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The EEC at the Fork in the Road

The European Community has in the past year steered a tortuous course, by-passing various crises on the way. The exacerbation in the international monetary arena did not only aggravate relations with the USA in the sphere of currency and trade policy but caused obstructive strains and cleavages inside the EEC. Besides, the entry negotiations with Great Britain, Ireland, Denmark and Norway were anything but smooth. They dragged on throughout the year and did not reach a final conclusion until the signing by the new members this January. In the talks on a European industrial free trade zone with the EFTA countries remaining outside no result has yet been achieved. Together with the policy on preferences, this topic is moreover a special target of US criticism.

Early in the new year the EEC is thus facing a number of difficult problems. On the one hand, it is, on the world scale, confronted with the momentous task of reaching agreement on trade policy with the USA and playing a successful part in effecting a lasting reform of the world monetary system. On the other, it must, now that the negotiations for accession have been concluded, attempt to reactivate the efforts for an economic and monetary union which have been on ice ever since the currency crisis. These two complexes of problems are closely connected with each other and require the utmost attention because on their solution depends the future

shape of the European Community; the signs are not particularly propitious in either sphere.

A first step towards reactivating the efforts for an economic and monetary union could take the form of narrowing the bands within which the EEC currencies are allowed to fluctuate. An initiative in this direction however is, first of all, imperilled by the varying rates of inflation inside the Community, divergencies in regional development and diverse priorities of economic policy in the member states. This year in particular the differences in the views on stability and growth will manifest themselves clearly under the influence of an economic slowdown. Secondly, a revival will continue to depend on the will to surrender at least part of the national autonomy in matters of economic policy to the Community.

On both points it will be difficult to achieve agreement this year. The actual enlargement will, in fact, only take place at the beginning of 1973, but the new members will join in the consultations in 1972 already. The more voices there are, the more opinions will be heard. And it is the British attitude more particularly which gives rise to apprehensions that it may, buttressed by French ideas, lead to a weakening rather than a strengthening of the Community's organs. For this reason it can only be hoped that new impulses, which will eliminate such dangers, emanate from the

summit conference proposed for the current year.

There is a risk, which it is impossible to rule out, that the EEC will fail to achieve agreement on trade policy with the USA, and thus the general reform of the world monetary system, apart from the Washington decisions, will be put at risk: for acquiescence in the US demands would mark the end of the association, preference and agrarian policy of the Community. How little readiness to make concessions on this last point there is in the EEC was revealed by a statement of President Pompidou to the effect that he did not see any chances for a European economic and monetary union in case the common agricultural market was undermined. The EEC will, similarly, hardly be able to abandon the preference agreements with Africa and the Mediterranean countries which have attracted US censure, because of the strong French interests in this area.

But the US criticism is justified insofar as it concerns the danger of this policy, in conjunction with the special agreements planned with the residual EFTA countries for this year, leading to an erosion of GATT regulations and a dissolution of the world economy into regional trading blocs. The EEC would therefore be well advised to seize the initiative for a world-wide abatement of tariffs and trade barriers in the framework of GATT.

Otto G. Mayer