

FEDERAL TRUST.MEETING ON "A MORE RADICAL EUROPEAN POLICY".12-14 VII 68.

- 1) - Programma e partecipanti.
- 2) - Schema dell'intervento di Spinelli.
- 3) - J.Pinder:The time has come for a more radical European policy.
- 4) - Nuclear power and Europe.
- 5) - Computers and Europe.
- 6) - A more radical European policy.
- 7) - An Oceanic development commission.
- 8) - Institutional reform by stages.
- 9) - United Europe.

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F E D E R A L T R U S T

The White House
12th-14th July 1968

PROVISIONAL PROGRAMME

Friday 12th July

18.30 dinner

20.00 general discussion:
 "Is the Monnet pattern for integration still right?" X
 Introductory speaker: Altiero Spinelli

Saturday 13th July

	study group: chairman:	TECHNOLOGY Dennis Thompson	ECONOMY Noel Salter	INSTITUTIONS John Bowyer
9.20	study group session:	open	open	open
10.50	coffee break			
11.10	study group session:	open	open	open
13.00	lunch			
	early afternoon free			
16.00	tea			
16.15	study group session:	open	open	open
18.30	dinner			
20.00	general discussion: "Foreign Policy and Defence" Introductory speaker:	John Pinder		

Sunday 14th July

9.30 general discussion:
 "Strategy for Europe - Technology and Economic Policy"
 Chairman: Altiero Spinelli

11.00 coffee break

11.15 general discussion:
 "Strategy for Europe - Political Union"
 Chairman: Roderick MacFarquhar

13.15 lunch

15.00 departure

Participants for meeting
at
The White House,
July 12th - 14th 1968
organised by Federal Trust

BALCOMB R. J.	Research assistant, Overseas Department, The Labour Party
BARTON B. D.	Chairman of Executive Committee, Federal Trust
BERTRAM C.	Research assistant, Institute for Strategic Studies
BOWYER J. M.	Barrister-at-Law. Chairman, British Association for World Government. Former Labour Parliamentary candidate Trustee, Federal Trust
BROAD R.	Press Officer, European Communities Information Service, London
BRUHL Graf D.	First Secretary, German Embassy in London
<u>CALMANN J.</u>	Publisher. Author for Institute for Strategic Studies. Former Editor of Opera Mundi Europe
<u>COOMBES D.</u>	Lecturer in Politics, University of Reading
DAVIDSON I. D.	European Correspondent Financial Times
DE LA PRESLE G.	Secretary of Suez Finance Company (London) Limited
DE LA PRESLE Madame	
DENTON G.	Lecturer in Economics, University of Reading
GIARINI O.	Secretary General of the Mouvement Federaliste Europeen. Research Officer at the Institut Batelle in Geneva
HART N. J.	Chairman, Federation des Jeunes Chefs d'Entreprise. Trustee, Federal Trust
HOPE E. C.	Research student, Churchill College, Cambridge
HUGH-JONES S. L.	The Economist
LATHAM KOENIG A. L.	Economist, McKinsey & Company, Inc.
LAYTON Hon. C.	Research associate, Political and Economic Planning. Former economic adviser to the Liberal Party. Trustee, Federal Trust

LLOYD R. E. B.	Director, Glyn Mills & Company Ltd.
MacFARQUHAR R.	Editor of the China Quarterly Review. Free lance television commentator. Editorial board of New Statesman. Former Labour candidate.
MACIOTI M.	Scientific Secretary, Delegation of the Commission of the European Communities in London
McLAUGHLIN D.	Director, Federal Trust
McLAUGHLIN Mrs.	
MURPHY B. M.	Controller, Strategic Liaison, ICL
PAICE A.	Secretary, Foreign Affairs Panel, Liberal Party Research Department
PATTERSON B.	Assistant to the Director of the Conservative Political Centre
PAVITT K.	Research associate, OCDE, Paris
PEARS G. L.	European Officer, Conservative Research Department
PINDER J. H. M.	Director, Political and Economic Planning. Trustee, Federal Trust
POMONTI J.	Secretary general of the Club Jean Moulin, Paris
REED L.	Consultant, Public Sector Research Unit, Conservative Party. Author: "Europe in a Shrinking World"
SALTER N.	Commonwealth Secretariat. Executive Secretary of the International Department of the British Council of Churches 1963/7
SPINELLI A.	Director, Istituto Affari Internazionali, Rome
SPINELLI HIRSCHMANN U.	
TAVITIAN R.	Division Head, Directorate for Economic Affairs, Commission of the European Communities, Brussels
THOMPSON D. C.	Legal Adviser to EFTA. Trustee, Federal Trust
THOMSON J. A.	Assistant Secretary, Cabinet Office
WISTRICH E.	Director, Britain-in-Europe Limited
ZAMBARDINO R.	Section Leader, Transformer Design, English Electric Company Ltd., Stafford
	*
DAVID Miss Penelope	Secretary, Federal Trust

