University of Sussex Conference Centre. 30 VI-2 VII.

1) - Calendario.
2) - Sommario.
3) - J.Lambert:Democracy and institutional efficiency in the Community;
4) - C.Layton:A common policy for Europe on science and tecnology.
5) - J.Pinder:A foreign policy for Europe.

DRAFT AGENDA FOR ITALIAN WEEKEND

to be held at The White House,
University of Sussex Conference Centre
from June 30 - July 2, 1967.

General Title: POLITICAL IMPLICATIONS AND CONSEQUENCES OF BRITISH ENTRY.

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Friday, June 30

19.30 approx.	Delegates arrive at The White House, Chelwood Gate, nr. Haywards Heath.
20.30	Dinner: To be held at The Roebuck Hotel, 1½ miles from The White House.

Saturday, July 1

8.30	Breakfast.
9.30	EUROPEAN INSTITUTIONS paper presented by John Lambert.
12.15 approx.	Leave by bus for University of Sussex.
13.00	Lunch at University, followed by tour of campus. Return to The White House.
16.30	Tea.
17.00	THE TECHNOLOGY GAP paper presented by Christopher Layton.
18.30	Dinner.
19.30	THE TECHNOLOGICAL GAP (continued).

Sunday, July 2

9.30	A EUROPEAN FOREIGN POLICY general discussion.
13.00	Lunch.
14.00	Conclusion to weekend discussions.
16.00 approx.	Conference ends.

ITALIAN DELEGATION
for meeting with FEDERAL TRUST
at University of Sussex
Conference Centre.
June 30 and July 1-2, 1967.

	Aldo GAROSCI	Professor of Modern History at Turin University.
O	Emanuele GAZZO	Editor of "Agence Europe."
	Ursula HIRSCHMANN	Office for Foreign Relations, Istituto Affari Internazionali.
O	Cesare MERLINI	University Assistant, Director of the monthly journal "EU 66."
O	Marciello dell'O MODARNE	Administrator, Parliamentary Documentation, European Parliament.
O	Bino OLIVI	Chief Spokesman of the EEC Commission in Brussels.
O	Riccardo PERISSICH	Study Group on the European Communities, Istituto Affari Internazionali.
	Umberto SERAFINI	Secretary General of the Italian Association for the Council of the European Communities (AICCE).
O	Altiero SPINELLI	Director of the Istituto Affari Internazionali.

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BRITISH DELEGATION

for meeting with Italians at
University of Sussex Conference Centre.
June 30 and July 1-2, 1967.

O John BOWYER	Barrister-at-Law. Chairman of British Association for World Government. Labour candidate for Horsham 1965 General Election. Trustee, Federal Trust.
O Francois DUCHENE	Editorial staff of The Economist. Personal assistant to M. Jean Monnet, 1958-63.
Norman HART	Gwynne Hart & Associates Ltd. Chairman, Federation des jeunes Chef d'Enterprise. Trustee, Federal Trust.
O David HOWELL, M.P.	Former Director, Conservative Political Centre. Former Chairman of the Bow Group. Conservative M.P. for Guildford. Trustee, Federal Trust.
O John LAMBERT	Assistant Spokesman of the EEC Commission 1963-66. Free lance journalist in Brussels.
O Roderick MACFARQUHAR	Editor of the China Quarterly Review. Free lance television commentator. Editorial board of New Statesman. Labour candidate 1966 General Election.
O Diarmid McLAUGHLIN	Director of Conferences, Federal Trust. Assistant spokesman of the ECSC High Authority, 1963-7.
O Anthony PAICE	Secretary, Foreign Affairs Panel, Liberal Party Research Department.
O Ben PATERSON	Personal Assistant to the Director, Conservative Political Centre. Former lecturer at Swinton Conservative College.
O John PINDER	Director, Political and Economic Planning. Trustee, Federal Trust.
O Derek PRAG	Head of the London Office of the European Communities Information Service.
O Roy PRYCE	Director, Centre for Contemporary European Studies, University of Sussex. Trustee, Federal Trust.
O Laurance REED	Author of forthcoming book on Technology.
John ROBINSON	Foreign Office, Counsellor. Responsible for European Economic Affairs.
O Noël SALTER	Assistant Clerk of the Assembly of Western European Union 1955-63. Executive Secretary of the International Department of the British Council of Churches.
Val SCHUR	Free lance economist. Consultant Political and Economic Planning.
O Dennis THOMPSON	Barrister-at-Law. Editor "Common Market Law Review" and "Journal of World Trade Law." Trustee, Federal Trust.
O Eileen USHER	Executive Secretary, Federal Trust.

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Summary of Anglo-Italian weekend discussion at the White House, Sussex, 30th June - 2nd July 1967.

Foreign Policy (introductory paper by John Pinder.)

There was almost complete agreement on the need for Europe to adopt a role in world affairs based on peaceful influence through trade and aid. This was contrasted with a third-force role which none of those present advocated.

At least one participant felt that non-military means of this sort greatly circumscribed the total influence which Europe would be able to exert in world affairs, leaving little more than the "satisfaction of giving". Whatever their ultimate effects it was however recognised that trade and aid represented at least half of foreign policy. This was shown in the importance attached to the development of a Common Trade Policy for the Communities - mentioned as being the most important federating factor in integration under the Rome Treaty. A common policy on trade and credits was of particular significance in relations with Eastern Europe - which was why all EEC member countries were so reluctant to go ahead in this field - and the first step towards solving the German problem.

There was less agreement on the nuclear defence posture which a Europe with this non-military world role should take. For some, defence was necessary and could only be ensured by joint arrangements with the U.S.A. There should therefore be continuing attempts to strengthen Atlantic co-operation on nuclear defence through supra-national forms of joint targeting etc. But it was felt by many that Europe would never be able to exert real influence on the Americans in nuclear defence, so that joint Atlantic nuclear defence arrangements would always be unequal - with Europe in a position of dependence, not interdependence - and therefore no more than a more honourable justification for acceptance of American aid, without ultimate control over this aid.

For others, any close links with the U.S.A. in nuclear defence implied sharing American views on world policy and were in conflict with an independent European foreign policy. Such links were therefore generally undesirable and, in particular would greatly hinder detente between East and West Europe. This argument might have been taken to imply that Europe should defend itself: but when it was suggested that adequate defence could be provided by European conventional and tactical nuclear weapons alone, the objection was made - and accepted -

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that the only conceivable attack would be a proper, full scale one, against which tactical weapons would not provide any protection. However it was maintained that the changed international situation - more relaxed East-West relations - rendered the American nuclear umbrella no longer paramount: while a somewhat different view - that Europe was impossible to protect from full scale nuclear attack in any event - arrived at the same conclusion that she could do without the Americans.

There was therefore little enthusiasm for a European strategic nuclear armament, and many doubts as to whether it was technologically and industrially possible in any case. One person suggested that Europe should at least develop the capacity to build third generation strategic arms, through developments in allied fields e.g. transport, leaving actual decisions on arms policy until later.

Since Europe could probably not defend itself in any case, many thought it should put such thoughts aside and help in international peace-keeping. Here it was objected that the U.N. lacked political strength and was insufficiently representative. A European non-nuclear stance brought other advantages though. It improved the chances of finding a settlement to the German problem since the Russians and other East Europeans might accept re-unification in the context of a non-nuclear Europe. It released funds for development aid. And it could be a contribution to disarmament and non-proliferation, aims which were in the general world interest and therefore decidedly in Europe's own interest - unless Europe wanted once more to become a battlefield and centre of world conflict.

At this point arguments in favour of a European Defence Community tended to be justified by motives of political integration. EEC + EDC = EPC was one suggested formula: since the military establishments exist, integrate them, was another. But the sceptics felt that no pressure for defence integration would exist if there was no valid defence objective - and this depended on the existence of a European foreign policy, i.e. EDC = EEC + EPC.

Equality with the U.S.A. was not only a problem of defence. In the interests of attaining technological parity there was some support for a degree of selective protection, conceivably under an infant industries clause: this might provide reasonable protection over ten years, diminishing thereafter on a sliding scale. Others argued strongly that the real problem was elsewhere, in market and company structures, and educationsl facilities: to ignore the source of the problem would mean plugging one technological gap today to find others created in ten years time.

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The central discussion on defence produced several relevant considerations for the German problem - especially the contribution which a non-nuclear Europe might bring to prospects of full re-unification. Other points raised included an Austrian status for East Germany, but it was objected that East Germany's links with Poland and Czechoslovakia were developing too greatly for this to be a practical solution. Re-unification, it was suggested, needed to be looked at in the larger context of East-West detente and for this trade and credits, but also improved transport links, were of prime importance.

In brief, apart from the third force camp (not present) argument ranged mostly between the Neutralists and the defence Atlanticists. For the latter an Atlantic defence option did not impinge on foreign policy elsewhere while the reality of world politics was growing interdependence which could be practised a la carte. For the former there was no such thing as a la carte interdependence but alliances which one either accepted across the board or did not accept at all.

Institutions (John Lambert's paper)

A sober and realistic discussion avoided too great an emphasis on theory and reverted constantly to the problem of where to apply pressure now in order to attain immediate institutional advance. The European Parliament was generally considered too weak and lacking in a prestige which probably only direct elections could give it. There seemed little prospect of direct elections and the chances of obtaining partial direct election (i.e. from one or more member countries on the basis of a national act of Parliament) were either considered too faint or too uninteresting for them to be mentioned by more than one voice in passing. Looking into the future there were suggestions that the Parliament had the wrong powers (if any) at present, that its role should be envisaged as more akin to that of a U.S. Congress, investigational and polemical, with tight control over the purse-strings rather than the personnel of government. The best prospect for the future powers of the Parliament was to achieve budgetary control: there was no alternative to this once the Community had direct revenues and agreement had to be reached by 1970 - the French were fighting only a rearguard action against the inviolable "no taxation without representation."

Meanwhile there was some backing for the suggestion that the Commission should take the initiative deliberately to associate the Parliament more closely with its work. The Commission had more

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vitality than the Parliament and now a new mandate. It should take a public stand in favour of not submitting to the Council any proposals, including modifications to proposals, which had not had the Parliament's prior approval. It was however objected to this that the Commission had previously associated the Parliament very closely with its proposals (e.g. June 1965 crisis) without being able to avoid crisis or to have its position much strengthened as a result. Furthermore experience of the Parliament's role to date showed that it tended to slow down decision-making and was not relevant to the present intimate practice of negotiation between Commission and Council.

It was generally recognised that the Commission's power of initiative was the key factor and some fears were expressed that the new Commission, with a very heavy programme of work ahead of it, might be weaker than its predecessors and hesitate to make full use of its power of initiative. If it first asked governments and permanent representatives what proposals they would accept, and then put these forward in an attempt to avoid a new crisis, the Commission would be abdicating its own powers.

There was little agreement or even much discussion on methods of appointment of the Commission. This was felt to be a subject on which little progress could be made for the moment. One voice supported the proposal for direct election on single-party lists on the grounds that this would stimulate the creation of European political parties - a necessary development if the Community was not to be based on a divisive foundation of separate national parties. Others opposed this system on the grounds that it was putting the cart before the horse and unworkable so long as European parties did not exist - the British and Scandinavian Conservative parties, as well as the French UNR being for the present apparently unlikely candidates for any foreseeable European political groupings. Advocates of this latter point of view thought that European parties could best be stimulated through a reinforcement of the European Parliament.

Rather more ideas were forthcoming on the Council and the Permanent Representatives. One suggestion was for each government to appoint a permanent European minister to represent it in the Council: such a minister might assimilate a European point of view and know that his role, both in the Council and in his national government was to assist the development of the Community. This

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idea was criticised because (a.) the post might still be considered insufficiently important to attract a leading figure (b.) other national ministers would not surrender their powers (c.) one of the roles of the Council was to act as a sort of Senate in a bi-cameral system and the attendance of many different ministers, e.g. agriculture, transport, economics, either together or separately, from national governments already gave some substance to this role, and (d.) it was a pity to confine the brain-washing process of Council membership to only one minister.

Similar considerations were put forward for reform of the Permanent Representatives with a suggestion that each national delegation should include a Permanent Representative for each of the main national ministries. A further and alternative idea was for the post of Permanent Representative to become a political appointment - a junior minister - so that the Standing Committee of Permanent Representatives could take minor decisions without reference to the Council. However it was objected that the Permanent Representatives should not be strengthened without an equivalent reinforcement of the Commission itself.

Attention was also drawn to the Agricultural Comité de gestion, composed of national civil servants meeting under the chairmanship of the Commission, which already took in effect all but the most important decisions such as those affecting prices and budget. It was suggested that this precedent might well be applied in time to other fields.

In general the institutional pattern which met with most approval was for the Parliament and Council to come closer together as the twin organs of a bi-cameral legislature while the Commission gained in strength as the Executive. There was however little prospect of progress in this direction for the moment.

For actual progress on institutions there was agreement but little emphasis on the useful pressure which non-governmental groupings could at present apply, at least in preparation of the future. In this context political parties were most important as the live political forces in most European countries and it was suggested that they should be encouraged to develop their own European cohesion with their own internal supranational structures: it ought not to be impossible to persuade them that their own interest was to play a world role

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through their fusion at European level. Lastly a much greater effort should be made by the European Parliament to integrate its work with that of national parliaments and in particular to try to get the latter to adopt European Parliament resolutions binding their own national governments. It was even suggested that national parliaments should be persuaded to withhold national contributions to the Community budget when the Council had refused to accept proposals supported by the European Parliament. But a sceptical voice was raised to point out that national parliaments might well be the last ditch defence for national sovereignty and to underline that only direct elections to the European Parliament, providing it with a real political foundation, could outflank this threat.

In conclusion, three specific points of pressure emerged from the discussion, namely the need for Parliamentary control of a Community budget by 1970 at the latest, the treaty requirement for a common foreign trade policy which would increase the powers of the Commission in a highly sensitive and key sector, and the demands of efficiency in decision-making as new ventures further extended the burden on the Community apparatus.

Tactics for British Entry.

There was full agreement that Britain must ask for as few conditions as possible for entry in order to try to avoid detailed negotiations and to help the Five to resist French tactics. In this last respect there was something to be said for informing at least the Five of Britain's minimum requirements and for having a full statement of the British position regarding the transitional period and agriculture in particular.

If these were the right tactics, it was feared by most that the negotiations would nonetheless be long. As a start the French did not have to veto negotiations once the Commission's report was available since there would be sufficient matter in the report - on monetary problems, economic problems, agriculture, New Zealand, institutions and transitional period - to keep the Six discussing amongst themselves for up to a year.

This left the British with the political problem of maintaining interest and enthusiasm over a long period in face of delaying tactics. If no progress were possible on the Rome Treaty basis, except after long-drawn out negotiations, perhaps the British should accept the Gaullist offer of association and show their commitment to Europe in other fields and through other initiatives.

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It was objected that association was likely to be a trap. It could be misinterpreted in Britain while on the Continent it would be taken as evidence that Britain was still only half European. The French could use this as grounds for a brusque veto. Any talk of association would weaken the position of the Five, and the Benelux in particular. It would threaten to undermine the existing institutions by displacing some decision-making to a council of association, probably inter-governmental in form, and while the British could then perhaps rightly be accused of sabotage they would still be absent from much of the decision-making on many important subjects. Lastly association would be much more difficult to negotiate than full entry.

Despite such strong arguments there was at least one person who thought the risk perhaps worth it. For most however, association might eventually be envisaged for the transitional period after negotiations had been started, but until negotiations were underway it was a trap to be avoided. The first and immediate problem was to open negotiations. To counter any French move in favour of transitional association, the British should profit from the example given by the American Administration in obtaining the start of the Kennedy Round, and propose a short three year transitional period "across the board" without any special treatment for different sectors. Once negotiations were opened things might work out differently.

