

## EDITORIAL COMMENTS

In the last few months of 1964 a number of events took place which were of considerable significance to western co-operation and the growth of European unity.

Sometimes the direct influence of a certain event on the development of the European Communities is hard to evaluate. Few will deny the importance of the first nuclear explosion on the mainland of China, but its ultimate effect on the development of the European Communities cannot at the moment be assessed. Further time must also elapse before the consequences of the startling change of government in the Soviet Union becomes fully apparent. Sometimes, however, the real value of an event lies in its consolidating character. Such is the result of the American Presidential election. Its outcome was by itself not a great surprise, but it proved reassuring to those who look to the continuation of the foreign policy of the late President Kennedy as an indispensable contribution to the increasing unity of the West. This extends as much to the economic aspect as to the political and military point of view. Mr. Kennedy had in mind two aims when he launched the idea of an Atlantic Partnership in July 1962. He wished to see a higher degree of integration in Atlantic defence and also a more intensive trade in goods and the exchange of services by virtue of the Trade Expansion Act. It is to be expected that there will be found in the new administration of President Johnson convinced, patient and resourceful proponents of this Atlantic Partnership. The continuity has already been apparent in the December session of the N.A.T.O. Council, when tireless efforts were made to reach an understanding with the Western allies over the concept of an integrated nuclear Atlantic force which would at the same time fit within the framework of a *détente* in international relations.

The same conclusions are to be drawn from the views expressed on the G.A.T.T. negotiations. At New York on November 16, 1964, Secretary of State Dean Rusk indicated the grave consequences which might result from the miscarriage of the Kennedy Round. Fortunately an important contribution to prevent failure was made by the European Economic Community on the very same day. The Council of Ministers, after an all-night session and discussions lasting more than 20 hours, was able to reach agreement on the list of exceptions required of all participants in the G.A.T.T. negotiations in respect of products to be excluded from the linear tariff reduction of 50 per cent. It was feared at first that no agreement would be possible among the Six member States on the list put forward by the Commission, which contained only 14 per cent of the imports subject to customs duties. In the result, however, all expectations were exceeded, and agreement was

reached on a list which contained 8.4 per cent of the total Community imports and 18.3 per cent of those which were subject to customs duties. The total annual value of excepted goods amounts to 1,300 m. Dollars.

The American list of exceptions amounts to some 20 per cent of imports subject to customs duties, of which natural oils figure as the most important import. These oils constitute 10 per cent of the American industrial imports, and are imported in the main from countries not participating in the G.A.T.T. negotiations. The British list is even shorter than the American list and contains only 5 per cent of the industrial imports. The Japanese list however is somewhat longer than that put forward by the United States. This however is not the last word on the exceptions, for Switzerland, Austria and the Scandinavian countries may still deliver their lists after they have had an opportunity of studying those already presented. On the other hand, Mr. Eric Wyndham White, Executive Secretary of the G.A.T.T., indicated on November 26 last that there was a real possibility of shortening these lists. The negotiations of linear reductions—on a working hypothesis of a 50 per cent reduction—are due to start in January 1965. The rather optimistic prediction was made by Mr. Jean Rey, a member of the E.E.C. Commission, that the first reductions could actually enter into force in the beginning of 1966, a prediction voiced even before the momentous decision of the Council on the uniform cereal price.

One of the other significant events of recent months is the advent to power in Britain of a new Labour Government. It was undoubtedly unfortunate that one of its first actions was to impose the import surcharge of 15 per cent on all industrial goods. Although there is general sympathy in Europe and elsewhere for the Government in its need to protect sterling, there is little understanding for the way in which it was done. Not only Britain's partners in G.A.T.T. and E.F.T.A., with whom she had treaty obligations, but also those countries with whom she had established trading relations, have made it clear that such measures, taken without prior consultation, are no longer acceptable in the modern world. It is therefore to be hoped that these obstacles to trade, which Mr. Wilson himself has said (in his Mansion House Speech) were "a step in the wrong direction", will be removed at the earliest possible opportunity.

