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The Contradictions of the EEC

(By Wilhelm Ropke)

Continuing an article criticising certain aspects of the EEC, especially in the agrarian sector, Wilhelm Ropke, professor of economics in the Geneva Graduate Institute of International Studies and a well-known authority in his field, says:

THE SPLIT OF EUROPE

To defend the EEC as an instrument of European unification is the height of irony when we consider that the possible integration of six countries amounts to their splitting away from the rest of Europe. In the name of Europe and European unification the EEC has brought about a split in trade policy which in the long run is bound to affect the political and moral sphere, and for which the fact is sufficient proof that a criticism like the one submitted here could hardly any longer be printed within the EEC.

It was clear from the beginning that the particular form of economic integration embarked upon by the EEC would have to be rejected by a majority of the European countries. Even the architects of the EEC themselves were aware of this danger, but they sought to calm the Cassandras by conjuring up the prospect of a bridge that would create a situation such as envisaged by the now almost forgotten Free Trade Area. This promise—without which the EEC undoubtedly could never have been born in the first place—proved to be an empty gesture, and since then nearly seven years have passed without the gap having been reduced in the slightest. On the contrary, it has been widened consistently. The expectation that Britain's joining would open the way to the other European countries as well came to naught a year ago when it proved impossible to reach an agreement between the EEC and London.

It is now generally recognized that this failure of a last attempt to heal the European split had reasons deeper than de Gaulle's personal whim. Nor can it honestly be doubted that Britain's joining has in the meantime become even less probable than before.

Ironically, while all the efforts and problems of the EEC, all its hectic conferences, all its contradictions and tensions are justified by the invocation of the exalted aim of the political integration of Europe, this political unification is nowhere in sight. Indeed, it is the very political aim of the EEC that is mostly responsible for this state of affairs, for any enlargement of the organization would mean a further complication of the act of balancing all the differing interests of the members, and the admission of each new country would amount to an act of the utmost political and constitutional importance. In fact not a single new member has been admitted so

far, and it would be a miracle if it were otherwise.

A WAY OUT—ASSOCIATION

The present impasse having been reached, there remains but the solution of "association," that is, the termination as of now of the discrimination inaugurated by the EEC and the co-ordination of the trade policy of the EEC with that of the world, be it bilaterally or multilaterally. What is to be done for the political integration of Europe—something to be desired more ardently now than ever—cannot be discussed in the present context. May it suffice to say that it will be the better off the more clearly it is separated from economic integration, and that in the meantime the friendship between Germany and France is the most important aspect of the consolidation of Europe.

The way of a co-ordinated reduction of discrimination is opened up very naturally by the fact that the interlocking international economic community all along the line resists being fenced up behind the walls of the EEC. This is clear in the domain of trade alone. But since trade can to a considerable degree be manipulated, the universal tendencies of international economic intercourse are much more evident wherever regional artifices fail to become effective: in international payments, capital movements, and to a large extent also in the area of services. Regional isolation in monetary matters has become incompatible with the elementary rules of an international monetary order, and the restoration of convertibility has in this respect exploded the framework of the EEC. As far as the capital market is concerned, Dr Ernst Schneider, President of the German Industry and Commerce Association recently stated the truth when he said that without Britain and Switzerland any European capital market would be "insignificant, indeed provincial."

With regard to a co-ordinated levelling of discrimination in trade a sharp distinction must be made between the industrial and the agricultural sphere. As far as the former is concerned there is, despite all difficulties, no reason for pessimism. The industries of the various countries have in the course of the past decade become so used to international competition that the protectionist tendencies still existing in some EEC countries need not constitute an insurmountable obstacle to a general reduction of tariffs between the EEC, the EFTA and the other industrial countries. With a reasonable amount of good will on the part of all those concerned generous reciprocal tariff concessions could greatly reduce the problem of discrimination, and allow more attention to be given the far more serious problem of the international disturbances caused by inflation.