Schema
dello
speech
di

Spinielli

(da conservare nel
dossier)

Is the Maastricht pattern ² ~~Confession~~ ^{Speech at General Assembly} for integration still right
Impact on change 12 July 68

a) Strict definition (original one)

aim - US of Europe = Federalism

strategy - Galios Maastricht's Conclusion

a) avoid formal political attack aiming capitulation

acceptation of transfer of certain
fundamental competences

defense		politics
foreign		
religion		

No a federal government having
its own independent source
of democratic legitimacy

(this will be the end of the battle, not
the initial operation)

b) obtain the consensus of govts in

1) defining precise common interest
(interests contracts - special not general
steel and coal, army organization, atomic
energy 2nd and production -

not "common market in general"

~~because this case~~

2 - interest ~~in~~ administration of such
common interests to a supranational
bureaucracy (confidence in bureaucracy is
characteristically French) - importance of Maastricht
in evolving trust in bureaucracy
with trust in supranationality -
(supranational means for M. :)

political mandate given by govts. } treaty
further deci-
sions
- european administration has duty to imple-
ment this mandate, but ~~with auto-~~
~~nomic administration~~ ~~making~~ ~~(formula of execution more~~
~~general - Swiss federal pattern, than~~
~~american pattern)~~

Meaning - Why this strategy should bring to
the ultimate aim?

- a) At long run administration stronger ~~because~~
than politics (politicizing) because of its
action continuity
- b) Supranational administration -- growing
capability of autonomous decision-making
+ decision implementing (strong voice)
- c) - Avoid it growing coagulation of
economic interests

d) If the ~~rule~~ ^{in the international} ~~rule~~ and administrative authority is relevant enough it will be a pulling force for the rest of economic and political life.

You have not to expect an enlargement of competences and political initiative ~~of~~ of an existing supranational authority (Monnet systematically ^{dishonored} ~~against~~ in 52 ^{smaller} ad hoc, in 52 ~~Common~~ Market, in 65 - Hallstein political initiative) - For his mistake - not tactical but strategic.

~~An authority is as a~~

The ^{supra} authorities have to be considered as fortified ~~the~~ castles. Each one organises around it a certain amount of supranational life, & and protects it against national reconquest attempts. But the further conquest is not their task. It is the task of harmonizing political energies which have to ^{grow} ~~develop~~ in the natural plan of political life i.e. up to some "national political life."

~~The situation~~

~~The impact at the moment helps on~~

~~because they have weakened~~

~~the~~

The impact ~~is~~ (in theory) due to the fact that for instance "energy (coal atom

~~will~~ conditions the development of the rest of economy, and therefore if you have a control (coal) or even management (atom) of energy, ~~you~~ you have a large amount of control for management of economic life as a whole.

b) Larger definition (Common Market philosophy)
(Squash the politician)
adopted necessarily by Mousset

at variance two points

a - definition of a common rather global aim (impossible to define) applying - and
a precise policy - only a framework

5b - larger sphere of decisions to be taken
by governments

5c) power of legislative initiative for
supranational authority

~~by execution~~

supranational dialogue

prop. proposal
int. com. decision
exec. control of
execution

The more global ~~aspect~~ aspect of common
interest + the ~~more~~ legislative
initiative - give a certain
amount of "political challenge"
to the supranational authority

In this philosophy is implicit the
perspective of a growing Community
which progressively obtains
the character of a political entity

Aspects of Maastricht / 1 / 2 / strategies

a - It is easier to ~~make~~ obtain from gov.
functional than federal success
(so even more easier to think ^{technology} ^{arms} ^{procurement} ^{monetary policies}
^{in that sense}
~~in that sense~~

b - Among States which have a
tradition of respect (not complete, not
without ^{but} great violations), but not
withstanding of respect) for the
principle that pacta sunt servanda
you may discount that the
supranational authority may act as
long as it remains within the
frame of the pact

c) - in large version - The initiative of Com.
in proposing ~~to~~ rules gives
~~an~~
a not indifferent amount of advantages
to the Com - the govts are indeed to
dismiss on the terms of the Com
in a European terms, offering
each one would bring its national interests -

Links of this ~~strategy~~ strategy

Invasion - No special sector has in itself pulling forces
both regions: ~~growing~~ (see)

growing mass of interest around
common rules

but not growing mass of

~~growing mass of~~
~~political~~ pressure groups and

pressure for political decision,

because pol. decisions remain national

The pressure groups, the parties, that is
all the popular forces which are, ~~the~~
let's say, the ~~raw~~ raw materials out
of which grows the political will
and the political action remain

national. Political life in the com-
~~monwealth~~ remain bloodless, inescapable
or strongly dependent on national
struggles, actions, ~~and~~ ambitions
etc.

Consequence:

~~The growth of the functions of~~
~~the~~ The success ~~itself~~ of the
supranational authority is possible
as long as it remains within the
boundaries of ~~the~~ what was
agreed (in the Treaty).