The action of the British Government has however served to underline, at home and abroad, the very serious condition of the British economy. It is concerned with the balance of payments, and as such is as much an international problem as a national one. It is not without significance that one of the means to bolster up the pound arose from the help given in the substantial credit made available by the Group of Ten. This group consists of the major trading countries in the

west, including Britain and the countries of the Six. It is not too much to say therefore that Britain's dependence on the goodwill of the rest of Europe has been again emphasised. In fact many believe that the British economy will not be able to compete with the economic giants in the world unless it manages to find a way of coming into closer relationship with the Six.

A similar dilemma arises in those fields where the British economy is not able to compete on its own small base. This particularly applies to the aircraft industry, where the logic of the situation had already led to joint projects such as the *Concord* with France. Although there were good reasons for scrapping this project, there now seem in the eyes of the British Government to be good reasons for keeping it going. Nor does this dilemma relate only to the aircraft industry. It applies also to those other industries where sufficient economy of scale cannot be realised, to computers, electronics, atomic power, telecommunications and certain aspects of defence. If Britain is to keep up in the technological race some means will have to be established of joining in ventures which a single country of the size of Britain cannot now achieve.

But the sector in which Britain now holds the key position concerns nuclear weapons and defence. Britain has considerable influence at the present time, particularly in plans to stop the proliferation of nuclear weapons. She either can use this influence wisely as a means for securing western co-operation, or she can abandon the rest of Europe to the fate of the rival nationalisms of France and Germany or—worse still—a possible combination of them both. We may assume however that the British Government is aware of its great responsibilities at the present moment and in a position to use its opportunities to good effect. If so, western co-operation may still continue to be a reality, and the foundations for a real political union in Europe may still be laid.

With the start of 1965 the European Community enters the new year with very bleak prospects for any form of political union. The Council has signally failed to solve many of the political problems. The fusion of the three executives of the Communities has foundered. The enlargement of the powers of the European Parliament is on the rocks. Discussion on political co-operation within the framework of Western European Union, and the initiatives of Bonn, Brussels and Rome have all reached deadlock. Negotiations for an association with Nigeria have been halted.

The Communities have been faced with many difficult decisions in the last seven years, which have been resolved successfully. These differences however have not been as to the aims, but as to how the divergent interests involved may be reconciled. The present difficulties

result however from fundamental disagreement as to aims, and for this reason differ from the disagreements of the past. The French President does not subscribe to the political structure envisaged in the preamble to the European Coal and Steel Treaty, when the Six were "resolved to substitute for historic rivalries a fusion of their essential interests; "and when they undertook" to establish, by creating an economic community, the foundation of a broad and independent community among peoples long divided by bloody conflicts; and to lay the bases of institutions capable of giving direction to their future common destiny."

It has been said that it is possible to keep on with the Community without attempting to reconcile what seems irreconcilable. The continuing fusion of interests may be thought to bring about the solution of many difficulties even without a full discussion on the unification of foreign policy. Looked at from the Community point of view, no high degree of urgency has therefore to be assigned to problems of defence and foreign policy. On the contrary, in order to talk about political unity, there must first exist some unity of policy. Among the Six however the view prevails that progress within the Community will become more difficult as the political differences grow more acute. This is most clear where progress within the Six depends on decisions affecting external policy, such as the G.A.T.T. negotiations, or association with third countries, or trade agreements. From this point of view, it is impossible for long to avoid establishing a forum where existing differences can at least be discussed. For this reason it is not improbable that the theme of political co-operation will be given higher priority in 1965.

Meanwhile it remains an open question whether these problems will be discussed separately or in conjunction with other important matters relating to the institutions. The Commission in its Memorandum of September 30, 1964, entitled "Initiative 1964" has made a number of useful proposals to the Council. These proposals were intended to break through the present atmosphere of stagnation and to bring back a climate of confidence. The proposals contain plans for an accelerated removal of all intra-Community tariffs by January 1, 1967. A year before this, the third and final adaptation to the common external tariff would take place. With respect to agricultural products, the internal duties and levies would disappear by the beginning of 1968. Measures would be taken so as to eliminate the examination of goods at the internal frontiers by 1970. A monetary union between the Six member countries would be promoted, and the tasks of the Social Fund expanded.