Good British tactics and a simplified approach were however not in themselves enough without at the same time a "grand design" for the forward development of the Community. It was important to remember the treaties were themselves to be re-written in the merger, and Britain needed to be a full member to influence their new form and content. However even from outside Britain could show herself truly European by putting forward proposals for the merged treaty which went further than those of the Six themselves. The Communities were the only really effective grouping in Europe and the only realistic policy, as well as the right one for gaining membership, was to firmly propose new ventures in this context. Britain could make its entry appear as the vehicle for creating common policies e.g. on technology, aid and defence as well as a common reserve currency.

There was a great opportunity for Britain to grasp the leadership of the movement for European unity. The forces in favour of European federation were dispersed and there were plenty of local

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reactions and preoccupations e.g. Franco-German relations in Germany, protectionism, fears of any change in an already precarious situation, which could be used against British entry. The way to overcome these obstacles was by an outflanking pro-European drive and not by special talks with France under cover of the alibi that negotiations were on the basis of the Treaty of Rome. Negotiations also concerned the re-writing of the Community Treaties in the widest context and Britain could best serve her own interest in joining the Community by showing herself as the chief protagonist of the further development of the Communities.

The British Government had a key role to play, but non-governmental forces were also of very great importance. Public opinion could influence even De Gaulle if it was persuaded of the importance of British entry. In addition to links amongst the political parties and clubs, it was argued strongly that British members should be asked to take part in the Monnet Committee.

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QUESTA PUBBLICAZIONE È DI PROPRIETÀ DELL'ISTITUTO AFFARI INTERNAZIONALI

DEMOCRACY AND INSTITUTIONAL EFFICIENCY IN THE COMMUNITY.

by John Lambert.

(This is a first outline intended to provoke discussion; at a later stage it may prove worthwhile to go in detail into some of the possible developments referred to.)

The starting point of this paper is the conviction that new thinking is needed on the institutions of the Community, and about their democratic content.

This would be true in any case, both because the increasing volume and complexity of the problems puts strain on the existing institutional machinery of the Community, and because a new confrontation on the question of direct revenues and the role of the Parliament must inevitably occur before January 1, 1969.

It becomes doubly necessary as a result of the renewed British, Danish and Irish applications for membership (with Norway probably following). On the one hand, the argument has been used, by those who are opposed to or concerned at the prospect of enlarging the Community, that it will make the institutional process unworkable. On the other, the question of democracy in the Community, though it has not so far emerged as an issue in the United Kingdom this time, was at the heart of opposition to membership in the U.K. last time.

We may add two tactical points. In the face of de Gaulle's evident reluctance to admit Britain, and the British determination to get in, if possible while he is there, if not when he goes, it is likely to be the desire of the British government to espouse a more "European" point of view than the General - and the issue of democracy is a key one here. It is necessary to work out and make known a clear attractive, realistic and workable alternative to the Gaullist rejection of a federal, democratic community system.

Secondly, although those who favour British membership tend automatically to assume a simple outcome whereby Britain and the other candidates join, and then the ten together go on to develop the Community, we must be prepared for another eventuality. Finding himself unable to resist pressure for negotiations and for British entry, de Gaulle may well seek to obtain a far-reaching re-negotiation on the occasion of the enlargement. This is clearly hinted at in his references to British membership as requiring the construction of "an entirely new edifice." Although this seems politically and economically unrealistic, a response based on simple defence of the existing institutional arrangement would be vulnerable to the criticisms referred to above, if not backed up by a practical view of how certain latent problems can be solved, and how the present Community can develop.

It is not sufficient to take out of the drawer where they have been gathering dust the ideas about democracy and the development of the institutions which have been progressively dropped in the face of the impossibility of progress whilst de Gaulle is there. Those ideas were worked out in the early years, without the experience now acquired of the operation of the existing institutions, and in a more utopian atmosphere. They could not take into account the basic evolution in the organisation of democracy which has taken place in France with the general acceptance of the presidential system.

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In particular, election of the European Parliament by universal suffrage was treated in the past as though it were a final step needed to complete the existing constitutional system. I wish to argue here, on the contrary, that though essential, it must now be seen as one element in a complex move forward in which the whole relationship between the various Community institutions, and the working of the system, is reviewed. This view is supported by the history of European unification so far, each major move forward (ECSC, EEC in particular) having seen a changed institutional pattern adapted to the political balance.

The suggestions made below are therefore intended to be a basis for thinking about the elements in the next "leap forward," which is essential in any of the following hypotheses:

i. De Gaulle blocks British entry for the present, the federal, democratic alternative then needs to be developed and advocated within the unchanged Community of the Six in the preparedness for his departure and a "leap forward" either without Britain, or following rapid British entry, or on the occasion of British accession.

ii. De Gaulle accepts British entry, and the Community of Ten faces problems of institutional effectiveness and democratic control, such as have already arisen in the present Community.

iii. Re-modelling of the Community is imposed as a condition of British membership, and a clear alternative attractive to the British, is needed.

For the sake of clarity, I limit myself here to the assumption that the Community remains confined to the fields at present covered by the Treaty. All that is said here applies a forteriori should there be (as is possible) an extension of the Community to other fields of government simultaneously with the re-construction of the institutions.

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1. Efficiency.

2. Democracy.

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1. Efficiency. The problem arises at the level of the Council of Ministers of the EEC. It manifests itself in the slowness with which progress is made at the ministerial level, both in internal affairs and (above all) in the external relations of the Community.

The causes are:

i. Discussion at ministerial level of points which are essentially technical, and of too great a complexity to lead themselves to the process of political debate and compromise characteristic of the Council.

It will be remembered that decisions can only be taken in EEC by the Council of Ministers itself. The "A points" system enables matters settled at the level of the Permanent Representatives to be passed as a formality by the Council. Nevertheless, it is sufficnent for the representative of one country to lack the necessary authority to take a decision or make a concession for the point to come up at ministerial level, however technical it may be. Ministers of the other countries will then be obliged to intervene on matters which their own experts were able to deal with, and the minister of the country which sought ministerial debate may well himself be obliged to leave his expert to speak on the point.

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ii. Excessive pressure on the Permanent Representatives. Emile Noel, Executive Secretary of the EEC Commission, has noted (paper presented to the Université Libre de Bruxelles, juillet 1966) that the Permanent Representatives are in session practically every working day of the year, having to do all other work including preparation outside the times of meetings. This is because all points with serious political content, liable to require ministerial discussion, are dealt with by the Permanent Representatives themselves. This includes the preparation of all meetings in the framework of the Community's institutionalised external relations (associations, trade agreements, etc.) and participation in these when at sub-ministerial level. Their are clearly advantages in one small group who work closely together, and have considerable room for manoeuvre and for nuance, dealing with all major problems. In addition the system has been eased by making the Committee of Deputy Permanent Representatives into a permanent separate body dealing mainly with points which will not need to go up to the ministers but can be classed under "A".

It is sufficient to look at the range of points on the Council agenda, and to remember that in addition to the monthly foreign ministers' meetings there are sessions of the Council on agriculture (these are however prepared for by the Special Committee), social affairs, transport, monetary affairs, etc. to realise that the Permanent Representatives Committee constitutes a bottle-neck, and also a potentially weak link because of the excessive pressure to which it is subjected.

A partial solution is no doubt to be found in according to specialised committees similar powers to prepare for the Council as are vested in the Permanent Representatives' Committee and in the Special Committee, and also, for tariff matters, in the 111 Committee.

Solutions. The aim must clearly be to ensure that only matters of genuine political weight and importance come up for ministerial discussion, - two possible lines of development (both of which have far-reaching political implications) are delegation by the Council of greater real powers to the bodies which reproduce the same institutional pattern at a lower level; or delegation to the EEC Commission.

It is worth recalling that the decision to retain for the Council of Ministers the sole right of decision is of great political importance. It ensures that decisions are taken in a body where the Commission is present and able to take a full and official role. It avoids establishing the Permanent Representatives Committee through its permanent position in Brussels as a rival to the Commission. It emphasises the political nature of the Community by reserving all decisions to the ministers. The fact that the Permanent Representatives are under such pressure would mean that any further delegation would have to take place to specialised committees, which would need to deliberate at a sufficiently high level for their members to be in a position to take decisions which the ministers could then confirm under "A".

This greater delegation to sub-ministerial bodies in Brussels in the various fields would depend for its effectiveness on the ability, political, psychological, administrative, of all six governments to send delegates able to commit them on the kind of points which now take up ministerial time. This would be a step of doubtful effectiveness, and one politically dubious. It would be distinctly federal in its implications; the Permanent Representatives have, as is well known a psychology which makes them at the same time their countries' representatives to the Community, but advocates of Community solutions at home, and this would apply to any other body sitting more or less permanently. It would be a transfer of decision-making more patently open to the accusation of being undemocratic (in the eyes of some) and subversive of effective national sovereignty (in the eyes of others) than the present system.

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The alternative is greater delegation of decision-making powers to the Commission. A distinction should at once be made between delegation of unchecked decision-making (as is the case, e.g. for the daily fixation of the farm levies) which it must be said has been limited so far to the most minutely technical fields, and delegation subject to checks by a body parallel to the Council (management committee system.) The Council has been reluctant so far to contemplate delegating any decision-making powers to the Commission even of the smallest points. Any decision to delegate, within the framework either of general Council decisions, or specifically under particular regulations, would necessarily have political implications, and would require a conscious choice. The field of the Community's external relations probably needs to be treated apart. Recent experience has provided a contrast between areas where the Treaty required the Community to act as a unit, with the Commission acting, within the framework of Council directives, on behalf of the Community, and those where no such requirement is written into the Treaty and either the Six are free to act or it is up to the Council to adopt solutions. The most striking contrast is between the Kennedy Round and the UNCTAD. Even in areas where the Commission negotiates, however, as for instance on association applications, the system has proved particularly slow and cumbersome (the Kennedy Round offering an exception only during the closing phases when the negotiators were up against an effective deadline and the negotiations had narrowed down to cover points within the general mandate laboriously worked out in the Council), and the question of more effective delegation arises. It is even more markedly political here than in other fields.

It may reasonably be asked whether the use of majority voting is not a method of ensuring more effective and rapid operation of the Community decision-making machinery. It is too easily forgotten that the controversy of 1965-66 turned not on the principle itself, but on its application in those major cases where a member country could claim that a "matter of vital national interest" was at stake. Neither side in the dispute contested that in these cases the chances of a majority vote were remote not to say non-existent. What was at stake was a principle, far less than its practical implication. The use of majority voting on the other issues has never been contested by any member country; witness French acceptance since January 1966 of being outvoted on budgetary questions. If one adds to this the observation made by Noel and Etienne that during a representative period out of one hundred cases where majority voting could have been used it was used only twelve times, but that in comparison with a hundred similar cases where it was not yet possible the time required for a solution was on the average about half, it is clear that there is no clear-cut obstacle here. The frontier between what is or is not a vital national interest will be a shifting one, reflecting the mood of the Community and the progress of integration (and the 1966 statements have changed little of this.) If no solution is found by delegation it seems likely that this kind of concealed majority voting (the concession made to avoid being put in a minority position) may be steadily extended under the sheer pressure of necessity.

Extending for a moment these arguments to the enlarged Community, we may conclude:

i) That the pressure on ministerial time will be increased for two reasons:

a. During a fairly long period there will be particular problems of transition and adaptation requiring to be settled by the Council.

b. In purely physical terms discussions on points which do come up to the ministers will take longer.

There will thus be a greater necessity to render the system more effective in terms of the problems mentioned above, it is difficult to predict whether it would be by a strengthening of the sub-ministerial

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/of the Council or by delegation to the Commission. If it were the latter, the political implications in terms of a pressure to improve democratic control could be expected to be stronger in the enlarged Community.

As far as majority voting is concerned, it is to be expected that the "invisible" effects of the majority voting rule would increase - being isolated in a Community of ten is a weaker position than in a Community of Six. On the other hand, the chances of a clash between two groups, one perhaps representing a minority in the strict sense, but too influential to be put officially in a minority by the others, are presumably greater. In general the frontier of the reserved "vital national interests" would be expected to be driven back. Other things apart, the position of a country threatening to withdraw from a Community of ten is infinitely weaker than it is in the present Community. Were Britain inside, in particular, any such threat from the French side would no longer be taken seriously.

The position of the Commission vis-a-vis the Council must almost inevitably emerge strengthened from an increase in the number of members, the relative importance of knowing the technical and political margin of manoeuvre of each being greater, and the scope for political bargaining also. For purely practical reasons the Commission would need to be numerically re-inforced in terms of officials in various fields. It would also receive a fruitful influx of trained administrators from the new member countries.

Nevertheless, the fundamental choices for ensuring efficiency would remain as they are now:

i. Increased delegation by the Council to semi-permanent sub-ministerial bodies, with the implications mentioned.

ii. Increased use of majority voting.

iii. Increased delegation to the Commission, with similar implications as regards the democratic element in the constitution.

All these would raise with increasing force the problem to be dealt with below, of the need for a change in the relationship Council-Commission-Parliament.

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2. Democracy. It is clear that the question of rendering the Community "more democratic" cannot be tackled simply in terms of ensuring direct election to the European Parliament, although this remains the key. At least three questions are linked: the balance and shift of power between the decision-making bodies: the powers of the European Parliament in controlling them: the question of direct elections.

It is unlikely that a very big leap can be made, to the kind of clearly federal system envisaged by some, where the EEC Commission (or its successor) would have the decision-making power, subject to parliamentary control, and the Council would revert to an "upper chamber" role. Nevertheless it is in this direction that any change bringing the Parliament effectively in on the decision-making process is bound to point, witness the 1965 Commission proposals (limited it is true to the budget), which would have effectively increased the power of the Commission and put the Council in tandem with the Parliament.

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Any solution which is to appear realistic should combine the following three elements:

i. Establishment of a direct relationship between the Parliament and the Commission (beyond the lop-sided "right of dismissal but not of appointment" existing at present). This implies, essentially, a changed method of appointment of the Commission.(I will refer in this connection to the idea of direct election of the Executive as well as of the Parliament.)

ii. Direct election of the European Parliament by universal suffrage.

iii. Adaptation of the present decision-making procedure to give the directly elected Parliament say in it. This is a far reaching problem, especially if what is being sought is a half-way stage which leaves the Council, in which the interests of the governments and states are represented, real influence on decisions taken.

Ad i. At present the Executive is appointed by the member governments, and in practice each government has proved free to make its own appointments, only the posts of president and vice-president being subject to debate. The Parliament plays no role in the appointment. It may by a vote of censure obtain dismissal of the Executive, but then has no say in its re-appointment. The High Authority and the Commissions have in practice chosen to treat the Parliament with respect, take its views into account, and appear regularly before it to give account of their activities, other than is the statutorily required annual report. Possible solutions which have been mooted for giving the relationship a more formal content are:

a) Investiture of the Executive by the Parliament, and of any new members, also;
b) choice of the members of the Executive from amongst the members of the Parliament;
c) choice of a president who presents a team for investiture by the Parliament;
d) direct election of the Executive, as a team. Executive and Parliament then both draw their authority from universal suffrage.

- a) Investitute would change little with the present Parliament, if the choice of the Executive remained with the governments, and the body had to be approved or rejected as a whole. Individual investiture would be invidious and would result in a clash, Parliament-national governments which would be undesirable and counter-productive. An intermediate solution whereby the first merged Executive would be appointed but it would subsequently be renewed by co-option of members subject to investitute, though ingenious, seems to be politically a non-starter. Finally a directly elected Parliament would want real influence in any investiture procedure, and leaving the appointments in the hands of the governments would not ensure this.

- b) Executive chosen from the Parliament. This only makes political sense in the event of direct elections, when it would be a way of giving the Executive a direct relationship with the electorate as well as with the Parliament.* On the other hand it seems an unsatisfactory half-way stage, since if the members were to be chosen from the Parliament, the latter would want them to be representative, and the parties would want a say in their choice, there would thus be no point in leaving the choice to the governments.

