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## EEC: Cooperation instead of union

Intereconomics

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# COMMENTS

## *Germany*

### **Penalties for Restrictive Practices**

When free competition has to be preserved by punishing members of unlawful price rings, the "sinners" when caught are always ready with some excuse or other for their actions. That is precisely what happened once again when the Federal Cartel Commission imposed substantial fines for unlawful restrictive practices on the manufacturers of floor coverings and some chemical firms. Firms which are charged with such offences are certainly entitled to defend themselves, and it cannot be taken amiss if they resort to all the arguments available to them in mitigation. On this latest occasion the customers of the firms concerned and the public at large learnt that the trades in question were faring badly and that existing surplus capacity was threatening to cause an "undesired" price fall. Such an explanation, which may well conform to the facts, is supposed to justify cartel arrangements.

This indeed is the crux of the matter in a competitive economic order: In no industry can the producers be at liberty to force their customers through tied prices to cover threatening profit shortfalls even though this may well be the most convenient way for them to cope with planning mistakes. If such practices were to be permitted, competition would become a fiction. To the firms involved it must be demonstrated without any possibility of a misunderstanding that the economic order known as the market economy does not serve the interests of the producers alone. By imposing penalties the Federal Cartel Commission in Berlin has made an essential contribution to making everybody aware of this fact. ro.

## *Atlantic Partnership*

### **A German Marshall Plan Memorial**

A foundation for American Students, with an endowment of DM 150 mn, is to record the German people's gratitude for Marshall Plan aid in post-war reconstruction. Federal Chancellor Willy Brandt made this announcement at the place where 25 years ago — on June 5, 1947 — George C. Marshall expounded his plan against "hunger, poverty, despair and chaos". Known as the Marshall Plan, it has become part of history. It was the prerequisite of the western alliance and the Atlantic partnership.

The objectives of the Foundation are to encourage research and science and the exchange of experts. Issues which will face Europeans and Americans in future and which can be resolved

only by joint endeavours in the next quarter of the century are to occupy the Foundation. The undertaking is aimed at the American leaders of tomorrow. Their attention is to be drawn to Europe. It will be the task of the Foundation, as Brandt said, to focus on America's own vital interests in Europe. It was appreciated that a present was made of the Foundation to the USA and no influence is to be brought to bear on it apart from the determination of its objectives.

In his Harvard address Brandt welcomed the agreements which Nixon signed during his summit talks in Moscow as profiting Europe by stabilising the relations between the two super powers. He stressed at the same time that close ties between America and Europe are of the greatest importance for the security of both. "This is indispensable", he said, "if America does not want to neglect its own interests and if Europe is to forge itself into a productive system instead of again becoming a volcanic terrain of crisis, anxiety and confusion. The forms of the American commitment may change, but an actual disengagement would cancel out a basic law of our peace. It would be tantamount to abdication". If the new Foundation succeeds in making its contribution to this great aim, it will render a great service indeed to the interests of the two partners. hg.

## *EEC*

### **Cooperation Instead of Union**

It has been obvious for quite some time that the institutional system provided by the EEC Treaty is no longer working properly. The enlargement of the EEC is unlikely to strengthen its institutions; if anything, it may be expected to weaken them. The apprehension that, faced with certain adjustment difficulties, the new members may take up a conservative rather than a progressive posture seems to be borne out by events even now, for the conference of the 10 Foreign Ministers in Luxembourg at the end of May has shown that none of the ten participants, neither the present members nor the new entrants, are at bottom ready to surrender sovereign political rights. No real economic and monetary union however can be accomplished without such readiness.

It need not therefore cause surprise that strong differences of views have meanwhile come into the open between the Commission and the individual governments. The Commission's right to a say in the formation of a political secretariat and the speeding-up of the decision-making process in the Council of Ministers are subjects of especially fierce controversy. It is still unclear or un-

decided how the secretariat is to be linked up with the existing Community institutions, how the latter are to be strengthened, and whether the unanimity principle will ever be replaced by majority decisions; unfortunately however the governments of the member countries are showing a clear tendency to give forms of international cooperation and concerted action preference over moves towards a union. The responsible participation of the Commission and the European Parliament is receding further into the background, and an integration in the direction of economic and monetary union is thwarted. If the monetary and economic union is to become a reality, the Community must not weaken its ability to take decisions any further by slipping into cooperation patterns. The beginnings of a solution may perhaps show at the summit conference in October. But in the light of developments to date such an outcome must seem doubtful. ogm.

OECD

### Action is Better

After tough negotiations the OECD Council of Ministers at the end of May rejected the proposal of the USA in Paris to ensure the coordination, and perhaps even parallel conduct, of the imminent global negotiations on monetary and trade policies by means of a new OECD organisation to be set up for this purpose. The compromise reached in the Paris negotiations provides that the efforts for the desired coordination are to be entrusted to the existing OECD institutions — the executive committee, the economic policy committee with its working group III for balance of payments questions, and the trade policy committee.

The compromise achieved in Paris however has more positive aspects than may appear at a first glance. First of all, it makes sure that the worldwide monetary and trade arrangements are not by a *legerdemain* removed from the agenda and responsibility of the competent institutions — the International Monetary Fund (IMF) and the General Agreements on Tariffs and Trade (GATT) — and transferred to the OECD where the Americans could well present conditions for the concessions which are expected of them in the monetary sector and, if they see fit to do so, block the necessary reforms of the world's monetary system and the equally necessary new round of trade negotiations.

The pending problems however have become too pressing to permit of further delay in the negotiations even if only for the sake of "coordination". The most urgent problem today is to reorganise the international monetary system and to determine the place to be assigned to the SDRs, with

due regard to the interests of the developing countries. A new GATT round should be started only when this has been done and on the basis of the results achieved in this field. Urgent attention ought to be given in the GATT negotiations to tariff and non-tariff obstacles to trade in the industrial goods sector, to the preference zones and to agricultural products. Yesterday coordination of the two problem complexes was good enough. Today action is better. kw.

USSR—USA

### An Economic Rapprochement

It has proved impossible to conclude the American-Soviet trade agreement as expected during President Nixon's visit to Moscow. But a general rapprochement between the two states has been achieved in this field, as in others, during the summit talks. It was ascertained, for instance, that the US export wishes in the agricultural sphere coincide with large Soviet import requirements. In an effort to secure long-term outlets for its substantial production surpluses, however, the USA wanted to advance beyond separate grain deliveries and instead contract for grain deliveries over a period of several years involving something like \$ 200 mn. It was chiefly owing to the unsolved financial problems that no agreement has been reached. The Americans were hardly in a position to accept Moscow's demands for 8–10 years loans at between 2 and 3 p.c. interest because the American Export-Import Bank grants credits for exports of industrial goods only and not for exports of farm produce to the USSR.

Other items raised in the negotiations had also to be left open by the US Secretary of Commerce, Peterson, and his Soviet counterpart, Patolichev. These include, among others, the Soviet request for most-favoured-nation treatment for Soviet exports and the US wish for redemption of debts arising from lend-lease supplies in the Second World War. Negotiations on these questions, as on the unresolved issue of finance for agricultural deliveries, are therefore to continue in the newly established American-Soviet trade commission which will hold its first meeting in Moscow early in July.

The optimistic expectations of the Americans who in view of the attractions of the big Soviet market had hoped for a positive impact of a trade agreement on US employment and balance of payments have for the time being been disappointed. It appears, on the other hand, that the climate between the two big powers is beginning to improve. In the long run this will certainly have positive repercussions on their economic and commercial relations. bw.