All these proposals, however, ought to be preceded by a discussion on the need to enlarge the powers of the European Parliament, and it

is to be regretted that the Commission does not accompany its endorsement of such enlargement with some constructive thoughts on Parliamentary reform. "Initiative 1964" was, unfortunately, not discussed by the Council in 1964. It is one of those left over proposals which it is hoped will be discussed early in 1965. Very likely a further initiative will be necessary. It remains a pity that such an initiative has not been taken by the European Parliament itself. The occasion presented itself during the traditional yearly *colloque* last November with the Council and the Commission on the general prospects of the Community. This was the occasion of the general report on the activities of the Community. This debate is usually prepared on the part of the Parliament by a *rapporteur-général* who summarises reports of all the parliamentary commissions—the political commission, the commission for trade policy, the internal market, agriculture, transport and so on. In the past excellent studies have been made on the development of the Communities. The parliamentary report for the current year was made by A. Rossi (Document 1964—1965, No. 74, dated October 9, 1964). This document however could not have formed the basis for a reasoned discussion on the enhancement of the institutions of the Communities, because it limited itself to the expression of mere general wishes. The need is steadily growing for a new document in which the European Parliament clearly expresses its desires with respect to its responsibility and for control of European legislation.

On one point the Commission has succeeded in what it had indicated in its Initiative 1964 as having the highest priority, i.e. the proposal for a common cereal price. There were many reasons for such priority: the delay in decision by the Council endangered the further development of agricultural policy, created serious consequences for the progress of integration and burdened the foreign relations of the Community. Furthermore the delay accentuated political and economic differences between the member States and constituted an obstacle to the continuation of the current G.A.T.T. negotiations. In this light the Council decision on cereal prices of December 15, 1964 has independent significance beyond agricultural economics.

The method adapting the various national price levels for the main agricultural products such as wheat, barley, corn and rye to a common price level has already been known since 1960 (cf. Olmi in 1 C.M.L. Rev. 1963-4, pp. 118-147). The difficulty remained as to the level at which prices were to be fixed and the time when this would occur. On the first point, divergent interests had to be overcome between on the one hand Germany, which had the highest grains price level, and on the other hand France and Italy with the lowest prices for wheat, and for corn and barley, respectively. As for timing, a common price level was conceived of only as a decision for the future during the

preparation of the first marketing organisation regulations in 1960. In October 1961, however, the European Parliament strongly advised rapid measures for adapting price levels. During the Marathon session of December 1961—January 1962 the European Commission did indeed urge a decision whereby a common price level would be reached on July 1, 1966. But the Council of Ministers did not follow this proposal. Article 6 of Regulation no. 19 foresaw a common level only at the end of the transitional period (January 1, 1970). The decision of December 15, 1964 does not only determine the common prices but fixes the date of entry into force as well: July 1, 1967.

The effect of the decision is that the completion of the common agricultural market is now some years ahead of the time-schedule originally foreseen in the Treaty. Also much of the delay in respect of agricultural products has now been made up for. This backlog originated from the decisions of 1960 and 1962, mainly involving industrial products, which accelerated the demolition of internal tariff duties and quantitative restrictions and the building up of a common external tariff. Internally the reprocessing industry has benefited from lower prices for feed grains. Furthermore the prospects for a reasonable conclusion of the Kennedy-round have certainly been strengthened by the acceptance of a price level equal to the level proposed by the European Commission as far as wheat and rye are concerned and even lower for barley and corn. These results have been clearly achieved, not only by a willingness to make sacrifices on the part of Germany in the agricultural sector, but also by strong pressure from France and Italy. In a wider perspective, however, the Council decision has again rendered the E.E.C. a certain mobility which is promising both for the external—mainly trade-political—outlook as for internal institutional developments in 1965.