The logic of the situation would then lead on towards (a), choice by one man, but it is then more realistic politically for him to be appointed or chosen by the Parliament. This in turn could be extended

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*It would also contribute to ensuring the level of membership of the Parliament.

to leave him the possibility of including in the Executive members who were not elected members of Parliament, provided they were acceptable to the Parliament. This system would make the president in particular and the Executive in general, the creature of Parliament. It would have to continue to be subject to dismissal, and it might be necessary and advisable to give the Council a consultative role at least, if not more, in the choice of the Executive. Thus either the choice of president would be subject to the approval of the Council (majority vote) or he would seek investiture for the Executive on the Council as well as from the Parliament. The system sketched here would provide a useful half-way house to that referred to under (d) direct election of the Executive by universal suffrage. The thought behind this scheme (which will be explained and defended in some detail in a paper to be presented to the Rifflet group by M. Robert Toulemon) is that an elected Parliament should have as its interlocutor an Executive also residing on direct suffrage; that direct election of one man is not realistic; that election of a team would oblige the parties to work out balanced European lists. It seems to me that this scheme, though appealing in its logic, as interesting in its long-term implications, is too revolutionary to be presented as a realistic next step, and that the next "leap" should be based rather on direct election of the Parliament and a reconstruction of the relationship Parliament-Executive-Council.

Ad iii. To ensure democratic control at the Community level implies an effective institutional relationship between the Parliament and the bodies taking decisions. It is this which is entirely lacking in the present system where the decisions are taken, save in minute and well-defined technical spheres, by the Council, which is in no way responsible or subject to the Parliament. Direct elections are not conceivable unless the elected Parliament is to be ensured effective control. There seems however to be a real danger in bringing about a relationship of control between the Parliament, once directly elected, and the Council, in which the interests of the member States are being defended. For the role of the two bodies is in a federal structure, potentially parallel control over decisions at the federal level, on behalf of the people, and on behalf of the units (i.e. the States.)

It would therefore seem essential that there be a shift of power between the Council and the Commission - and this becomes conceivable from the moment the Commission itself is no longer the uncontrolled creature of the member governments, but has a basis, directly or indirectly, in direct suffrage through the control of Parliament.

At this stage it is necessary to analyse more closely the present situation, some, very limited, powers of decision are delegated to the Commission; others are retained by the Council on the basis of Commission proposals; in a third, wide field, the Council is the forum for co-ordination but does not take binding decisions. The only practical moves recently proposed were those of April 1965, which would have made the decisions of the Council on budgetary matters (though not the decisions which in fact determined the level of expenditure) subject to Parliamentary control, whilst leaving the Council the final word.

It might be possible, in the light also of what was said above on the need to render the institutions more effective, to envisage the following system - extension of the number of fields where decisions are taken by the Commission (agriculture, commercial policy, external negotiations) subject to consultation of the Council, and to control by the Parliament.

- fields where the Council continues to take decisions on the basis of Commission proposals, but subject to final approval by the Parliament.
- fields where the rule is that of co-ordination, and where the Commission is charged to keep the Parliament fully informed of the situation.

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The political aim in this would be to achieve a flexibility, and scope for a steady shift of weight from the Council to the Commission in terms of decision-making. Any new Treaty, whilst taking as its starting-point more or less the present stage of progress from confederal to federal pattern should make possible through relatively simple constitutional amendment or better still by interpretation, this kind of shift. This kind of formula should not be beyond the ingenuity of the drafters. It should avoid creating the kind of hurdles or bottle-necks which direct elections have seemedto constitute this time, should be nearer the "little revision" of the ECSC Treaty than the "big revision". In other words the new Treaty should be an outline for gradual evolution of the institutional pattern, in response to the need for efficiency and to the growth and establishment of a federal political pattern through the operation of the elected Parliament and of a representative European Executive.

Ad ii. Direct elections. It seems to me politically axiomatic that the move to direct elections should succeed the admission of new members, and should be achieved with their pressure and support from within. Secondly, for reasons of political realism, direct elections must be combined with some kind of re-adjustment along the lines referred to above. This solution is to be preferred to the otherwise tempting idea of treating the first directly elected assembly as a constitutional assembly charged with elaborating changes in the constitution. These will need to be extremely sophisticated and the parliamentary forum will not be the best for elaborating them. Also the calibre of the newly elected Parliament will depend on the answers worked out to some of the questions put above.

I shall not attempt here to suggest solutions to the numerous problems, most with political implications, which arise over direct elections, but rather to indicate what they are, as a basis for thought and discussion. It is clearly indispensable however to make choices on these points and to work out a clear-cut, workable system on which there can be general agreement amongst those who wish to support the general idea of a democratic Community.

Questions which arise include:

1. Elaboration of a single Community electoral system or use of national systems, and if the first, which system.
2. Number of members.
3. Duration of legislature.
4. Admission of Communists (problem re German system.)
5. Possibility of candidates in other member countries (this is not an entirely academic point, particularly in a single Community system.)
6. Compatibility of national and European mandates (need to examine the Italian half-way proposal, for direct election of half the delegation or half the members.)
7. Salaries and Parliamentary facilities.
8. Seat of Parliament, can a seat apart from the administrative centre be justified after direct elections.

It will also be necessary to re-examine and re-furbish the arguments about the political efficicacy of direct elections, e.g.

- shock effect on public opinion (Eurovision, etc.)
- pressure on parties to present coherent European programmes.
- direct channel for individual and consumer representation.
- increased international weight of Parliament.

Note. On the basis of discussions on this paper in both the Kuby group and the Eurodiners, the author would envisage producing a more precise paper indicating a choice of solutions, relating the problems more specifically to enlargement of the Community, and indicating possible timing. This paper could also contain a series of choices on the detailed aspects of the direct elections problem.

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A COMMON POLICY FOR EUROPE ON SCIENCE AND TECHNOLOGY.

By Christopher Layton

THE "GAP"

Ten years ago "Catching up with America" was a favourite economic slogan for politicians in rival Continents. But all the signs today are that the United States, the richest country in the world, is maintaining its economic lead over all challengers and in particular over the world's second richest industrial region, western Europe. In the late '50s and early '60s the dynamic Continental economies seemed to be catching up. Since 1961 the astonishing American economy, growing at a rate of 4 to 5% per year, has been increasing its lead.

Europeans have felt the impact of America's economic dynamism, not only through the massive expansion of American exports (from $ 19,635 million in 1960 to $ 26,622 million in 1965) but through the steady growth of American direct investment in western Europe, from some $4,151 million in 1957 to $12,067 million in 1964. That investment which once pioneered the bread and butter industries of Europe's new affluence, from sewing machines to tractors, now concentrates in particular on still newer industries - electronics, computers, sophisticated chemicals - in which America has pioneered the way. Over 75% of the European market for computers is now in the hands of American or partly-American companies. All the carbon black in western Europe is produced by American firms.

In the aircraft industry American companies or products have claimed over 50% of the European market for some years. Aviation is the most swiftly growing section of the transport industry, yet without either ever-growing government subsidies or radical changes of some kind it is doubtful whether the British and French aircraft industries can survive.

The concentration of research and development expenditure and decision-making centres in the United States in turn sets up a series of processes which tend to enlarge the "gap." The best and most enterprising brains in Europe "drain" to America because they are offered the best research facilities there and the most exciting work. Enterprising European firms seek American, not European, partners because there is more to learn from the United States. Except in chemicals, the largest U.S. firms tend to be much larger than their equivalents in Europe. So, if there are mergers or takeovers, Americans tend to be buying European firms and not the reverse.

THE CONSEQUENCES

All this has led to consequences which fill many Europeans with concern:

(a) The tendency for the great international corporations to be based in the United States must mean a growing concentration of economic power.

(b) Political consequences can follow from the concentration of high technology in American hands. On two occasions in particular, American decisions have arrested French economic and nuclear development; the U.S. government for some time forbade the sale of a large computer to the French government in the belief that this would accelerate France's independent nuclear programme. U.S. pressure prevented the United Kingdom from constructing a nuclear enrichment plant for the French, obliging them to spend vast sums on developing the technology for themselves. French suspicions of America, and the unsuccessful French attempt to retain some control over key

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industries like computers, owe much to these examples of the use of economic power.

(c) Economically the concentration of Research and Development expenditure in the newest industries in America has an effect on the pattern of international trade and on economic growth. A study by Donald Keesing+ shows a remarkable correlation between intensive research and development in the United States and a large American share in trade. In the American aircraft industry, for instance, where 7.71% of employees were scientists and engineers engaged in R. and D. in January 1961 (the highest proportion for any industry) the United States was responsible for 59% of exports by the ten major industrial countries of the Atlantic area; in office machinery (5.09% of employees scientists and engineers) for 35% of exports, in drugs 6.1% and 33%. At the other end of the scale, in ten American industries in which less than 1% of the labour force were employed in R. and D. the U.S. had less than 20% of exports by the ten countries.

Europe's negative "balance of payments" in licenses and knowhow is a more modest consequence of the technological gap. it is probably a logical and necessary consequence of America's higher level of economic development; Europe, after all, has a surplus on trade in 'knowhow' with the less developed countries. But this one-way flow of knowledge has wider implications. In the oligopolistic pattern of modern industry, the market in patents and knowhow has great importance. The possession of a key patent confers economic power, and affects the price of other patents, and arrangements about marketing and production. The terms of trade in knowledge tend to be adverse.

(d) Then there are the sheer competitive advantages conferred by scale. Large scale output and large scale research mean, in the end, cheaper production, new products and processes and more wealth.

(e) Finally, the brain drain has social as well as economic consequences. If the biggest opportunities beckon from across the Atlantic, Europe's potential social as well as academic and industrial leaders will tend to go west, weakening in the process the fabric of European society.

Not only Europeans, but Americans, have a long term interest in avoiding these consequences. A balanced Atlantic partnership requires Europe to be economically strong - as a market for American products, as a source in turn of new technologies, and as a partner in carrying the world responsibility of assisting the developing countries to their feet.

MAKING EUROPE A STRONGER PARTNER

(i) The Common Market

Some of these weaknesses can be remedied simply by the implementation of the common market. The existence of a single European market will give European industry the chance to adapt its operations to a home market of Continental scale.

(ii) British Membership

British membership of the existing Communities should be a further help. The income of the present community is half that of the United States.

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+ The Impact of Research and Development on United States Trade. D.B. Keesing, International Economics Workshop, Columbia University.

The admission of Britain and other EFTA countries could go far to redress this imbalance. Britain has more large industrial companies than individual countries on the Continent. Of the world's 500 largest companies, 306 were based in the United States in 1963, 74 in the common market and 53 in Britain. Britain also brings to the Community a research and development effort roughly equivalent in size to France and Germany combined+ (some 2.3% of national income in 1963; 1.6% for France, 1.4% for West Germany); it has the largest European aircraft, computer and nuclear industries. British participation in the life of the existing European communities must bring an overall increase in economic strength.

(iii) Beyond the Rome Treaty:
European Company Law, Patents and Standards;
Capital Market.

The full benefits of industrial integration in the European market have, however, still to be gathered, and require a new impetus from governments. Though takeovers and technical agreements across frontiers have been common, mergers between European companies will remain remarkably difficult until agreement has been reached on a common Company Law, and on a harmonised fiscal system. The American concern with subsidiaries in several countries (like I.B.M.) can integrate its operations far more easily than can two separate European companies (say English Electric and Siemens) seeking to combine.

A European patent law is also of crucial importance if European countries are to pool knowledge as effectively as possible. The development of common standards in every industrial field, from the licensing of tractors to the maximum load limit in certain electric power cables, is fundamental. Industry cannot speak of a "large home market" until standardisation has been achieved.

The development of an integrated European capital market is essential too, if interest rates are to be lowered and European companies are to be able to call on resources comparable to those available in the United States.

(iv) Joint Policies in Science and Technology

All this means simply that the Rome Treaty must be put into practice, with all that this implies.

But creating a single European market will still not reproduce all the conditions which have generated America's formidable technological lead. The state plays a key part in the new technologies. In the United States federal spending was responsible for about 63% of the total R. and D. spending in 1962. Moreover, it is precisely in the fields where U.S. federal spending is so massive (aero-space, computers) that American firms tend to dominate the European market. In Europe too government plays a major part in financing not only research in these defence-orientated industries, but in pure research in the universities. The public sector accounts for about a third of the gross national expenditure of West European states. Government buying, or buying by public authorities, has a major impact on the behaviour, structure and commercial situation of industries as diverse as nuclear power equipment, telephones, railways and aviation. A full pooling of European resources in science and high technology requires joint policies by European governments to a degree scarcely envisaged in the Treaty of Rome and certainly not practiced by its members.

This is the origin of the proposal to create a European Science and Technology Community, a proposal endorsed by all three major British

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+ See Freeman and Young, O.E.C.D.
The Research and Development Effort.

political parties+ and by the European parliament of the Six. Others have suggested that there should be an extension of the powers of the existing Communities. This paper briefly analyses existing European co-operation in science and technology and draws some provisional conclusions about what should be done in the future.

+ See: Speech by the Prime Minister at Mansion House, November, 1966.
Conservative Political Centre, December, 1966.
Speech by Jo Grimond at Bristol, December, 1965.

LESSONS FROM EUROPEAN CO-OPERATION IN SCIENCE AND TECHNOLOGY SECTORS EXAMINED.

A. AIRCRAFT: Bilateralism in Practice.

Very large sums of money have been invested by France and Britain in the various joint, bilateral aircraft and production projects set up during the last seven years.

Both Britain and France have now realized that they cannot hope to support an aircraft industry in the future in isolation. In the year April 1965 to April 1966 the United States aircraft industry sold approximately 400 civilian commercial aircraft all over the world. The entire European industry sold less than 50. 200 is a very large average initial order for fighter aircraft in Europe; a common initial order in the United States is for some 2,000. The necessity for assured markets larger than the small European nation has become plain if there is to be any hope of survival for the European aviation industries. So has the need for joint development programmes to share the immense cost of developing modern aircraft. The following joint projects have therefore been set up or proposed by the British and French Governments as a means of sharing costs and markets.

I. CONCORDE:

The treaty on the Anglo-French supersonic airliner was signed in 1962. Development costs, originally put at £150 million have risen to £400 million. Total expenditure may reach £1,500 million by the time the aircraft is complete. The aircraft is being constructed jointly by BAC and Sud Aviation, and the engines by Bristol Siddeley engines and SNECMA. The French generally supervise construction of the airframe, the British the engines. Potential orders are put at some 300 and the aircraft should have a lead of 2 to 3 years over U.S. competitors. 69 have been ordered so far.

Achievements and Shortcomings

Technically, the project is claimed to be going well by those involved. But costs have soared. Production, development and costs are split on a 50-50 basis, though the complexities of co-operation are alleged to increase costs by some 25%. There are two production lines, when one should be enough.

Concorde is managed on the basis of a strictly Government to Government agreement, so that on each side of the channel the companies have

.../constantly

constantly to refer to their own Governments which then meet to discuss the question in committee. Concorde is on the margin of the technical and managerial capabilities of the two industries.

II. MARTEL:

An air launched guided missile.

Development is now complete and the missiles are ready for production. Here the allocation of development and costs is on a more complex basis - 50% of production is shared in relation to the R. and D. expenditure of each partner. Exports are shared equally. The rest of production is shared in relation to orders by each country.

III. JAGUAR:

A strike-trainer aircraft.

Here the institutional structure has been taken a step further forward. A joint Government management committee has been set up manned by four French and four British representatives. On each side of the channel an executive has been appointed, the French one for the engine, the British for the airframe. Under each of these is a pair of companies (Breguet and BAC as joint airframe contractors; Rolls Royce and Turbomeca as engine contractors). Each pair has set up a joint subsidiary company to carry out its work (SEPECAT). The subsidiaries are required to split the work 50-50 as far as possible.

