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## Entering into the seventies

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from water power. The estimated figures should be more or less correct.

### **Increase of Energy Prices to Be Expected**

The research of the High Authority does not permit an answer to the question whether on the long-term the energy supply of the European Economic Community will be secured at a favourable price level. There is no evidence from the Authority's investigations as to whether the assumed net import will in the long run actually be available, let alone at what prices. There is a certain balancing of the decrease of the Community's coal production against higher production of natural gas and in later years higher electricity production from nuclear power. On the other hand, the consumption of mineral oil goes up in step with high

growth rates. By 1980 mineral oil will still hold the key position in the Community's energy supply.

The rapid world-wide growth of energy consumption leads to the assumption that the energy supply of the European Economic Community will in future much more than at present be dominated by the securing of the required quantities than by any endeavours to profit on the short-term from lowest possible prices during a temporary surplus situation. There are many indications for a buyer's market for energy becoming a seller's market in the foreseeable future. This turn of the tide would necessarily entail an upward trend of energy prices. Surely, the energy policy of the European Commission will not neglect this aspect in its deliberations for the securing of the long-term energy supply of the European Economic Community.

## **Entering into the Seventies**

by Carsten R. Moser, Hamburg

In 1969, it has been made abundantly clear that the European Economic Community which, as its founders had fondly believed, might have grown together through a rising number of acts of cooperation, is still far away from its true aim of being transformed into the political and economic union of tomorrow's Europe. The farm price policy of the EEC has produced vast surpluses of agricultural goods, which had to be financed, but the EEC's Council of Ministers, during the sixties, has pushed these problems from one expedient to the next, without even trying to solve them. The ministers forming the Council of Euratom refused to answer the question whether this institution should survive or perish. In reply to the question whether the Community should remain the „Little European“ one of the Six, or whether the time had now come to make its membership grow to a larger number, there were only individual evaluations of that problem but no agreed official answer. When the autumn of 1969 came and brought the two decisions of French currency devaluation and German revaluation, this hastened the break-up of the Common Agricultural Market and brought on the climax in the EEC's crisis.

The main effect of this event was that the EEC's Summit Conference, convened at The Hague early in December, was given as its chief task the making of the decision whether the Common Market should now be led to its completion or not. The question whether and when negotiations should begin on the admission of new member states had thus become a secondary problem. The six heads of government assembled in The Hague deserve praise for having voted in favour both of the Common Market's completion and of negotiations about increasing the future membership roll. The switches have thus been thrown to guide Europe into its common future in the spirit of Monnet. It will depend on the practical results of future deliberations of the Council of Ministers, which are to take place during the current year, whether and when the aim of forming a European Economic Union may be reached.

### **Overcoming the Agricultural Dilemma**

After the heads of governments decided on December 2 that the methods of financing the EEC in future would have to be settled by January 1, 1970, this target was actually reached already

on December 22, after a marathon session of negotiations which lasted a whole week. The ministers of foreign affairs, finance, and agriculture managed in this way to agree on the main outlines of the final financial arrangements of the EEC. According to these decisions, the EEC will have to use its own funds, as from 1975, for financing its common agricultural market and for cooperation in the fields of research and social security activities. Up to January 1, 1978, the member countries will still have a period of grace during which they are permitted to make certain adjustments in their financial obligations, within fixed limits, however. After that date, they will no longer be allowed to vary their percentage contributions to the common EEC budget.

The arrangements made on December 22 for financing the farm commodity fund have to be accompanied by a reduction of the prices for farm products, in order to cut down the enormous production surplus and to adjust the farm price level within the EEC to that prevailing in other European and in overseas countries—as these have been protesting with full justification against the protectionism of the EEC's farm policy. The US Department of Agriculture has estimated the total costs of the common European agricultural market to European consumers and to European taxpayers in 1967/68 to have been DM 50 bn. In the meantime it will be indispensable to embark, at last, upon putting into practice Dr Mansholt's structural programme, which has been unfairly criticised by ignorant commentators, or by those who used special pleading for selfish reasons. For it would remain for ever impossible to bridge the gap between the wages earned by industrial and by farm workers without cutting down the number of people gainfully employed in farming, without restricting the total area used for farming, and without establishing bigger production units.

### **Structural Changes Inevitable**

In this connection, it will be necessary to reconstruct the agricultural support fund to transform it from a mere tool for financing market subsidies into one of supporting structural changes—and this must be done within the next few years. In carrying out the future policy on agricultural structures, it would be all to the good if the European Commission and EEC member governments could attract the critical support of the farmers' associations. On the other hand, should the farmers and their organisations continue to withhold their cooperation, the European Commission and the EEC member governments will be compelled to decree structural measures over the heads of the farming industry.

