought that it would be possible by means of majority decisions to arrive at least at compromise solutions. The fathers of the Rome treaty had in fact such possibilities in mind. But—to say it straight away and clearly—the crisis has not left the Community unscathed. In 1966, France before announcing its willingness to return to the negotiating table expressly insisted on the principle of the unanimous vote being retained for all questions affecting the interests of the whole Community. The other member-states are in tacit agreement with this arrangement. This has resulted in a considerable slowing-down in the progress towards common energy, trade, transport and social policies, to mention only a few, but particularly important examples. For this reason the work of developing more vigorously the present EEC will certainly take much longer than the long drawn-out negotiations on the accession of further European states. It is indeed possible that the slow pace of progress towards "internal consolidation" may even facilitate the enlargement of the Community, because, but for this slow progress, the barriers in the way of accepting new members would become increasingly formidable. If, therefore, one were to confine oneself first of all to a consolidation of the Europe of the Six, one would in the long run lose the great chance of preventing, while there is still time, a solution on the lines of the "Little Europe".

But even in regard to an expansionist development of the Community, that is in regard to its enlargement, there exist economic, but even more so, political diffi-

culties. The case of Great Britain may serve as an example.

That country's economic difficulties are in the main confined to problems of agriculture and currency:

As far as agriculture is concerned Britain's most important problem is how to adjust itself to the Community's high level of prices for farm produce. The fear is justified that this would lead to an increasing protection of the internal market from the world market. As the greatest importer of foodstuffs Britain would take the place of the Federal Republic as principal payer into the Agricultural Fund, while having to shoulder an appreciable additional burden on its balance of payments. To avoid this, the British government would hardly have any choice but to transfer agricultural imports from the Commonwealth countries to the surplus producing countries of the Community. Of its present trading partners New Zealand would be particularly hard hit, because that country's dairy and mutton exports to Great Britain amount to about two-thirds of its total exports. Britain's second biggest supplier of foodstuffs, Denmark, on the other hand, would suffer no harm because it would in all probability join the EEC at the same time as Great Britain.

One specific economic problem is causing the British constant headaches. They are saddled with a deficit in their balance of payments and a crisis in their pound sterling; for some time already they are attempting with varying success to conduct their affairs according to the principle that "monetary stability begins at home". Part of this policy is also the relinquishment of military obligations "East of Suez". This should lead to appreciable savings and, in the near future, to a further relief of the balance of payments. But even then certain difficulties are sure to persist—difficulties which arise from the insistence to regard sterling as a leading currency.

### **Attitude towards Britain's Entry**

What is the political attitude adopted by Britain's partners in the negotiations about its entry into the European Economic Community?

Let us begin with France. It is extremely difficult to define General de Gaulle's political ideas accurately. One thing seems to be clear, however: de Gaulle is perfectly correct in assuming that British accession would diminish France's relative weight in the Community with the consequence that its further development would be less in accord with French interests such as they are pursued today. This he is not prepared to accept because the guiding principle of his policy is to insist upon France's greatness as a nation.

France's EEC partners, while favouring Britain's entry, are anxious not to press de Gaulle too hard, not to drive him into a corner in order to avoid rash reaction. The result of their endeavours is hardly encouraging: As things stand at present it would appear that Britain's

entry into the Community and therefore probably also that of other countries—however economically profitable for all concerned and also however possible—can be achieved politically only by great efforts. These efforts will have to be mainly directed towards overcoming French reservations. One day, the French will surely realise that it will be easier to achieve their present national aims through the creation of a larger Europe capable of functioning properly than under present conditions. For the time being, however, an attempt should at least be made to disperse first of all French doubts about starting negotiations on Britain's entry. Fortunately, there is still some time left because thanks to the successfully concluded Kennedy Round some of the trade obstacles in Europe will be eliminated until 1973 and also because the EEC's internal consolidation is unlikely to make much progress so that it will be impossible to erect new barriers against potential entrants. This does not mean, however, that one should let matters slide but only that there is time to consider all aspects of the problem dispassionately.

### **Economic Cooperation and Political Unification**

Is an extensive and intensive development of the Common Market ultimately likely to lead to political integration? A delicate question indeed, and one not easily answered. I am aware of the optimism and the political hopes which accompany economic fusion and would approach the question in the first instance by pursuing a somewhat abstract train of thought. I should like to compare the European Economic Community with a cooperative whose purpose it is to purchase goods. The basic principle of all cooperative endeavour is the realisation on the part of each member that as far as his business is concerned it will be of advantage to him if the investment or consumer goods he requires are purchased in common with others. The necessary pre-requisite for the success of the purchasing cooperative is the surrender, for reasons of enlightened self-interest, of certain, precisely determined powers to make personal decisions. Active cooperation in the Community and the perpetual search for better solutions is the constant function of the national analysis each member makes of the over-all advantages. This means that the very identity of the individual constitutes the common factor in a community, for the community exists only for the benefit of each individual member. No doubt, a number of objections can be raised against the applicability to Europe of this analogy, but it should illustrate one essential aspect of the problem.

Nations, i.e. communities whose members identify themselves as belonging together are not only the result of rational thought. Nations have not been

born without the aid of an ideology, a pragmatic, purposeful ideology, if you like. Such an ideology which lies at the origin of a larger, supra-regional entity, based on a common loyalty of all we call nationalism.

The excessive optimism regarding the inevitability of a transformation of the EEC into a politically unified entity would seem to me to arise from a disregard of this basic political fact. An economic community formed for specific purposes may be a pre-condition for political unity. But I believe it is now fairly safe to say that such an economic community is by itself incapable of bringing about political unity.

What Europe lacks on a higher plane is precisely that which one wanted at all costs to avoid in initial stages of the European Movement toward unification: it lacks an emotionally charged European ideology. If I say that such an ideology is lacking I do not mean to imply that one should be created. All I wish to say is that one should not have illusions on that score.

### **Two Possibilities**

Two possibilities exist therefore: Either the EEC remains qualitatively what it is and grows bigger quantitatively, but only in the economic field, or factors become manifest which make it appear necessary to press on with all available force towards a politically united Europe. I believe, however, that this will not be possible without introducing into the European concept a—in my opinion—dangerous ideological element. The vehicle for such a political agreement would in that case no longer be a national, but a supra-national ideology. But in view of our world problems it would once again be an irrational ideology. I am convinced—and this is no wishful thinking—that there will be a wider and also closer economic unification in Europe. Perhaps even the states of the COMECON will in one form or another participate. I am equally sure that there will be no political unity without the accession of new component parts. Reviving the European Movement—giving it “a lash of the whip” as M. Spaak calls it—would, I imagine, simply mean stimulating the resentments already dimly felt throughout Europe against the world outside. As things are I cannot be happy about such a development. If asked therefore whether I want a politically united Europe, I am unable to answer this question. All I know is that there have never been in history movements towards political unity without the impetus of emotional resentments. I know that this can be highly dangerous for the world of 1967 with its all-pervading problems of the so-called “third world”. That which was rationally feasible and will in future be feasible in Europe could and should be accomplished.