French practice, which is claimed to be faster, has been adopted for the programming of the airframe through the various phases of development. The first aircraft is due to fly early in 1968 and first deliveries are due in 1970.

IV. VARIABLE-GEOMETRY AIRCRAFT

A possible strike-interceptor aircraft for the '70s based on the swing-wing principle.

France has been cautious about reaching a final agreement+ on this project for a variety of good reasons. Its budget is under heavy pressure, because of the escalating costs of the force de frappe; the aircraft itself, like Concorde, is on the borderline of the French industry's technical capability; if this project goes through, together with those listed below, the French industry will be almost totally committed to joint projects with Britain, while the British industry, though deeply involved as well, will retain some national projects and some joint work with the Americans. The project also poses difficult industrial problems for France. If it goes ahead, France's existing national project for a Dassault interceptor, powered by a SNECMA TF.306 (ex Pratt and Whitney) engine, will have to be dropped. For a while Dassault may have surplus production capacity, and SNECMA problems of adjustment.

One wider issue is also brought home forcibly by the V.G. project. It is extremely expensive and production for the British and French markets alone means high costs per unit. Sales to Germany and other European countries could make a major difference to unit costs.

The V.G. problem thus brings up a series of wider issues. If cooperation in aviation is to go much further, it must extend beyond individual ad hoc projects to include broader planning of the future of the industry as a whole; it must also bring in the Germans; and it must include a policy on Europe's future industrial structure (which French firm is to combine with which British firm, and so forth).

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+ Agreement in principle now reached.

V. HELICOPTERS:

A joint programme to construct:-

(i) An air transport helicopter

(ii) A light observation helicopter

(iii) A utility helicopter,

worth in all some £220 million.

In this field France has pioneered development and invention. So here, while production would be shared 50-50, three-quarters of development has been or will be done in France, if the programme is agreed.

VI. AIRBUS:

Not yet off the ground. Here, while the French and British, and later the German Governments, have been positively interested, eighteen months have been lost while the airlines failed to reach agreement on their requirements.

The failure, so far, of the airbus project illustrates wider problems; if Governments have the will, they can agree and execute military projects, but joint civil ones require the airlines to agree on a joint buying policy; again, in the case of Germany, the will to agree on a joint specification would be stronger if it were clear that German firms were to participate in the development and manufacture of the airbus, and how this would be done.

CONCLUSION OF AVIATION

(i) It works

The Anglo-French aircraft projects have important morals. First, the two industries have embarked on co-operation with far more zeal and success than seemed possible four years ago. Despite extra costs of co-operation (often put at some 25%), the savings on development costs, though 50-50 sharing, have been large. A sense of partnership has been built up by some of the firms involved, and particularly by BAC and Sud Aviation, BSE and SNECMA whose joint work on Concorde is the sequel to a long history of interfirm collaboration.

(ii) Bring in the Germans

Yet the basic fact remains that even an Anglo-French aircraft industry is not viable, unless it can get assured access to a wider European market. This means bringing in the Germans on a large scale.

(iii) Common Institutions needed

Co-operation between Governments and firms has already shown too that managing a project on an inter-Governmental and inter-firm basis can be complicated and expensive. If more Governments are brought in, and more committees formed, decision-making becomes even slower and costlier. If Anglo-French co-operation is to be extended to other European countries the pressure therefore grows for more streamlined institutions, which can take decisions quickly. In the United States a body such as the National Aeronautics and Space Administration has a budget and wide powers to take decisions, organise and modify projects, and place contracts. A joint aviation programme for Europe requires the establishment of a central institution, with power to take certain management decisions within a broad programme laid down by Governments.

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(iv) A European Aircraft Programme

If there is to be full use of Europe's productive resources in aviation, there must be an element of longterm planning for the European industry as a whole. Obviously, in an industry where projects take ten years to mature, there must be longterm planning, and if the bulk of work is to be done under European contracts, the planning must be European too. So long as projects are agreed on an individual ad hoc basis, Governments will continue to take out national insurance policies, which increase overheads and costs. Obviously, if a government embarks on a joint project but decides to keep some national capacity in being at the same time "just in case", there is waste. The waste has no rational justification, for it is going to be hard for a European industry to survive; national industries have no chance whatever. Optimum use of European productive resources in aviation therefore requires planning of future projects at the European level to fit the structure and capacity of the European industry. It requires a basic political decision to develop and maintain a European aircraft industry - and not several separate national industries, brought together from time to time when it seems convenient.

(v) An industrial strategy

It also requires the European Governments to agree on a strategy for the structure of the industry. If there are to be European projects and orders, there must be European companies to carry them out. If separate national firms remain in being, there is a wasteful duplication of management structures and overheads, slow decision-making and expensive communications, which would not be present in a single European company. In straight competition between the Boeing company and a rambling consortium of Sud Aviation, BAC and Dornier, supervised by the three Governments, the American company would have a big lead in managerial speed and efficiency. If competition is required as a means of keeping producers on their toes, it must be part of this European industrial strategy. National economies simply are not big enough to support firms of optimum scale which compete as well.

Unfortunately, Governments have, in the last year, been developing policies which make this European industrial strategy more difficult. The British Government in particular has pushed the British engine and airframe manufacturers into two single large units. This will make it harder to arrange a marriage with their French partners. Bristol Siddeley engines and SNECMA have long worked together on a friendly basis. It would have been natural and easy for the two firms to merge and form a single European company. Now that BSE has been swallowed by Rolls Royce the match becomes more difficult, for the British partner is so much larger than the small French firm that a merger is bound to be a takeover in fact. The same considerations apply, in lesser degree, to a possible merger between BAC and Sud. Nevertheless, it is vital to back up joint industrial activities by joint ownership.

(vi) How much protection?

How much protection could or should the Europeans, jointly give their aircraft industry? The Germans, Italians and others cannot be expected to grant orders to Franco-British aircraft, instead of American ones, unless there is some economic or political advantage in it for them. The common market, it is true, does place a 10% tariff on aircraft and aircraft parts. But this may not provide a sufficient competitive advantage, initially, to beat American credit terms and the massive help provided by a large home market for both military and civil aircraft.

There is a respectable economic argument for establishing an effectively higher tariff for Government orders while the European industry consolidates and becomes competitive. After a period, the tariff, or a "shadow tariff", could be reduced, provided the massive American protection

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(provided by the Buy American Act in the military case) were reduced proportionately.

The Germans and other European countries can be expected to participate in such an arrangement on two major conditions: first that they share in the development of new aircraft and are therefore enabled to participate in the commercial profits of this protected market and in the technologies involved; second, that there is a political commitment to Europe by Britain and France which gives Germany some of the security hitherto provided by its American ties.

The creation of a viable European aircraft industry, in short, requires something like the European Aircraft Agency originally proposed in the Spaak report in 1957. It requires a strategy to create and protect European companies and a joint plan and purchasing policy for the future. How does this conception compare with the needs of other sectors of technology?

B. SPACE

Two joint European organisations are in existence:

(i) ELDO, the European Launcher Development Organisation, was established by a convention of April 1962. Its original task was to develop a three-stage European space rocket, based on the redundant British missile, Blue Streak. It has six European members (the common market countries except Luxembourg, and Britain); Australia provides launching facilities at Woomera.

In one sense ELDO is more advanced, institutionally, than the bilateral Franco-British aviation projects. It is run by a Council, with two-thirds majority voting on certain issues, provided members contributing 85% of the cost (i.e. U.K., France and Germany) concur.

The ELDO organisation, however, has thrown up a number of fundamental problems. First, there is the basic question what the organisation is for. For the British, the original political motive - to find a use for Blue Streak and do something "European" at the time of Mr. Macmillan's first attempt to join the common market - was understandable. So was the response of its partners who were persuaded that this was a sensible way of getting into the "space race." But though ELDO's original objective, to get a three-stage rocket in the air, is making slow but real progress, there is no ulterior aim comparable to those behind the U.S. programme - to develop a nuclear capacity, get a man up and get to the moon before the Russians. Only in 1966 was it decided to develop launcher capacity capable of putting up a communications satellite. And it is still not clear when this is to be done. Since ELDO was formed, the gap in time between European and American space developments seems to have widened.

ELDO's costs have escalated from an original budget of £70 million in five years to £158 million. In consequence of this pressure, Britain succeeded in persuading its partners, in the summer of 1966, to reduce the British share of the budget from 39% to 27%. But costs are still rising and the escalation is the more disquieting in a programme where the aim remains uncertain.

Finally, there has been criticism of ELDO's decision-making machinery. Ultimately, key decisions have to be taken by the Council. The process has been slow and frustrating for those working on the project. Much precious time has been lost while Governments debate, and refer back, and file away, and reconsider, and generally treat this massive and urgent project in the same kind of way as the British Government treats a decision to build a by-pass.

Probably the major weakness here remains not so much the machinery as the absence of a clearcut aim in the programme.

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(ii) ESRO, The European Space Research Organisation, established in June 1962, was born of more propitious circumstances. Though given impetus by Britain's first application to join the common market, it originated in discussions amongst the scientists who took part in the creation of CERN (see below). Its aims are scientific research in space. ESRO was given a relatively purposeful research programme, together with a series of five-year budgets.

National delegations have on occasions tinkered with the programme and the budget, but the Council meets only twice a year. Contracts have not been farmed out in national slices as in ELDO but placed competitively. ESRO has five satellites under development, a testing range at Kiruna, Sweden, sounding rockets and healthy computer facilities.

Like ELDO, however ESRO does suffer from the lack of an overall strategy for European space research and development. Where is the knowledge learnt from its satellite programme to be applied? Where is the "fallout" to fall? The development of European communications satellites seems the obvious next objective. But as yet there is no programme or machinery for this.

What is needed, as in aviation, is the establishment of an overall programme, operated by a single management authority, which could take both ELDO and ESRO under its wing. Under its aegis, a separate commercial organisation should be set up to develop European communications satellites and ground stations. Government contributions to this should take the form, not merely of development grants, but of invested capital, on which Governments could expect a return. Further capital would be raised on the market and from national post office and television authorities.

C. COMPUTERS

Here the needs are in many ways similar to those of aviation, but much less has been done. Over 75% of the European market is in the hands of American firms, and in recent years it has often seemed doubtful whether a European industry could survive. Yet commercial computers and process-control equipment are of key importance in the coming phase of the industrial revolution. A very large part of industrial organisation, as well as the control of many processes, will be computerised. Dependence on bought computers means dependence on buying a major managerial skill. The computer market in Europe is expanding by some 22% per year. Participation in it, by European-owned firms, means participating in a key growth industry, and this time one which has far larger civil than military applications.

In computers the skills the United States is able to sell to Europe are, as in many other fields, an invaluable source of wealth. But there is, in this new industry, a powerful case for building up at least one or two strong majority-European owned industrial computer groups, as a means of attracting and retaining in Europe valuable trained men and women, as an instrument for bargaining with large American firms, as a source of effective competition with them, and as an insurance policy to enable European Governments to impose the best terms on American firms operating in Europe. One industrial view is that a dynamic drive to revive a European computer industry could recover at least 50% of the European market.

The need for industrial consolidation if a European computer industry is to survive was brought home in the study on R. and D. in electronic capital goods by Freeman, Harlow, Fuller and Carnow.+ With a "threshold development cost" ranging from £1-2 million for a small scientific computer, to £10-40 million for a communications satellite, it is clear that very large

.../firms are

+ National Institute Economic Review, November 1965.

firms are needed if Europe is to be in the forefront of development in electronics.

The computer industry is also one where state expenditure and policy can play a key role. In the United States electronic capital goods industry, two-thirds of research and development expenditure is, according to Freeman, financed by the Federal Government. In Europe, quite apart from defence needs, the British, French and German Governments, have each taken the decision to give financial backing to their national computer industries.

But a major change of policy is needed in all these countries if a viable European industry is to be developed. Each country, at present, is seeking to develop a national industry. In Britain £5 million has been invested in ICT's development by the Government, together with funds for export finance. In France 48 million francs is being invested in the new CITEC group under the "plan calcul." In Germany Government help is also being given.

These funds certainly give European computer manufacturers a new lease of life. But there is little prospect that they will enable them to survive effectively in the long run.

In France, it may take some five years to develop a new range of computers. By that time new American models may make them out of date. In Germany the industry is in its infancy. The British computer industry is in a much stronger position, and ICT's current range is meeting unexpected success. But the problem will revive when the company must embark on a new generation of computers. During the next ten years ICT will certainly expand, but will it become viable on its own? If the formidable challenge of American computer manufacturers is to be met effectively, Government action in Europe will have to be designed, not just to defend small national computer manufacturers, but to build up stronger European groups. It might take the following forms:

(1) Joint Government backing for a <u>large computer</u>. As an Anglo-French project, this one has been allowed to drop. Both Governments were short of funds, and in France the decision has been reinforced by the American decision to allow France to buy a large CDC computer after all.

The fact remains that a large computer will have growing uses, within Government, for scientific calculations, and as a key piece in a computer grid. If development and later sales are left to the United States, Europe may be left out of a large area of technology.

(2) A common policy would also be particularly valuable in <u>software</u>. Apart from joint policies on standards, patents and other basic elements of the common market, a community agreement should be sought on the operational requirements of data processing; i.e.:

A common order code
Specified electronic interfaces
Standardisation on a few efficient, high level languages for "compilers."

(3) Backing up this common policy should be a <u>common purchasing policy by public authorities</u>, designed to rationalise the industry. There should be an attempt to promote specialisation by particular European firms in particular fields. Specialisation does not necessarily require mergers. The large development funds being put into the industry must be used as a tool to promote such specialisation, and judicious mergers.

Here decisions ought to be taken soon by the British Government. There has been talk of pressure on ICT to merge with English Electric; such a merger, like the national mergers in the aircraft industry, would make

..../European mergers

European mergers more difficult to achieve. Instead the Governments should start thinking out a European strategy: a possible merger between ICT and CITEC; a get-together between English Electric and Siemens, both partners of RCA , to create a far more powerful unit at the European end. Philips might play a part in either of these groups.

(4) There might, finally, be a joint training programme for European computer programmers, growing out of a joint programme of requirements by the Governments. Software, and the training of people, is the biggest current bottleneck. If agreement can be reached on requirements, there is a strong case for joint action to put it right.

D. NUCLEAR POWER

In this field a Community-style organisation, Euratom, is already in existence. But Britain, with a larger nuclear effort than any other European country, is outside it. Here, British membership of Euratom would, on its own, produce a major change in the situation. But more is needed, for in its ten-year history important weaknesses in Euratom have already been revealed.

Euratom has the following achievements to its credit:

(a) The establishment of four community research centres, working on a number of topics, and in particular the Orgel research reactor.

(b) A large-scale programme of research in light water reactors in partnership with the U.S. Atomic Energy Commission.

(c) Partnership with the U.K. and other European countries in the "Dragon" project.

(d) The development of the technique of "contracts of association", in particular covering thermo-nuclear fission studies, fast reactors, nuclear ship propulsion and agricultural and medical research.

(e) The establishment of a documentation centre and the dissemination of information from its own or contract research.

But is has had the following shortcomings:

(a) The French Government has carried on the bulk of its efforts outside the common programme, and this has encouraged others to do the same.

(b) The Commission has not shown the same drive and skill as its counterpart in the E.E.C. The need for a unanimous, rather than a majority vote on the programme has been a handicap. In fact even the Euratom institutions have not contained a strong enough managerial body at the centre.

(c) The failure to avoid overlapping in the new and important field of fast breeder reactors typifies Euratom's weaknesses. There is a strong possibility that three fast breeder reactor prototypes will be built in the Community (one in France and two by private German industrial concerns.) Of these two will be sodium-cooled (the system used at Dounreay) and one steam-cooled. There will be duplication in a field where Britain is several years ahead.

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(d) Euratom has not developed a common European nuclear power programme.