THE CRISIS OF AGRARIAN INTEGRATION

Quite different is the situation in agriculture, a fact which has

led EFTA prudently to avoid including it in its programme of regional free trade. For reasons deeper than many surmise the situation of agriculture in the past few decades has in all industrial countries become increasingly difficult, and this has given rise to a protectionist system that has no parallel in industry. Correspondingly the differences of prices and costs in agriculture have no parallel in industry either. Therefore every attempt to extend EEC integration to agriculture has very serious consequences. Agrarian integration within the EEC means that national price protection can be relaxed only with a simultaneous increase of protection against the outside. All protections to the contrary an agrarian autarky will develop within the EEC area, on the exact same pattern that we have observed in the case of the preferential treatment of Italian oranges, and more recently in the case of the European trade in eggs. In other words, the protectionist-dirigist principle of national agrarian policy is merely transferred to the higher level of the EEC. And what is more, on this level it is strengthened. For agrarian integration presupposes that the greatly divergent agrarian prices be co-ordinated, on a level, according to indications, closer to that of the country with the highest rather than with the lowest prices. As a consequence agricultural production within the EEC can be expected to be greatly stimulated, especially in France, where there is still a large leeway for an increase of agricultural output even while there is the problem of the surplus today—a surplus which the French try to sell in Germany in the shadow of general EEC agrarian protection.

The smaller therefore would be the sales of agrarian products which third countries could expect to transact within the EEC, and the more unfavorable the prospects of coming to a satisfactory agreement on tariff reduction with a country, such as the United States, having a particular interest in such sales. The "chicken war" ought to have provided a convincing illustration of the incompatibility of agrarian autarky with keeping the industrial markets in third countries open. But only a miracle could save Europe from such autarky if the projected measures of agricultural integration were actually carried out.

Both the French and the American Governments have explicitly affirmed this interpretation of the prospects of agrarian integration. The French Government stated its point of view through its Minister of Agriculture Pierre Pisani who, according to a report in the *Frankfurter Allgemeine Zeitung* of March 23, 1964, showed himself relieved after Bonn's rejection of a uniform wheat price, because the increase would have meant that the French price would have greatly increased French wheat production. For the same reason the American Government through its special Kennedy-Round representative Christian Herter described the price envisaged by the EEC as too high and therefore unacceptable as a foundation for the tariff

negotiations. But since the same price is inadmissibly low for the German Government, the impasse to which agrarian integration was bound to lead could hardly be more unequivocal.

It would be incomparably more reasonable to be satisfied with moderate and gradually generalized liberalization for agrarian products than to insist on the Brussels-style agrarian integration. Ten per cent of agrarian liberalization that can be demanded of a progressively rationalized agriculture and extended to all industrial countries are worth far more than one hundred per cent that can be realized only on the basis of autarky against the rest of the world. The Brussels centre of the EEC is committed to increasing interventionism, if not outright socialism, and it ought to be clear to everyone what kind of wind is blowing from Rome and Paris as well. Liberal defenders of the EEC might well become concerned at last over the possibility of the organization's becoming the instrument for an "opening to the left" for all Europe if that wind is allowed to prevail.

NEWS OF THE COLONY ● ● ● ●

Auckland Swiss Club

"Springtime in Paris" with a night at the "Moulin-Rouge" was the motto of our last social night at the Edendale School Hall and as usual it turned out to be an outstanding success with approximately 200 guests present. Everyone complimented the beautiful decorations, masses of branches with pink and white blossoms were hanging from the centre of the hall as well as trees alongside the walls. The stage was decorated with a huge 8ft x 12ft screen, showing a hand-painted scene from "Montmartre" in Paris and the traditional sign of the "Moulin-Rouge." A red Mill, 8 feet high with huge silver blades was turning slowly by some secret gadgets (or would it be that "Irma la Douce," living in these quarters, was giving it an occasional swing?) The tables were covered with flowers and batons of fresh, crispy French bread.

The Floor Show was absolutely terrific, complimented, by everyone and in particular by two American visitors, who stated it to be the best they have seen so far in New Zealand. The Swiss Revue Stars, Yvonne and Francoise, were of course the big hit. Saucy, pert and yet full of charm they performed with skill and excellent timing. The "Laendlertanz" was the cutest performance in this version I have ever seen, the "Charleston Dance," an authentic repetition of the early 20's, and the "Blues," — well, if any dance held excitement in store, this was the one alright, pert to