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The EEC Grows Stronger

The six EEC countries have reached an important landmark on their way towards an economically and politically unified Europe. On the first of July the Customs Union for industrial products becomes effective. From that date onwards trading between the six member states will be unhindered by any duties. But the Six, having reached their objective after overcoming innumerable difficulties, by no means give the impression of conquerors flushed with victory.

Things were still different a few months ago. While Great Britain and the USA found themselves in the throes of grave economic crises, the EEC proved to be one of the strongest economic powers in the world. The EEC currencies remained stable, and there was support, not only in France, for the plan to replace the pound and the dollar as international reserve currencies by a common EEC reserve unit. The EEC could even afford to offer the Americans tariff concessions in advance of the first of July, the date on which the Kennedy Round Agreement was also to come into operation.

In the light of this it would appear to be almost a spiteful stroke of fate that a few weeks before the customs union was to become a fact France should become embroiled in a political crisis which has already had, and will continue to have, far-reaching consequences for its economy. Strikes and riots are daily causing the country fresh harm. The gross national product in real terms, far from increasing in the current year, will even show a considerable decrease compared with the previous year. The hastily introduced and long overdue measures to remedy the situation will also adversely affect the economies of France's partners. If one considers that in the coming twelve months French prices should rise by 5 to 6 per cent because wages will grow by 12 to 15 per cent, it can be said that because of the strong economic interdependence particularly in the Federal Republic of Germany and Italy pressure to export will be created, to an extent that conjures up the spectre of an imported inflation. The past year of economic stagnation in the Federal Republic has clearly shown how quickly an economic imbalance in one country spreads to the partner states. Not only that; at the moment it would seem as though neither credits to bolster up the franc nor any standstill agreements would be effective in bringing about a long-term stabilisation of the French currency. More and more signs are pointing to the possibility of a franc devaluation.

It would, however, be erroneous to assume that such a development could cause really serious harm to the EEC and affect the Community's position as a world trading power. It is even possible to see in such a constellation of circumstances certain advantages, for by virtue of its EEC membership, France should be enabled to overcome without too much difficulty a crisis which, if the country stood alone, might assume proportions large enough to threaten its very existence. The Commission of the European Communities could avail itself of the chance to improve its own position vis-à-vis its obstinate member, France.

This consideration applies not only to the internal interests of the Community, but also, and even to a higher degree, to the still hotly contested question of whether or not new members—above all Great Britain—should be admitted into the Common Market. France now knows from experience how quickly a country can get into economic difficulties. It is therefore not unlikely that these recent experiences may result in a softening of General de Gaulle's attitude towards the admittance of Great Britain and may rather incline him to concessions on this important question. Should this be the case, the EEC's future position may be strengthened rather than weakened. Viewed from this angle, the member states of the EEC would have some justification, in spite of all the difficulties, for celebrating the first of July with some restrained rejoicing.

Dietrich Kebschull