These weaknesses are matched by a different series of British interests and achievements. Britain has invested vast sums in nuclear research and development, but badly needs to find a way of getting a commercial return. At the same time it has much to offer the Community in nuclear technology. In part this is a simple commercial operation. It is probably time to turn the Atomic Energy Authority into a commercial undertaking, capable of selling the technology it has built up. Inside Euratom the common tariff will give British consortia a better chance to sell AGR's and other nuclear equipment than in the past. But plainly more than a short-term commercial policy is needed if the fruits of Britain's nuclear effort are to serve as the basis for a stronger European nuclear industry. If Britain joins Euratom, there seems scope for the following joint actions:-

(1) In fast breeder reactors the Atomic Energy Authority ought immediately to embark on a bold licensing policy in Europe, licensing its fast breeder engineering technology to European firms or groups on advantageous terms. It should use this tool as a means of encouraging joint consortia between British and Continental firms, which should mean that later construction would tend to contain a mixture of British and Continental components. It should cross-license with the Continental prototype constructors of fast breeders to ensure that it acquires any valuable knowhow which they develop.

It has been suggested that Dounreay be made a "European" pilot plant and opened to officials of Euratom and the other national atomic energy authorities. There is a problem here. When construction of the prototype began, there was a strong case for making it "European." Today the basic research is complete and the project is becoming "commercial" so that the main knowhow coming out of it is engineering technology which can conveniently and lucratively be sold commercially. No less important, the German plants are private enterprise undertakings; a joint research policy by governments would be difficult to apply here.

Probably the most sensible procedure would be a British initiative for a meeting of the Ministers concerned from France, Britain, Italy and Germany with the aim of harmonising the purposes of their national projects within the Euratom framework (the British concentrating on sodium reactors, the Germans on steam, the French and Italians perhaps on a large testing programme). What can be done at this stage may turn out to be limited, but it should be tried.

(2) Industrial Structure: In nuclear power, once again, there is a need for a "European" policy to rationalise industrial structures. There are already too many nuclear consortia in Britain duplicating each others' efforts. What is needed is a systematic policy by European Governments, acting jointly, to build up a series of specialist industrial groups in Europe. The key feature of such a policy would be the encouragement of specialist manufacture by selective contracts:- one group to specialise on the manufacture of sodium pumps (say) another on boiler tubes. Such a policy would require a large measure of co-ordination of buying policy by European electric power companies.

(3) Enriched fuel: An obvious area for a common policy will be the supply of partially enriched fuel for power reactors in the '70s and 80s. Opportunities have been missed here. It would have been logical to concentrate production of such fuel in the British plant at Capenhurst, now being converted to commercial use. But France is trying to develop its own enrichment plant, and the opportunity for Britain to construct a plant for France, under licence, was missed some years ago. Nevertheless, during the '80s European needs will be soaring. It would be sheer common sense to focus demands on these two plants so that they can become wholly competitive in scale with the three giant

.../American

American plants already in existence.

This will require, initially, a degree of protection against American exports - perhaps by a tariff. Better still would be planned expansion of the British and possibly French plants on the basis of assured European orders. The best way of providing such a guarantee would be investment, by other Europeans, in a chunk of the Capenhurst plant - and in Pierrelatte if it is successful.

There is a difficulty here. A full sharing of the knowhow from Capenhurst means a sharing of the one remaining secret of the bomb. It could break any non-proliferation treaty. At this stage it may be that British knowhow could be shared with France. But non-proliferation could rule out sharing with the rest of Europe. This is a matter for careful study. The Euratom organisation of course has an inspection system which might make this problem easier to resolve than appears at first sight.

In a sense this confirms the need to concentrate enrichment facilities in France and Britain, and not build a plant in Germany. The present West German Government has no wish to ruin the chances for non-proliferation. But the Germans might in fairness have to be compensated by the construction in Germany of another major nuclear venture.

(4) Desalination could be another area in which a generous British licensing policy, plus tactful diplomacy and salesmanship could lead to the adoption of jointly constructed AGR reactors in the Mediterranean area with mutual benefit.

In the field of applied nuclear technology, in short, there is much scope for a more effective pooling of resources. But it will require a strengthening of the Euratom institutions to provide more effective management, the development of a joint procurement policy and a common policy on industrial structure, as well as a single minded British initiative to make Britain's nuclear knowhow the foundation of a strong European nuclear industry.

PURE SCIENCE

Aviation, space, computers and nuclear power are not the only areas in which European countries have co-operated and could do more in the future. Indeed these industries are in a sense the "future industries" of the past. In the first three, at any rate, the United States is already far ahead. Joint action in Europe may do no more than enable a viable industry to survive. And there are still important areas which are best left to the United States.

What is needed is a joint policy designed to promote new science and technology, which can give Europe a future lead. It could start by the development of a common European policy for science itself.

Already there is one European scientific institution, where sheer cost has dictated a supranational institution. CERN, the European Centre for Nuclear Research, is a completely multinational institution in Geneva which runs a giant nuclear accelerator, initially the first of its kind in the world. CERN, one is told, has been a scientific success. The one doubt is whether its results have fed sufficiently into industry and universities.

As the cost of scientific installations grows, there is a strong case for "Europeanising" other installations to share costs. Jodrell Bank, for instance, could sensibly be "Europeanised" within a European space programme. A new accelerator planned for Essex should go the same way.

By making full use of Europe's resources of scientific brains means far more than merely sharing individual projects which cost a lot. It means

..../appraising

appraising systematically the overall balance of scientific effort and channelling Government funds into centres of effort according to an overall programme. Instead of duplicating efforts through each country seeking to build up one or more specialised centres in every key field, "centres of excellence" should be selected in different parts of Europe, backed by joint funds, and opened to scientists from other member countries. Culham, and the Oxford Department of Nuclear Physics are such potential centres. The Pasteur Institute and Cambridge have a similar role in molecular biology. Toulouse in Aerospace, Nancy in Metallurgy, each have special qualities. There is a strong case for both building up a network of "centres of excellence" specialising in particular areas, and promoting special programmes of interchange between, say, a group of three European technical universities each specialising in chemical engineering. From such arrangements at the research and teaching level should flow interchanges of students and, later, industrial integration.

The development of a European science policy would have to be guided, again, by institutions. A European Scientific Advisory Council should be set up, consisting of top scientists, to advise the Commission on the formulation of a science policy. It would be implemented in the main by Governments, whose university grants would be allocated within the common guidelines. But a common fund might finance movement of students, teachers and researchers, as well as special joint training schemes (as in computers), and there would be joint financing of certain key science projects.

Out of the common science policy would grow a number of development programmes which could usefully be pushed forward jointly. They might cover:

Oceanography
Interurban transport
Microminiaturisation in electronics
Some advanced aspects of chemical engineering
Certain chemicals such as new polymers, and strong fibre-reinforced solids.

Tools

The main tools of such joint programmes would be; European development contracts from a common fund. Joint programmes backed by development contracts from a number of governments. These instruments could also be used to promote consortia and joint industrial groupings.

CONCLUSION:

Institutions and Policies

Analysis of different sectors of high technology has thrown up a number of common conclusions. In aviation, computers, space and nuclear power, there is a need for a strong central management authority to work out a European programme within broad guidelines laid down by Governments. A similar authority is needed to develop joint programmes in new fields of technology where co-operation has not yet begun, and to develop and guide a European science policy.

Such considerations have led to the proposal to set up a European Science and Technology Community. The difficulty is that the existing Communities - ECSC, EURATOM and EEC - already fulfil vital functions in these fields. The longterm aim ought probably to be to develop, within the framework of an enlarged and strengthened European Community, formed from a merger of EEC, EURATOM and ECSC, a Science and Technology Authority, headed by the equivalent of a European Minister of Technology. Separate Management agencies would operate in each of the major sectors - Aerospace, Nuclear Power, Electronics, and other new technologies. An expert Council of Science and Technology Advisors would formulate a European Science policy.

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It is, however, vital to make a practical start now, and to combine growing co-operation in technology with Britain's entry into the Community. Certain practical steps can be taken immediately on a Government to Government basis. Thus a vigorous effort can be made to bring the Germans into the Anglo-French project for the Variable Geometry aircraft.

Britain should also propose a meeting of Technology Ministers, perhaps in the framework of WEU (pending Britain's entry) which might look at specific high technology industries to draw up programmes, and perhaps set up a working party (on Spaak committee lines) to elaborate the machinery for further joint action, once Britain is in. For the sake of speed there would be good sense in forming a restricted group of the Ministers from Britain, France and Germany, to lay down useful guidelines for the Group as a whole. After all, a common programme on fast reactors, a deal on enriched nuclear fuel, and the establishment of a viable European aircraft industry, depend, first of all, on these three countries.

A Policy Towards America

Inherent in any such programme is the development of a common European policy on Science and Technology towards the United States. It should have the following features:

(i) An element of discrimination in public buying. Already, of course, there is a strong protectionist streak in many national policies. The British Government, for instance, unofficially discriminates in its buying policy in favour of British computers; the British airlines are frequently obliged by Government to buy British, instead of American, at some extra cost. A common policy, to foster the high technology industries in Europe, must mean applying such policies jointly. This element of protection can be justified partly on long-run balance of payments grounds, and more important, as protection for "infant industries." The great advantages of organising on a European basis mean that the degree of protection needed will be much less than what is required to keep a national industry alive. The aim, in public buying, should be to erect a "shadow tariff" which could be gradually reduced as the new industries become viable, and American protectionism is correspondingly reduced.

(ii) Bargaining to reduce American protectionism in Public buying

The "Buy American" Act, together with a multitude of other minor regulations, at Federal and State level, gives American industry powerful and sometimes exclusive protection against foreign competitors for public contracts. In the broader field of tariffs, the creation of the Common Market with its common external tariff, has encouraged America to bargain and led to the Kennedy round of negotiations. In public buying too, a common European policy should lead to a vigorous bout of bargaining in which American protection is substantially reduced.

(iii) A common policy towards American investment in Europe
Such a policy should not be designed to shut out American investment but to ensure the maximum degree of partnership within American-owned firms, and an element of European control. It should be designed to maximise the benefits derived by Europe from American research and development, and to promote a measure of specialisation, in certain key areas (like computers) between American and European firms. One of the central objectives of such a policy

.../would be

would be to encourage the development of "European holding companies", for American firms, with several subsidiaries in Europe. Ford, General Motors and Esso, to take the example of the three largest American firms in Europe, often argue that "partnership" arrangements, providing for a local stake in the ownership of U.S. subsidiaries, militate against the movement of resources and the optimal division of labour between different subsidiaries. But if European subsidiaries were grouped in "European holding companies", the full benefits of the division of labour could be harvested at least in Europe. And if such U.S. companies, when they raised capital in the European market, were obliged to make issues in the form of shares in the European holding company, a European stake would be effectively ensured. The same objective might be achieved if there were a tax (say 15% or equivalent to the U.S. interest equalisation tax) on issues in Europe by parent U.S. companies but not on issues by European subsidiaries or European holding companies. There might also be a requirement to appoint, say, at least two Europeans to such Boards.

Other objectives of a European policy towards American investment could be achieved simply by harmonising national policies on investment incentives, on the licensing of new investment, and on general planning. U.S. firms in Europe are usually very amenable to European Government policies. But first there has to be a policy.

(iv) The trade-in and exchange of knowledge

A Science and Technology Authority should also seek to improve the terms on which Europe buys American knowhow and licences. If a European authority develops a fund of knowledge in a particular field through its development contracts and contracts of association, it should be better placed to bargain for information from American public authorities. In the same way large European companies, owning key patents, will be better placed in the private bargaining for knowhow.

A European authority should also try to make optimum use of Europe's resources of brains by concentrating research and development in areas where America is not already far ahead: urban transport, for instance, rather than moon probes. For many years to come, Europe will probably have more to learn from America than it can give or sell. But first in pure science, and then in development, it must seek out new areas where a sustained effort can pioneer a lead. All these policies have short-term drawbacks for the United States.

But in the long run the development of common European policies in science and technology and the establishment of a European Authority in these fields should be in America's interest, for it should mean a larger flow of knowledge from Europe to America and a stronger European partner. The United States Government itself might well be more willing to share information with a European Authority than with separate European Governments.

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QUESTA PUBBLICAZIONE È DI PROPRIETÀ DELL'ISTITUTO AFFARI INTERNAZIONALI

A FOREIGN POLICY FOR EUROPE

by JOHN PINDER

CONTENTS

A FOREIGN POLICY FOR EUROPE

In 1913 the nations of Western Europe dominated world politics. By 1945 de Tocqueville's prophecy had been fulfilled: Western Europe had been replaced by America and Russia, which had become the only two great powers. Britain may have appeared at the time to be grouped with them, or at least to be set aside from the other West European states, but events have shown that appearance to be an illusion. This historic reversal of roles follows from the logic of power: America and Russia each has a population about four times that of any West European state and each has vast natural resources. The only way in which the peoples of Europe could match this power is by uniting their strength to follow a common foreign and defence policy. This is why a European political union must be established.

This paragraph, which might be a quotation from any one of hundreds of books, articles and speeches about the future of Europe, seems to me to express an unassailable logic. Yet, apart from the great achievement of the European Economic Community, which ensures that any action taken by the Six in certain important aspects of external economic relations will be taken in common, we are as far as ever from achieving such a political union. Why have so many speeches and writings and so much logic had so little effect?

It is of course possible to blame both British and French governments, which at various times since the war have been in a position to take the initiative in establishing an effective political union and have either failed to do so or have actually opposed the initiatives of others. Such accusations are true. But they are not the whole truth. Our governments after all tend to reflect public opinion in our countries. Can it be said that the public has been presented with a clear idea as to the probable content of a common European foreign policy, the means by which it is to be brought about, and the desirable ends that it could achieve? Even in France, where the "European party" is so much better established than in Britain, I doubt whether it can.

This is unsatisfactory for two reasons. First, even if the present British and French governments are unlikely to take or to respond to any initiative for establishing a political union that would be at all effective, it is of the greatest importance that European opinion gathers strength rather than loses it, because only in this way will either country eventually become ready for European initiatives. Secondly, it is essential that when the time comes for the construction of a political union, Europeans should be well prepared with a suitable doctrine and plan of action, so as to minimise the possibility of failure to carry it through.

This document therefore suggests the possible bases of a common European foreign policy. First it considers the broad lines of a policy towards America, Russia and the third world respectively, that would represent the common interest of West European countries. Then it considers the problem of establishing institutions to formulate and execute such a policy.

EUROPE AND AMERICA

The existing policies towards the United States of France on the one hand and Britain and Germany on the other could hardly be more diametrically opposed. The attitude of the French government lies between aloofness and hostility; that of the German and British between solidarity and servility. If these attitudes reflected the real interests of the three countries, they would be quite unable to subscribe to a common European foreign policy. But examination of the various aspects of relations between Europe and America shows that the differences reflect not so much differing interests as divergent reactions to a state of dependence which is itself a function of Europe's failure to unite.

Economic aspects

The experience of the Kennedy round, which deals with trade relations between Europe and America, illuminates this problem. The far-reaching American offer to cut tariffs reciprocally by up to fifty per cent was made only because the Six had, by establishing the EEC, unified the tariff on trade amounting to as much as one sixth of US exports. The difficulties of negotiating on the basis of this offer have arisen because the EEC has, until recently, not had a common policy relating to agricultural products and hence been unable to negotiate about them; because the decision-taking process of the EEC, although far advanced in comparison with that of a mere inter-governmental organisation, is still cumbersome and indecisive in comparison with that of a nation-state; because the French government has a different attitude towards relations with America from those of its partners, largely owing to factors in the domain of defence policy, which is not yet unified; and because the American government, unaccustomed to dealing with a united Europe which is economically almost its own size, has resented the need to show flexibility in negotiation. Thus the possibility of better trade relations has arisen because the Six have united in a customs union; and the difficulties have arisen largely because they have not united more decisively and more extensively.

