# THE EEC IN FOCUS

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Twenty years ago, on 1 January, 1958, the treaty creating the EEC, or more popularly The Common Market, came into force. Six West European countries, France, West Germany, Italy, Belgium, Luxembourg and the Netherlands, gave their final consent to the setting up between them of a customs union— an agreement whereby signatories undertook to eliminate gradually all barriers to free trade and to erect a tariff wall protecting them against the outside world. This heralded a new relationship between European nations: henceforth, common problems dealing with commerce, agriculture, transport, and the movements of capital and labour, would be tackled by a common front acting along lines dictated by a common policy. The Six also foresaw cooperation in the setting up of rules to cover fair competition and in the formulating of programmes for social welfare. They envisaged the eventual formation of an economic and political union of major European states bound by common laws, a common monetary system, a common taxation system, and so on. In short, a United States of Europe.

Economically, there was much to admire in this rather ambitious scheme. The most obvious advantage was that it would lead to the creation of a vast market comparable in size to the U.S.A. or the U.S.S.R. Such a market would give greater scope for specialisation among member countries. This would mean economies of scale and greater and more efficient output. In trading spheres, the EEC would reap the advantages of bulk buying and bulk selling; its shipping would be organised on a more rational basis. Common programmes would mean greater resources and less duplication of effort. Sheer size would begin to tell.

By 1968, although certain issues remained unresolved, the economic record of the EEC as an entity was indeed impressive. Production grew fourfold, trade trebled, and living standards rose appreciably. By then trade barriers had been abolished, so that each member country could trade freely with the others, and moves were underway to promote stronger economic ties among the Six. In the early seventies the EEC programme thus included plans for achieving economic and monetary union, and plans for formulating common policies on taxation, transport, monopoly and social welfare. One of the notable achievements at the time was the establishment of the Common Agricultural Policy (CAP). This aimed at giving farmers a satisfactory standard of living by guaranteeing food prices and by protecting their industry. At the same time it sought to maintain stable price levels and to make farming more efficient. To a manufacturing country like Britain, the prospect of high food prices was unattractive, but this did not deter her from applying for membership of EEC. After some tough negotiations, Britain and also Eire and Denmark became part of the EEC in 1973. The Nine, as the EEC members came to be called, formed a great union of about 250 million people. The United Europe idea received a new impetus.

Since then, however, the problems of achieving the desired unity have slowed down the process of cohesion. In the political sphere, for instance, there is disagreement over how much sovereignty each member should be allowed to retain. There are also differences on the conferment of supranational powers on central institutions. Admittedly, the chief political organs of the Community, i.e. the Council of Ministers, the Commission, and the Assembly (soon to have direct elections), are all set for greater political integration, but individual member countries do not seem to be prepared for the final fusion. On the economic side, the individual economies of the Nine diverge widely and have different rates of growth. There is also the problem that they produce more or less the same goods. Specialisation has not yet gone far enough. Then there is the uncertainty over the effects of CAP. The policy has certainly made some food items, notably butter, cheese and beef more expensive, but it is so near to the heart of the farming community of Europe, an important political group, that it does not seem to be destined to a short life.

An economic problem of quite recent origin has been the long-delayed uplift following the recession of the mid-seventies. Traditional industries in EEC countries, Textiles for example, are passing through troubled times. Further, unemployment levels are still high, and inflation is abating only slowly. An industrial policy may have to be resorted to. But such a policy would almost certainly entail the giving up of cherished industries to make way for more specialisation. This proposition is not wholly attractive to the countries concerned, as it will involve massive transfer of resources and the upsetting of economies, albeit in the short run only. Industrial cooperation is thus in abeyance on this issue. But such instances do not augur well for future harmonisation of economies. Even the ever-present regional problems have not come under very close scrutiny as they should have.

It is not surprising that in this atmosphere — there has even been talk of increased protectionism in world markets — the Nine are not showing the desired response to greater integration. Proposals for immediate economic and monetary union have attracted little serious debate, and political unity is still something for the future. At the time of going to press there have been new developments in this field. Moves are under way to institute a more uniform and stabler monetary system. Yet, moods may change as they have always done when the European economy gets on a sound footing. In the meantime, an enlargement is being considered to include Greece, Portugal and Spain, but such an expansion is already being seen by some as a source of aggravation of the economic divergences within the EEC.

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