The changes in the rates of exchange for both the French and the German currencies have demonstrated clearly in 1969 that a fall in farm product prices, after a running-down of product surpluses, and successes of a structural policy, are not enough if the markets for farm products are to be protected against recurring crises. The European economic and currency policies must also become coordinated. Coordination does not mean that the European ministers of economics and finance should meet, perhaps twice every year, for a non-committal exchange of views and opinions. The aim of true cooperation must be the establishment of a European economic, financial, and currency union, within which it will be necessary to adopt a common European law on economic growth and economic stability, similar to that which has already been enacted in the Federal Republic of Germany. The European customs union is leading to growing economic interdependence of its member states, and this inevitably narrows the scope for separate national policies on economic, financial and currency questions.

By commissioning a working group under Professor Barré to study the possibilities of coordinating the EEC members' economic policies and of cooperating in their currency management, the European Commission has done preparatory spadework in this field, too. The Barré memorandum was published by the Commission; it suggests, as a first step, common anticyclical measures by coming to an agreement on short-term economic policies. In addition, it is proposed to extend short-term financial aid to member states suffering from economic and/or currency disequilibrium. For many years, the pooling of currency reserves, which might counterbalance the speculative flow of capital to some extent, has been bandied about in discussion, and this is now again being considered. Admittedly, the Barré Plan has its shortcomings, which mainly consist in its suggestions and proposals, as well as the problems they are designed to solve, not having been worked out in sufficient detail. But the Council of Ministers must arrive at fundamental decisions on precisely these questions within one year, in order to enable the Community to continue on a productive road.

Two further problems which must be solved are the merging of the three Communities, and the order of voting in the Council of Ministers. On top of this arises the question of how to control the Commission and the Council of Ministers. On December 22, the budgetary powers of the European Parliament were increased. The EEC's budget is to be drafted by the European Commission, the Council of Ministers has to adopt it

(or amend it), and the European Parliament in Strasbourg has now for the first time been given authority to make amendments to it, within limits. Should the Council of Ministers disagree with Parliament's alterations of the budget, it may vary them again by a second vote, but for overruling Parliament, this must be taken with more than a simple majority. And then Parliament can still overrule the Council of Ministers by voting its decision down by a majority of at least 60 p.c. However, this decision is being contested by France at the moment. It has also not yet been decided whether the members of the Strasbourg Parliament should be chosen by free elections, and nothing has been stated about extending the Parliament's powers regarding economic policies and financial questions. Surely progress in these fields will meet with strong resistance, especially in France. Not all the proposals and requests which have been made to change the present arrangements have been thoroughly enough examined in debate. But the politicians will not be able to evade a decision on these points for long.

#### **New Life Span for Euratom**

The Council of Ministers of Euratom was the first of the Community's authorities to show how the proclamation of the summit conference in The Hague can be given flesh and blood. This council, for many years, had evaded its responsibility in making decisions on the future work of Euratom and on financing it, but now it has voted for setting up a joint nuclear research centre, for drawing up a new nuclear research programme, and a new system of financing the work. Within two years, the final decisions on the future capacities of Euratom are to be taken, as well as on the numbers of staff best suited to carry out Euratom's programmes. Until then, no changes will be made in the staff establishment. To prune Euratom's activities severely, or to close them down completely, would have been an act of utter irresponsibility, in view of the growing economic importance of atomic energy, and of the technological and scientific gap between Europe, on the one side, and the United States and the Soviet Union, on the other side. There is not a single member state of the EEC which would be capable of playing a leading part in nuclear research, based on its own facilities only. Even in France this should have become obvious after the negotiations between the French atomic industry and the Westinghouse Group from the

United States. Only by stronger integration of its forces, preferably in the framework of Euratom and including the United Kingdom and others, will Europe be able to hope for competitiveness in the field of atomic energy.

#### **New Members**

Nor is this the end of outstanding policy decisions which the Council of Ministers must pass for strengthening the integrated structure of the EEC—e.g. for harmonising taxation and the law on competition—before it is possible to start negotiations for the admission of other European countries to the Community. Not before the EEC knows itself where it intends to travel will the Community be able to make decisions on the basic principles to be followed when negotiations do begin with candidates for joining. These basic principles must elaborate both the long-term aims of the Treaties of Rome and medium-term objectives. They must not only be applicable to negotiations with the UK, Eire, Denmark, or Norway, but must be universally valid, also for the EEC's relations with some neutral states, viz. Switzerland, Austria, and Sweden in their special position. The time required for working out this negotiating platform will last to the end of 1970 at the least, which means that the first talks planned between the EEC and Britain, Eire, Denmark, and Norway for the middle of 1970 must not raise exaggerated hopes. Only after the EEC itself has become clear on where to steer its ship will it be possible to conduct negotiations with candidates for membership with greater seriousness.

As to the actual contents of negotiations between the EEC and the applicants for membership, they will have to deal with a very large number of problems which must be solved. In the area of farming, for example, there are the difficulties connected with associating the Commonwealth countries with the EEC, when talks with the UK are being conducted. It will be possible to enlarge the EEC successfully only if all negotiating parties, its present members and those who aspire to membership, are willing and prepared to complete the entire journey to a European economic union—with all its political consequences—down to the very end. The new impetus gained by the EEC must not be frittered away, because the Community will have a viable future only if this life giving spirit is maintained.