None of these difficulties stems from a real difference of interest relating to trade policy for industrial products. Most West European countries, including the Six and Britain, stand in a similar industrial relationship to America. American industry is weaker in the "old" industries (textiles, chinaware etc.) because of its high wages; it is much more powerful in the "new"industries (electronics, aerospace etc.) because of its big, homogeneous market, its federal government's huge expenditure on research and development and on defence production, and its happier experience in the world wars. It is therefore in Europe's interest to protect and subsidise its newer, capital-intensive or R and D-intensive industries, and to reduce American protection of the more labour-intensive industries. It is no coincidence that American policy, as represented by the Trade Expansion Act, has been the opposite of this: products in which the US and the EEC accounted for 80 per cent or more of free-world trade - which, if Britain had become a member of the EEC, would have included the more technologically advanced product groups - were to have qualified for the complete removal of tariffs; other products for reduction by up to 50 per cent. This reflects the strength of the American new industries and the weakness of their old ones - the precise opposite of the case in Europe. Differences such as this are the stuff of which tariff negotiations are made. The essential point is that the interests of the main West European countries, while not identical, are tending to converge and are already sufficiently similar to provide the basis for a common European trade policy.

Their interests in relation to trade in agricultural products are more divergent. Germany, a big importer and a high-cost producer, wants high prices and high protection; Britain, a big importer and a lower-cost producer, wants low prices and low protection; France, a big exporter and a lower-cost producer, holds a middle position. If Britain succeeds in joining the Community, the fiscal arrangements for agriculture are such as to present her with an acute problem for the balance of payments. But this would concern Europe's internal organisation. In relation to America, it must be admitted that the agricultural interests of European countries diverge, although this problem is likely to diminish as Britain, under pressure from her balance of payments, increases domestic agricultural production and reduces imports; as German agriculture becomes more efficient; and as dwindling American grain surpluses and growing shortages render the US government less inclined to make an issue of agricultural trade.

A further matter on which British and French policies at present diverge is monetary policy, and in this case the French line is supported by most of the other continental countries. Monetary policy has become a major issue of foreign policy because it is held on the continent that the key-currency system has enabled the Americans to receive each year one or two thousand million dollars of short-term credit from the rest of the world, which they have used largely for long-term investment in Western Europe, thus one-sidedly increasing their economic power in relation to that of the Europeans. This diagnosis is undoubtedly correct. But the French government's remedy, that there should be no new credit to finance expanding world trade except in so far as the owners of gold mines decide to produce it, is not only negative; it is actually contrary to European interests, which are that the legitimate credit requirements of an expanding international economy should be met, but that Europe, as much as America, should share in the control of its issuance and in the profit or economic power derived therefrom.

To the British, on the other hand, monetary policy has presented a dilemma: sterling as a key currency has in the past been a source of influence and of profit; yet in order to maintain the position of sterling successive British governments have deflated the economy, at intervals of about every two years, in such a way as to inhibit the achievement of a satisfactory rate of growth. There is no doubt that the British are now ready to share the benefits that arise from managing the sterling balances with other countries that are willing to share the responsibilities.

There are three ways in which this could be done. One is by a permanent link with the dollar. But this method implies the attachment of the British economy to the American and, because of the discrepancy of size, a permanent subordination of British to American policy, which is in the interests of neither Britain nor other European countries.

Secondly, a new reserve unit could be created by the International Monetary Fund which those holding sterling balances could buy with their sterling, thereby placing Britain in debt to the IMF. This could be in European interests if the IMF quotas and hence the voting rights of the European Community were increased so that it would have as much power as the United States over decisions about the new reserve unit. For this purpose the Community would have to arrive at a common monetary policy, by means of the Community method, including the majority vote.

Thirdly, sterling could become a European reserve unit, if the sterling balances were to be permanently underpinned by the European central banks and the responsibility for managing this source of international credit, together with any profit deriving

therefrom, could be shared by the European countries. There would then be a European key currency (for which a new name might be found) as well as an American one. This would have the advantage that those who now hold sterling balances would be inclined to use the new unit, for reasons similar to those that have induced them to use sterling hitherto, whereas if they were offered an IMF unit, presumably bearing a low rate of interest, they might switch into dollars thereby reinforcing American financial predominance. Europe as the owner of a key currency would, in fact, be in a strong position to negotiate with America about the establishment of an international reserve unit to be managed by the IMF, which is, as Professor Triffin convincingly argues, the logical solution to the problem of international monetary management.

Thus the effect of unifying European monetary policies would be analogous to that of the unification of the EEC tariff, which was followed by negotiations on an equal footing between Europe and America. The difference is that, since sterling is at present the second key currency, Britain would have to participate on the European side, and it is hard to envisage this unless Britain becomes a member of the Community.

It has already been noted that the international monetary question is closely related to the problem of American investment, and it is relevant at this point to consider this investment as a major issue in the relations between Europe and America, which has considerable implications for the future structure of power. The high level of American technology and the vast size and financial power of American firms make US investment in Europe a natural product of normal business motives. Yet if American firms dominate large sectors of European industry, particularly the "high technology" industries, this cannot but place Europe in a posture of political dependence - one with which the less-developed countries are only too familiar in their relations with Europe as well as America.

It is not in the interest of European countries to deny themselves the benefits of American technology and management. This would be to let narrow, self-defeating nationalism stand in the way of progress. Some controls over US investment in key sectors may certainly be necessary, and should be applied on a European basis in order to prevent the European governments from undermining each other's policies; but the weight of European policy should be directed towards the development of European firms of similar stature which will invest as much in America as the American firms do here. This requires a harmonisation of European policies in company law and taxation, and perhaps also the creation of a climate of opinion among industrial leaders favourable to the establishment of multi-national European firms, just as an enthusiasm for intra-European trade was generated by the establishment of the EEC. This is not an area of policy in which foreign offices are accustomed to take interest, but corporations operating abroad have played a momentous role in the development of European influence throughout the world, and the relative size of European and American corporations will undoubtedly be a major determinant of the relative power of Europe and America in the future.

Closely related to the problem of large corporations is that of research and development in the high-technology industries. These industries (particularly aero-space, electronics and nuclear power) depend largely on government finance for their R and D, whether by direct subsidy or by state purchases of their products on a large scale, which allows the very high cost of R and D to be absorbed in the selling price. The US government, with its vast resources, spends about four times as much on R and D as all the European governments together, or 2-3 times as much if a "research rate of exchange" is used instead of the normal rate of exchange. The

discrepancy in the cost-effectiveness of the American expenditure is much greater, because it is controlled by one government instead of by half a dozen governments whose small programmes tend to duplicate each other. A similar discrepancy would be found in the relative size of purchases of high-technology products by state agencies in Europe and America.

It is no exaggeration to say that a solution for this problem may be even more important for the future of the European economy than was the establishment of the EEC. For these industries contain the seeds of future development in the continuing industrial revolution. The European governments separately lack the resources to develop such industries and therefore share an interest in common action, as the only alternative to dependence on America. In order to be effective, this action has to be based on a joint budget and a supranational institution to form and execute policy. The pattern is, in fact, that of Euratom, except that Euratom has a crucial weakness in its lack of powers to coordinate the purchasing policies of the energy-producing agencies of the member countries. What is required is, clearly, a community institution with a budget measured in thousands of millions of dollars rather than hundreds of millions, and with enough power to ensure common policies for coordinating public sector purchases of high-technology products as well as for financing R and D directly. Such an institution, in which Britain as a member could make a valuable contribution, should become strong enough to emulate the United States in producing the means of transport and communications and the sources of atomic power that will be required by the world in the coming century; and where international control of such key international utilities is necessary, Europe will be in a position to share this with America and with other regions of the world.

The high-technology industries produce some important goods for civilian consumption, but they are of course also the vital source of modern weapons systems. Europe's weakness in these industries is at the root of her dependence on America for defence. Or, to put it the other way round, a genuinely collective defence system for Europe, with a joint budget and purchasing authority for armaments, would enable European countries to develop those industries that are the basis of modern defence and that are incidentally also likely to be seminal in the evolution of the economy of the future. The joint organisation of arms production would, then, be in many ways similar to that of the production of high-technology industries for civilian uses, except that the coordination of purchasing by state transport, communications and energy agencies would be replaced by that of purchasing by the armed forces, which implies the integration of defence philosophies.

Defence aspects

This leads us into the question of the relations between Europe and America in the field of defence. Europe is at present dependent on America for its defence because no European country can provide a nuclear weapons system that would be a serious strategic deterrent to the Russians and because the existing European conventional forces in Germany are not enough to give the Germans a reasonable assurance that they are secure against Russian military pressure.

Europe as now organised, therefore, depends on the presence of American conventional forces, at least in Germany. This dependence (though not the presence of the American forces) is against the interests of European countries for two reasons. First, it is not at present possible to negotiate any settlement in central Europe without American consent and, although American policy towards Russia has been very reasonable in recent years and American agreement to a settlement is in any case desirable, it is not

inevitable that American policy will help towards a solution (the effect of escalation in Vietnam on US relations with Russia is suggestive) and it is therefore in the interest of European countries to be able to negotiate separately from America if this should prove necessary.

Secondly, it is always possible that the US government will eventually pull its troops out of Germany, or at least reduce them to small numbers. This would have two consequences: Germany would lack the security it requires; and the national army of this insecure Germany would have to tackle, largely or entirely on its own, the tasks of counterbalancing Russian conventional power and of preventing incidents on one of the most inflammatory borders in the world from igniting a general explosion.

For a number of most cogent reasons, therefore, it is in the interest of the European countries to provide a conventional defence force that would offer some counterwieght to Russia should American troops in Europe be sharply reduced, and that would provide a firmly integrated framework for the German contribution to Europe's defence. The only form of organisation that could fulfil these requirements would be a European Defence Community; and it would, with Britain as a member, be considerably more effective in both respects than if confined to the present members of the EEC.

How such a Community could provide a basis for a settlement of the German problem is considered in the section on Europe and Russia, below. It would at the same time do much to make the relationship between Europe and America a more equal one. But America's nuclear preponderance, so long as it lasts, sets limits to the degree to which we can approach equality.

The tactical nuclear weapons may be considered first. It is not possible to ask our armies to confront Russian armies possessing nuclear weapons unless our own soldiers are similarly armed. The main difference between tactical and strategic nuclear weapons lies in the means of delivery, which are much easier to manufacture in the case of tacticals. Europe already has the means to do this, and it is natural that they should be produced for the conventional forces of a European Defence Community.

The case of strategic nuclear weapons is different. To manufacture a weapons system that is fairly certain to be a credible strategic deterrent in the nineteen seventies and eighties would be enormously expensive. It is not within the means of any one European country; nor would a weapons system that was technically effective in fact be credible unless it was at the disposal of a decisive political authority. This means, in effect, that Europe cannot have a credible strategic deterrent until there is a European federation, solidly constructed, with a federal government able to take immediate decisions on which may depend the lives of millions and perhaps hundreds of millions of people.

It is not now possible to say that a European federation when it has been established should dispose of its own strategic nuclear deterrent; it may be, for example, that a satisfactory system of arms control or even disarmament will have been developed by that time, or that a consultative arrangement such as is proposed by Mr. McNamara will have proved satisfactory to Europeans. Nor, on the other hand, is it possible to say categorically that such a federation should not possess a strategic deterrent; thus America might, in one or two decades, withdraw the nuclear umbrella and Europe on its own might have to face one or more hostile nuclear powers. It is, therefore, not sensible to try to decide now what a European federation should do some time in the future. The wise course is, first, to recognise that, in entering a European Defence Community, one may at a later date have to decide about the development of a strategic deterrent, and that one cannot rule out in advance either a positive or a negative decision; secondly, to

develop the institutions of the EDC until they are strong enough to serve all reasonable purposes, including the possibility of controlling a strategic deterrent; and thirdly to develop Europe's high-technology industries to the point where the production of a credible strategic deterrent would be possible, should it prove necessary.

Thus it is clear that there are many similarities in the relationships of the West European countries with America. They are industrial and financial powers of the second rank having close economic links with a great economic power that is technologically much more advanced than they are. They are military powers of the second rank which, without American support, are unable, as a group of separate nation-states, to counter-balance Russia. Since these are the dominant facts in their relations with America and, indeed, in their situation in the world as a whole, they have a common interest in the integration of both their economies and their defence. Only in this way can they make progress towards equality with America.

The uses of equality

The European countries also share a common interest in the use they should make of their better power relationship as they achieve it. The United States has, like most of the countries of Western Europe, a market economy, democratic political institutions and the European cultural heritage. The economic and political forces that have led countries in Western Europe that share these characteristics to become more closely united should therefore lead to closer relations between Europe and America, as the inequality which at present stands in the way of this is progressively reduced. Europe will be able to reduce the protection of its new industries as they become stronger; to invest in America as much as American firms invest here; to share equally with America in the construction and management of new projects in transport and communications. A European Defence Community could likewise accomplish whatever measure of integration with the American forces might in the future seem desirable, without fear of perpetuating a form of dependence.

This kind of relationship is, of course, what has been called interdependence or partnership. It is not the same thing as an "Atlantic community" because, even when the power of the European Community has become nearly enough equal to that of America to make such a close relationship possible, it is hard to see how institutions of the community type could work if the members consisted of two huge units and a few very small ones. There would be too much danger of either domination by one of the two big units or deadlock between them. It seems that, in a community system, three, four or five members of the largest size are good company but two are not. It is therefore necessary that the extension of the community method to the inter-regional plane, including the European Community and the United States as members, should wait until one or more other great regional units have progressed economically and politically to the point where they are sufficiently compatible with Western Europe and America to unite so closely with them. This could not be expected to happen for many years ahead but it is, in the long run, a feasible and legitimate aim, indeed the only aim that appears to offer the hope of a genuinely stable world order in the atomic age.

It is, then, to Western Europe's relations with other regions of the world that we now turn. Before doing so, however, this section may be concluded by adding that, just as European unity is a necessary basis for satisfactory bilateral relations with America, so unity is essential if the countries of Western Europe are to be able to play their part in developing a constructive and effective policy towards the other main regions of the world, which only the United States at present has the ability to do.

EUROPE AND RUSSIA

The common interests of West European countries

Because of its proximity and its power, Russia is second only to America as a factor in the construction of a foreign policy for Europe. The countries of Western Europe share certain essential interests in their relations with Russia and other East European countries.

The security problem has become less urgently acute since the death of Stalin. But, even if Russia is now more pacific, the logic of power remains: Russia's conventional forces reflect the fact that it has four times the population of any West European state; and the Russians dispose of a strategic nuclear armoury such as no single West European country will ever have. The peoples of Western Europe need security against the possible consequences of this disequilibrium, and it has been argued in the previous section that this necessitates the presence of American troops until Western Europe has, by uniting its forces in a European Defence Community, developed a power in terms of conventional and tactical nuclear arms equivalent to that of Russia; and that the American strategic nuclear umbrella is likewise needed until either nuclear weapons cease to be relevant in relations with Russia or else the EDC has acquired a sufficiently advanced strategic nuclear weapons system of its own.

For reasons of geography and the complementary nature of their economies, there is much scope for mutually beneficial trade between Western and Eastern Europe, and it is, for normal economic reasons, in the interest of West European countries to expand this trade to its optimum level. Stalinist autarchy cut it to small proportions, and since Stalin the problems of trade between state-trading and market economies have restricted it to a level that is almost certainly far below the optimum.

The improvement in the political climate and certain measures of economic decentralisation in the East European countries have, however, reduced the problems of trade expansion and it has, indeed, become possible to talk seriously about the adherence of certain East European states to the Gatt. As far as trade with Western Europe goes, such membership would be mainly symbolic, as escape clauses would allow the retention of existing West European import quotas that serve as a protection against possible economic disruption, while on the Eastern side the prevalence of state trading makes it very hard to guard against discriminatory or monopolistic practices. But membership would none the less be a useful symbol of Eastern desire to come to terms with the world trading system and of Western desire to increase the level of trade.

More radical institutional measures such as association with, or even membership of, the EEC or Efta are out of the question until the Eastern countries have evolved what are in effect decentralised market economies. If Yugoslavia consolidates its recent economic reforms, it could qualify for very serious consideration as an associate (the Yugoslavs have already established a strong case for being accepted as a market economy in the Gatt), and this encourages the belief that the economic systems of Eastern and Western Europe could reach a fairly high degree of compatibility by means of evolutionary changes that do not, for example, require an abandonment by the East of the principle of public ownership of industrial concerns. This situation is, apart perhaps from the case of Yugoslavia, still far in the future. But a continuing evolution by Eastern countries towards decentralised market economies will do much to make possible normal trade relations and a higher level of trade.

A convergence of economic and also, if Yugoslavia may be taken as a precedent, of political systems would do much to ameliorate the security problem as well. There has long existed a rather ill-defined feeling that relations between states with similar economic and political systems are in general likely to be better than those between states with sharply divergent systems. The establishment of the European Community has shown that, once the systems converge, their better mutual relations can be institutionalised in such a way as to render the use of force almost out of the question as a solution to any of their problems. Without pressing the analogy too far, it may be supposed that the benefits of convergence can be made more effective and permanent by the establishment of suitable institutions in common, so that convergence has a vital political importance for the long term in addition to the economic advantages.

The other major interest that the West Europeans share in their relations with Eastern Europe is in a solution of the German problem. That this is in the interests of the Germans goes without saying. It is also in the interest of the other countries in the West, not only because Eastern Germany suffers under one of the most repressive regimes in the East while its social and industrial structure is one of the best suited to the adoption of a liberal system, but also because the existence of an unsettled frontier and of a powerful people smarting under a justified feeling of being wronged represents a serious danger to security. This is perhaps even more important in an indirect than in the direct sense, because the Germans are not likely to accept the idea of a political community or to treat the Economic Community as much more than a customs union unless this appears likely to contribute to a solution of the German problem rather than to work against it; and for many reasons, a number of which are explained in this document, the full development of a political community is the most effective safeguard of peace and security in Europe.

It is, then, just that the people of East Germany should enjoy the right to determine their own political future, within a context that makes due allowance for the rights of other European peoples. It is also necessary that this should be one of the foremost objectives of a common European foreign policy; and it is desirable to be clear what this implies before a political community is established, so as to minimise the possibility of serious misunderstandings that might place too great a strain upon its unity.

Gradual evolution or one big deal

It must be recognised that the people of Eastern Germany can determine their own future only if the Russians, whose powerful army occupies the territory, agree to this; and they will not do so if the consequence is likely to be a substantial shift of power from East to West as a whole, or from Russia to Germany in particular, in either strategic or economic terms. This means that either relative power must play a much smaller part in East-West relations than it does today, or the problem must be solved gradually, step by step, so that only a small shift of power is at risk at each step. The concept of a solution through one big deal, which has been the basis of much policy-making hitherto, is therefore unrealistic, unless it is seen as the culmination of a long process of gradual change.

Secondly, it is unlikely that the Russians will agree to a solution that is strongly opposed by the other East Europeans, in particular the Poles or Czechs, as this would be liable to induce the latter to turn elsewhere for their protection and thus to expose Russia strategically as well as weakening its position as a leader of the international communist movement and of the Eastern bloc.

Thirdly, what may be called the "pressure cooker" method of solving the German problem is self-defeating. This is the doctrine that Eastern Germany should remain isolated as far as possible and, if the consequence is a repressive regime and a low standard of living, so much the better, because it will be a liability to the Russians who will therefore be the readier to relinquish it. But if the Russians will not relinquish Eastern Germany suddenly for fear of a shift in the balance of power, this doctrine is a barrier across the other road towards a solution, for which a gradual improvement in East-West relations is an essential condition. The existence of an explosive factor in the centre of Europe breeds tension and thus impedes progress towards a situation in which the German problem could be satisfactorily solved.

Moreover, although it is conceivable that the Russians would sell the East German communist party and leadership down the river, they are much more likely to agree to a solution if they can persuade at least a substantial majority of the East German party to acquiesce in it as well. The wholesale betrayal of a communist party seems less likely in the future than it was in the days of Stalin. For this reason too, a steady improvement in the prosperity of the East Germans and in the character of the regime would help, not hinder, a solution because the party and administrative officials would have less fear of the consequences.

Finally, a policy which encourages low living standards and a repressive regime in any country is abhorrent unless it can be clearly shown that it will bring proportionately good results in the reasonably near future. It is clear, for the reasons already given, that the isolation of Eastern Germany cannot be clearly shown to bring such results, and will indeed work in the opposite direction.

A realistic policy for solving the German problem should, therefore, be formed against a background of improvement both in relations between East and West and in economic and political conditions in Eastern Germany. Indeed, this process of improvement is itself a large part of the policy; the paragraphs that follow therefore deal with the more general problems raised by Western Europe's other main interests, relating to trade and security, as well as with the German problem in particular.

Security: Eastern interests and Western policy

The interests of East Europeans in their relations with the West are, not surprisingly, somewhat symmetrical with those of West Europeans in their relations with the East. They relate mainly to security and trade; and these Eastern interests must, of course, be satisfied at the same time as Western interests, if any solid progress in East-West relations is to be made, and if this is to lead to a satisfactory solution of the German problem.

Regarding the security of Eastern Europe, the point usually emphasised the most is recognition of the Oder-Neisse as a definitive frontier. There is certainly no possibility that land to the east of this line will be returned to Germany and it is consequently a useless bargaining counter in any future negotiation. Recognition would therefore do no harm to German interests and it would have some effect in allaying any fears that the Poles and other East Europeans may have. But while recognition is thus in the general interest and should be undertaken as soon as possible, it does not approach the heart of the problem of security. Formal statements about frontiers are, indeed, the stuff of traditional diplomacy, to which the revolutionaries of Eastern Europe are so wedded. But it is to be expected that they would in fact raise new problems and difficulties as soon as recognition had taken place; and this is not surprising, since statements about frontiers may have a temporary effect, but provide no permanent solutions.

The same may be said about security guarantees. According to many proposals for establishing a system of security in central Europe, some combination of European powers and the United States will announce a "guarantee" of the German frontiers, and perhaps of a limitation of arms and forces in central Europe, and the Europeans will then live happily ever after. But how can such "guarantees" be written other than in inverted commas, after what we have seen happen to such assurances in our lifetime? Unless such statements are backed by the resolute imposition of force in perpetuo - in fact, by a genuine and permanent imperialism - they are empty words. Is it credible that the United States will, for several decades ahead, effectively and continually impose its force on Germany? If any of the states of Western Europe had the power to do it, is it to be believed that, despite financial crises and the vagaries of foreign policy, they would permanently have the will?

The solutions of traditional foreign policy are, then, of no lasting value. The establishment of a European Defence Community, on the other hand, whose members irrevocably integrate their armed forces, provides a real and effective guarantee against unilateral action by any one of its members. If Britain as well as the Six was a member, there would be no question that any one member could impose its policies on the others. Since Germany is the country with the unsolved frontier problem it is out of the German problem that this argument for the establishment of an EDC stems. But this is in fact but one example of a universal principle. The system of separate national armed forces is dangerous in the atomic age, and the integration of these forces is a more realistic method of preventing international conflict than is general disarmament without the creation of an integrated international force. Integration at the level of a European Defence Community would be an impressive practical example of the feasibility of this approach, in addition to redressing the imbalance of power between Russia and Western Europe and providing a genuine guarantee of security in central Europe.

It is not likely that the Russians will be persuaded by the force of argument that these propositions are true. The short-term advantages for Russia of a divided Western Europe must be only too clear to Russian policy-makers; and if the traditional principles of foreign policy are not enough to close their minds to the advantages of the new community method, ideological preconceptions against the union of capitalist nations will help to do so. But Russian permission for the establishment of an EDC is not required; and, just as the Russians are coming to accept the EEC, so they would be likely to accept the EDC, which would provide a real, as opposed to a paper, guarantee against the unilateral exercise of power by any member country.

It is not to be expected that an EDC will be established in the near future or that, once established, the Russians will quickly realise that it offers the best guarantee of their security. There will, therefore, be a long period during which this and the other necessary conditions for a satisfactory solution of the German problem evolve. Meanwhile it must be recognised that Russian troops are likely to remain in Eastern Germany, just as they remained in the eastern part of Austria until a satisfactory settlement of the Austrian problem was agreed.

This Russian presence in Eastern Germany, which is so unsatisfactory to the West, and to the Germans in particular, represents for the other East European countries, and Poland in particular, a guarantee that the status quo will be maintained. They appreciate that this status quo is potentially explosive but, because they do not understand the community method, they do not realise that the status quo can be replaced by a much better guarantee of their security: better because an EDC is a fair system that gives

the Germans complete equality with their neighbours, and thus removes a major source of resentment and instability.

It is therefore very important to impress upon the other East Europeans as well as the Russians the reasons why the consolidation of the European Community and its extension into the fields of foreign policy and defence satisfies their vital long-term interests, so that they will not only forego any opposition to Russian moves towards a solution of the German problem, but will actually encourage Russian policy to develop in the direction required.

There is one other aim that Western policy could pursue, that would be good in itself and would at the same time increase the East Europeans' sense of security and hence their readiness to accept self-determination for the people of Eastern Germany. This is the greater cohesion of the countries of Eastern Europe other than Russia. If these countries were able to form a grouping that could act in common, as the countries of the EEC can act together in the economic sphere and will, it is to be hoped, eventually be able to do with respect also to foreign policy and defence, the East Europeans would be less dependent on Russia for their defence (just as the West Europeans would, by uniting effectively, become less dependent on America). This would be an additional factor that would encourage the Poles and their neighbours to accept a Russian departure from Eastern Germany, and hence a certain lowering of the Russian protective shield.

It may be objected that the East Europeans, with their tradition of mutual enmity, are unlikely to unite; that even if they work more closely together it will be in the field of economics rather than defence; and that it is anyway in the European Community's interest to try to attract the East European countries separately into its orbit, rather than to have to deal with a group that could negotiate on more equal terms.

It is certainly true that unity of the smaller countries of Eastern Europe would be difficult to achieve, especially while the heavy hand of Russia is still on them. The Russians are not likely, to say the least, to give the sort of support the Americans have given during the past two decades for the union of Western Europe. But even a modest tendency towards closer cooperation on the economic side would help to give these countries a greater degree of self-confidence, besides being of economic benefit in itself; and this might well lead towards a cumulative process where cooperation in defence follows cooperation in economics.

If it is believed that the East European countries should eventually become individual members of the European Community (apart of course from Russia whose size and power would unbalance the structure), then the right policy is to work towards individual association, on the Greek or Turkish pattern, whenever the evolution of a market economy in a given East European country (e.g.Yugoslavia) renders this feasible. But it seems unlikely that the economic systems in Eastern Europe, quite apart from the economic levels, will be sufficiently compatible with those of Western Europe to make possible suchfar-reaching measures for a very long time. If this is so, greater weight should be attached to the arguments, in an age when the striving for equality is a determining political force, for abandoning a policy of divide and rule and replacing it by a policy of encouraging the formation of regional groups wherever the conditions seem ripe for their emergence. In the case of Eastern Europe, there is less likely to be a strong Russian reaction against this road of escape from Russian hegemony than there is against a policy that looks towards the absorption of individual East European countries in the Western system. Thus there is much to be said for the encouragement of solidarity among the countries that lie between Russia and Western Europe, because, apart from the economic advantages, it is the most feasible way of enabling them to become less dependent on Russia while at the same time increasing their sense of security and thus their readiness to agree to a settlement in central Europe.

Economics: Eastern interests and Western policy

The East Europeans make no secret of their desire for more trade and more credits from the West. It is clearly in their interest to enrich and strengthen their economies by drawing in this way upon Western technological resources. We have already noted that such exchanges are of benefit to Western Europe, not only for the economic advantages that are normally associated with trade and with the lending of short-term or medium-term funds, but also because a steady and growing flow of transactions which are in the interest of both sides contributes to the development of better political relations. Trade and the flow of short-term and medium-term capital may, in fact, be regarded as a valuable investment, as well as a source of present profit, because of the prospects both for the expansion of these profitable relationships in the future and also for a solution to Europe's security problem.

Because of these long-run economic and political benefits, it is justifiable not only to allow the normal economic forces that motivate trade or lending to take their course, but also to stimulate these forces and guide their direction in accordance with official policy. Thus commercial policy can be adapted so as to provide additional encouragement to trade, when the trends in Eastern Europe appear favourable to the evolution that is outlined in this paper; and there have been proposals for a "Marshall Plan for Eastern Europe", whereby Western governments would provide large funds to speed the economic development of Eastern Europe. Technical cooperation is another means of strengthening economic relations, that has been promoted notably by the French government. This refers not only to cooperation which is a form of technical assistance from the strong to the weak, but also to the possibility of collaboration between equals, if the European Community develops a united action in fields, such as space, where the Russians have a great deal to contribute. Relations of this sort with Russia, as well as with America, might eventually make it easier to envisage an effective arms control, for these industries are the root of modern weapons systems, so that a habit of industrial and scientific collaboration could have strategic prolongations. The European Community might be better able than the Americans to get such collaboration started.

It is not to be recommended that economic advantages, whether in trade, credits or technical assistance, should be offered to this or that East European country just in response to the attitudes it strikes in international affairs, but rather in order to encourage the long-term structural trends that can fundamentally alter the relationship between Eastern and Western Europe in the long run. Thus it is Yugoslavia, with its radical measures of economic and political decentralisation and its efforts to create a pluralist and free society, that should be encouraged, rather than Rumania with its backward dictatorship and heightened nationalism.

Against a policy of discrimination in favour of the decentralising countries is the advantage, already discussed, of encouraging solidarity among the smaller countries of Eastern Europe. One measure that would contribute to such solidarity would be Western aid in constructing projects that would knit together the economies of these countries, and which might include a Danube valley scheme and a transport network whose axis would be North-South (although it would be desirable to include some East-West transport facilities, for example a motorway link between Moscow and the motorway system of Western Europe, which would both facilitate contacts and trade between Eastern and Western Europe and also help to obviate any Russian objections to the proposition).

It is arguable, however, that talk of a full-scale Marshall Plan for Eastern Europe is premature. It is to be feared that, under Russian pressure, the East Europeans would reject the offer, and it would be a pity to prejudice later chances of success by an initiative that was hasty and insufficiently prepared. From the Western point of view, there is much to be said for a steady expansion of credits (which could amount to the gradual and undramatic introduction of a Marshall Plan), combined with some specific projects such as those put forward in the previous paragraph. A dramatic act, such as an offer of very large amounts of aid, would better be kept in reserve for the time when it will be unreservedly welcomed and likely to be accompanied by major progress in the political field.

In formulating and executing any such policies for trade and credits in relation to Eastern Europe, the countries of Western Europe will of course act much more effectively if they act together within the European Economic Community, and it is therefore necessary that a common policy, not only for trade but also for the export of capital and of aid and technical assistance, should be adopted as soon as possible.

Eastern Germany

A policy to improve economic relations with Eastern Europe as a whole and to create conditions that are a real guarantee of security in central Europe would, then, provide the background against which a policy in relation specifically to Eastern Germany could be pursued with some hope of reaching a solution to the German problem.

It has already been argued that it is not only intrinsically desirable that life should be tolerable for the people of Eastern Germany during what will be a long period of transition, but also that more prosperity and freedom will make it easier, not harder, to reach a satisfactory solution at the end of that period.

Western countries can help to improve living standards in Eastern Germany by means of trade and credits, as in the case of other East European countries. This will have the added advantage that it will remove the main reason for the tight restriction on the movement of the people of Eastern Germany to Western Germany or other Western countries, which is in itself a great evil as well as contributing to the maintenance of a repressive regime.

For similar reasons, all kinds of contacts between Eastern Germany and Western countries should be promoted. Suggestions that other Western countries should trade with Eastern Germany only through the medium of West German firms, for example, can only be regarded as retrograde: liberalising trends will be encouraged by a wide range of economic as well as social and cultural relations.

The policy of refusing diplomatic recognition to Eastern Germany may also be regarded as having failed. Its adoption was rational when it was expected that a peace treaty would be signed as a result of one big negotiation in the not-too-distant future. Its retention is unjustifiable when it has become clear, after the experience of two decades, that any such negotiation could only follow a further long period of evolution. In these circumstances the policy of non-recognition is, indeed, counter-productive because it reinforces the isolation on which a repressive system feeds. A dictatorial regime may try to isolate itself; it cannot be in our interests to help it to do so.

While the presence of Western diplomats in Eastern Germany would be a positive factor, however, it would certainly be sensible to accord only a special, modified form of recognition, that would expressly apply only to a period of transition until agreement on a peace treaty is reached.

The European Community would have the power to offer very substantial trade and help for the East German economy; and when the East German economic and political system began to evolve towards the point where Yugoslavia now stands, it would be possible to accord Eastern Germany the de facto association with the EEC. This would be technically very simple to arrange as far as imports from Eastern Germany into the Community are concerned: these now enter free of duty into Western Germany but are prevented, by means of certificates of origin, from passing duty-free into the other member states; to provide freedom of access to the whole Community it would only be necessary to drop the system of certificates of origin.

Close relations between Eastern Germany and the Community, amounting even to de facto association, might evoke the fear in Eastern Europe that the trade of Russia and other East European countries with Eastern Germany would decline. Since Eastern Germany is a powerful element in the industrial progress of the Eastern bloc, this fear would be understandable. It has been suggested that a long-term trade agreement (for say 15 years) with Eastern Germany would satisfy the East European countries. In so far as it is in Western interests to satisfy them in order to achieve political progress, the European Community as a whole would be in a position to offer still more substantial guarantees and inducements, thus avoiding the need to burden the East German economy exclusively with this element of rigidity in its trade and industrial structure over a fairly long period.

It is hard to foresee precisely how the process of evolving a solution to the German problem would end. It might, for example, be that when East-West relations have continued to improve for a number of years, agreement could be reached on a referendum, such as was held in the Saar, when the people of Eastern Germany could choose freely between reunification with Western Germany in a single German state, membership of the European Community but with a separate, democratically elected government, or some kind of a European statute. It is possible to envisage that such a settlement would be accompanied by a timetable for the withdrawal of Russian troops from Eastern Germany, matched by American troop withdrawals. But it is not necessary at present to speculate in detail on the ultimate dénouement. It is, in the formation of a common European foreign policy, only necessary to agree at the outset that self-determination for the people of Eastern Germany is a major aim; that the steps towards it include the gradual evolution of better trade and political relations with the East; and that the establishment of a European Defence Community is a prerequisite, and a common EEC policy for trade and aid would make a powerful contribution to success.

EUROPE AND THE REST OF THE WORLD

America and Russia, as the world's two great powers, both deeply involved in the affairs of Europe, are the major foci of a common foreign policy for the West European countries. The other regions of the world are, however, already of great economic importance to Europe and will become increasingly important, not only to economic but also to defence policy.

The high-income countries

Australia, Canada and New Zealand are extensions of Europe overseas. Their exports compete with the produce of European farmers, and their trade relations with Britain therefore became a major bone of contention during the negotiations for British entry into the EEC. The impression may thus have gained currency that the interests of these three countries and of the Continent of Europe are inimical to each other. This is, however, in the long run the opposite of the truth. Australia, Canada and New Zealand need Europe's people and capital while Europe needs their space and natural resources. This provides the basis for a close relationship in the long term.

Japan, with its swiftly growing economy, is increasingly valuable as a trading partner and as an Asian counterweight to China. It is politically vital that Japan should remain stable and friendly to the West, and economically important that its market should be open to European exports and investment. A united Europe could offer Japan powerful inducements to maintain these policies.

The low-income countries

Growing prosperity in the low-income countries is in the interest of Europe for three main reasons: it is the only basis for their political stability in the long run and hence it minimises the risk of war; it leads to a growth of trade with markets which are, in total, already very important to Europe; and it is necessary on social and moral grounds.

The aid accorded by Britain and the EEC to low-income countries and the preferential trade advantages go, for historical reasons, largely to the smaller among these countries and to the African ones in particular. This bias is the reverse of what the situation requires: the advantages should go to the larger countries or to regional common markets, where there is a better prospect of successful industrialisation and where political stability is much more important; and these countries are mostly in Asia and Latin America, where the people tend in any case to be better educated and more skilful, and thus more apt to achieve rapid economic progress.

Part of the reason why European countries do not do more to promote the economic development of large countries such as India, Pakistan, Indonesia, Nigeria, Brazil, or of regional groups such as the Latin American Free Trade Area, is that the national resources of individual European countries seem too small when compared with what is required in order to achieve substantial results. The responsibility for helping these countries and areas has therefore been left largely to the Americans. But this is unsatisfactory because on the one hand the Americans will be found to have established a strong position in some of the most important markets of the future, and on the other hand they may for one reason or another fail to fulfil their responsibility and it is desirable that the major low-income countries should not be largely dependent on a single

source of support. The validity of the latter point is illustrated by the fact that American aid, on which the major low-income countries depend, has declined, as a proportion of American GNP, from almost one per cent to around a half of one per cent, while the proportions in France and Britain are about twice as great. It is reasonable to suppose that a united Europe with a common aid budget as well as a common trade policy would, because it clearly has the resources to make a substantial impact on economies of even the largest low-income countries, be readier to apply their support to these large and important countries as the Americans have done hitherto.

This refers, of course, to economic support. For Britain and France the question also arises of military support for countries of their former empires; and in South East Asia the implications of the British military presence go far beyond the specific defence of Commonwealth countries. There are two reasons why the East of Suez policy is self-defeating.

First, military help from a former imperial power after the initial period of independence can be counter-productive both for the long-term stability of the regime that is helped and for the relations of the former imperial power with low-income countries in general. Even if such help is not counter-productive, it is almost certain that the money it costs would be spent to much better effect in the long run if it were diverted to provide economic aid to countries such as Brazil, Iran, India or Pakistan, where economic growth and political stability would make a really important contribution not only to the world economy but also to world security.

Secondly, for Britain at least, whose economy has been hamstrung by a balance-of-payments deficit that has on average been much smaller than the present level of either British aid or British military expenditure abroad, the sharp reduction of military expenditure aborad would help a great deal to solve the economic problem and thus to enable the British to make their contribution in international affairs more confidently and effectively. For reasons that emerge from the analysis of Europe's relations with America and with Russia, Britain's defence contribution in Europe can be crucial, while East of Suez it will be either marginal or even counter-productive. The cut should therefore fall on the British presence East of Suez; and the consequences for the British economy of this, together with other measures, should enable Britain's overall policy towards low-income policies to become considerably more fruitful.

Even if it were not for Britain's economic difficulties, a British military effort in the Far East could not but be subordinate to the American effort there. The discrepancy of size and resources, which has emerged so regularly in the preceding pages as a governing factor in the relations of West European countries with either America or Russia, is again the key. If military support for states in Asia, Africa or Latin America is found to be required in the future, a united Europe would be capable of providing it whereas the individual efforts of European countries would be likely to be relatively ineffectual.

An emerging pattern of world order

Japan has shown that, once economic growth is under way, a low-income country can rapidly catch up on the high-income countries. That this is not a uniquely Japanese phenomenon is illustrated by the experience of countries as diverse as Italy, Mexico, Russia, Spain and Taiwan, where very rapid growth has taken place. It is virtually certain that other countries will follow their example in the coming decades; and it is not at all out of the question that these will include some of the larger countries or regional economic groups in Latin America, Asia or Africa, particularly if the aid and trade policies of high-income countries are directed so as to favour the larger economic units instead of discriminating against them.

In so far as this happens, there will during the coming decades be a convergence of economic levels as between Europe and certain countries now regarded as less-developed. Some of these may be of substantial size, i.e. have populations of 50 million or more. The most likely candidates appear to be Mexico and Brazil (or perhaps the Latin American Free Trade Area, if it becomes more coherent); in Asia it is possible that Pakistan and, despite its present troubles, India will take off into rapid growth; there are also some other possibilities, particularly if effective regional groups emerge in South East Asia, Africa or the Middle East.

It is therefore conceivable that a Political and Economic Community in Western Europe will find before the end of this century that there are three or four other countries (or economic units) in the world with economic levels that are not excessively dissimilar and appear to be converging; that likewise have convergent economic and political systems; and that are big enough to be substantial economic or political partners. These include, in descending order of probability, the United States, Japan, Russia, a grouping of the smaller East European states, Mexico, Brazil (or a regional group of Latin American states), Pakistan and India.

If at least four or five large economic powers did indeed evolve in different regions of the world with economic and political systems that were more-or-less similar, then an emerging pattern of world order could be envisaged, whereby these units would develop progressively closer economic and then political relations. As this happened, it would become evident that not only the bulk of the world's economic and strategic power but also perhaps of its population was becoming steadily united. Fears of a fortress Europe or fortress America, surrounded by a hostile or chaotic world, would be replaced by the basis of a world-wide system that would breathe real life into the institutions of the United Nations; and problems that now seem unlimited and unmanageable, such as balkanised disorder in Africa and even the growing and unpredictable power of China, would then be seen as a limited number of specific problems that would have to be dealt with before the prosperity and security of the new world system were fully consolidated.

These thoughts will doubtless be too speculative for some, too optimistic for others. They are nevertheless put forward because of the belief that those who have been constructing a Community out of the nations of Europe, with their history of rivaly and enmity, are uniquely qualified to understand how a similar process might be set in motion for the developing cooperation and eventual union of the different regions of the world.

INSTITUTIONS

It is not credible that a common foreign policy can be conceived or carried out by a group of sovereign states each of which has the right to prevent a decision from being reached or to depart unilaterally from the agreed policy. The Community system is the minimum that could possibly be effective in the long run, and it is indeed desirable and perhaps necessary that this should be strengthened by reducing the scope for obstruction by a minority and by reflecting more closely the democratic systems of the member states. It would be better not to talk of European unity than to pretend that effective action can be taken in common over a long period by a traditional coalition of nation-states.

It has been objected that the community method, which has proved so efficacious where decisions on mainly quantitative economic questions are required, would be found wanting if it were used to formulate and execute a common foreign policy, which depends upon mainly qualitative factors. This objection seems to rest on a faulty analysis.

Apart from the speeches and ceremonies, all the major instruments on which the effectiveness of a foreign policy depends could be unified by methods similar to those that have been used to create the customs union and the agricultural common market of the EEC. These include, apart from the commercial and agricultural policies, policies for exchange rates and monetary reserves; economic aid, technical assistance and capital flows; the development of high-technology industries; joint production and purchase of arms; and the integration of defence forces. The unification of each of these instruments can be achieved according to a quantitative programme, such as has been accomplished in the EEC, ECSC and Euratom (and as was, indeed, proposed for the abortive EDC).

The major qualitative decisions concern the uses to which these instruments are to be put: which states are to be favoured and which are not, which interests are to be pressed and which given a lower priority, and so forth. These decisions must be taken whatever instruments of policy are to be used, whether they are tariffs or monetary reserves or military dispositions. Such qualitative decisions must, therefore, be taken by the EEC in relation to its commercial and agricultural policy. They represent nothing new to the community method.

It is to be supposed, indeed, that once the instruments of foreign policy are unified, the members of a community will of necessity arrive at a common foreign policy. Conversely, if the instruments are not unified, no amount of coordination of the foreign policy orientations of member states is likely to produce an effective common foreign policy. We should therefore first turn our attention to the problem of unifying those instruments of policy that are not yet effectively unified in the EEC.

Most of these instruments could best be unified within the framework of the EEC or, if the three existing communities are merged, of the combined community. Thus the power of the EEC to pursue a common monetary policy and a common programme of aid and technical assistance should be strengthened. The responsibilities that Euratom now has should be extended to include the finance of R and D in all the high-technology industries and the coordination of purchases of their products by state agencies in all the member countries. The same Community body could also logically perform similar functions in relation to the development and purchase of armaments, although the scope for this is limited, in the case of major items such as tanks or aircraft, by the need to combine defence philosophies before it is possible to agree upon a common specification.

The integration of armed forces can be ensured by agreement on a programme specifying the times by which different units will be placed under joint command and various supporting facilities be provided jointly. As this is done it will be necessary to develop a common strategic doctrine, from which agreement on the specifications required for major items of equipment can logically follow.

The integration of armies is a still more ambitious undertaking than the integration of economies. It goes to the heart of national sovereignty and so is liable to create severe strains in the national political systems. There is a danger that these strains would prove to be too much for the cohesion of the community organisation. It is therefore suggested that it would be unwise to expose the Economic Community to the possibility of being subjected to these strains, thus jeopardising the existing achievements. If this is so, the integration of armed forces should take place in the first instance within a European Defence Community, constituted separately from the EEC but closely linked with it. In order to obviate the opposite danger, that tensions will be created by the existence of two separate major community organisations, one for economics and one for defence, it could be provided that the EDC and the EEC would automatically merge by the end of a transitional period unless a weighted majority of the members then held that the time was still not ripe. If the transitional period was, say, one of ten years or so, it should be clear by the end of it whether the risk of intolerable national divergences or other strains was still too great.

Thus by adding functions to the EEC and establishing an EDC, it would be possible for members of the Community to unify all the main instruments of foreign policy. When this had been done, it would be essential for the Community institutions, in suitable combination with the national foreign offices, to devise means of formulating a coherent foreign policy. The member states, which would have relinquished control over the instruments with which an effective foreign policy can be executed, would by then be unable to act separately. In order to act at all in international relations they would have to act together, and there can be little doubt that they would therefore devise ways of agreeing how to do so.

The problem arises, rather, in the period before the main instruments of foreign policy are all unified, when some of the instruments are still entirely or partly under national control (armed forces, aid) and some are under Community control (tariffs, agricultural policies). The latter example, indeed, shows that the Community is already in this situation; but the problem would clearly become more acute as soon as integration of the armed forces began to take place. The solution clearly lies in some form of standing collaboration between the policy-makers of the Community executives and the planning staffs of national foreign offices, whose task would be to try to coordinate the national policies on questions that remained within national competence with the Community policies on questions for which the Community is responsible.

The chances of progress

Those who agree that the policy and institutional conceptions outlined in this paper represent by and large what is desirable may nevertheless consider that such thinking is academic because it will not be proposed by governments in the foreseeable future. The French government has made a firm stand against any extensions of the community method and has indeed tried to weaken it where it exists. The British government would accept the existing institutions and procedures of the EEC but Mr. Wilson has stated categorically that these institutions and procedures should not be employed to deal with "political" questions. The German government would doubtless accept an extension of the community method if it was proposed by France (or, if Britain was a member, by Britain), but seems most unlikely to

make any such proposals itself. The prospect of agreement between the French, German and British governments on the content of a common European foreign policy seems equally remote.

While it is true that there is small prospect of agreement on either the form of the content of political union during the terms of office of the present governments, it does not follow that unofficial consideration of these questions is irrelevant. Future governments are unlikely to act in such a crucial matter unless there is a measure of public support for their actions, and unless officials have a sufficiently clear idea of what is to be done. The ideas of officials and the public in the several relevant countries must, moreover, be sufficiently similar to make it possible for them to agree on a precise proposal. All this implies a process of thinking and discussion that necessarily occupies a number of years. The period of waiting for governments to become ready to construct a political community will be well employed if it results in a European consensus as to the proper objectives and institutions of such a community.