~~But the success itself~~

~~But~~ The principal consequence of
the success is however the
urgent necessity to go beyond
the past treaties and ~~commitments~~
through ~~new~~ political decisions.

~~But the political decisions remain~~

But the political decisions ~~center~~
remain national, ~~and~~ and
the process of decision making has

only national coefficients or
factors. Even the ~~interests~~
~~which have assumed~~
forms ^{emerge} "interests concrete"
generated by the common rules
have not assumed a ~~emerge~~
structure, ^{may} but only on the
national decision centers and
remain therefore largely controlled
by them.

This is why we have a general
~~see~~ reaffirmation of national points
of view in the decision center
of the ~~Common~~ by (i.e. Council)
(not only guidelines - see agricultural
policy)

Another negative point of M. Strategy

is that foreign policy, was largely ignored by him because it was in fact maintained united by the Atlantic Alliance in the years of cold ~~war~~ war.

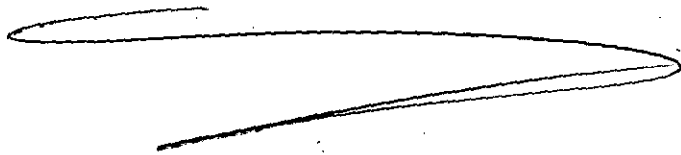
Now each state has recovered ~~a~~
not a total but a large amount
of autonomy in foreign policy,
and ~~it~~ it has arrived national
form because ~~an~~ ^{an} ~~entire~~ ^{European}
interest had been not
even thought of.

If we think to the future
this analysis of Monet strategy
is rather important.

It is probable that any new
initiative will ~~have a~~ have
~~one~~ at least one Monnetist agent.
It will be functional!

of the late-copper in
the European venture.
It is still master of
the bias to adopt.

For her it is the moment
to think more in
Hamiltonian than
in Murrellish
terms



p2 L5, SPO not 2 main parties
Schuman etc
Priority in B: FO & Hesley on Welles
T. Harris
(+) a p3, C. W. are who prepared program
p4: priority in B
a little copy for: explain

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Federal Trust White House Conference

12-14 July 1968

THE TIME HAS COME FOR A MORE
RADICAL EUROPEAN POLICY

by John Pinder

The attached is the introductory section of the paper, which relates to the first (Friday evening) session of the conference. Sections on foreign policy/defence and on monetary/economic policy are to follow.

THE TIME HAS COME FOR A MORE RADICAL EUROPEAN POLICY

A NEW SITUATION REQUIRES A NEW POLICY

The new situation has made the old orthodoxy out of date

The European orthodoxy of the two postwar decades achieved great success up to 1963. Its main features were:

1. The establishment of functional supranational organisations (ECSC, EEC, Euratom)
2. A reluctance to frighten people by talking about federation
3. An intention to expand the functions dealt with by the supranational organisations, to extend the area covered by the Community, and to strengthen the Community's democratic process. A more-or-less automatic spill-over was expected to give these developments a very fair wind
4. The consolidation of the existing Communities and of the relationship among the Six as the first priority which any new policies or proposals should respect (this can be seen as recently as the Benelux Plan)
5. The intention to work in harness with America to solve world problems
6. A reluctance to look ahead towards the role of a united Europe in constructing a world community or towards the implications of the Federal idea for the internal political and economic structure of states.

Increasingly, during the last five years, the situation that justified this orthodoxy has changed; and change has now reached the point where the orthodoxy and the policies based on it should be radically revised. The main changes are as follows:

- a. De Gaulle has emasculated the Community's supranational powers and voting system that it needs in order to make progress, and at the same time he has emptied it of the political will for progress.
- b. While the Five have not been totally defeated by de Gaulle, they have lacked the political initiative necessary to prevent point a. from happening, whether with regard to Community initiatives in new fields, to the enhancing of the powers of the 'European' organs (Parliament and Commission), or ~~of~~ the extension of the Community.

- c. There seems to be little prospect that this situation will change during the next three or four years. The German Government looks as if it will continue to be subservient to de Gaulle, although perhaps less excessively so since the May revolution in France. The two main parties seem likely to lose ground in the next election. Italy and Belgium have weak governments and it looks, from the political situation, as if this will last. There does not seem anywhere in the Six to be a Schumann~~x~~, Spaak, Adenauer or de Gasperi.
- d. It seemed up to now as if the vitality of the Community could be maintained until the year, this side of 1973, when de Gaulle and Gaullism would disappear from France. This is now very doubtful. Morale in the Community is so low that irreparable damage may be done by 1972; it looks quite likely that Gaullism will outlast the departure of de Gaulle, i.e. will continue into the mid-seventies; and even if the Gaullists are less virulent without de Gaulle, they will hardly produce a Robert Schumann~~x~~ during the next five years.
- e. While the prospects for the Community, as things stand at present, do not look good, and while de Gaulle and the Gaullists are likely to block further progress in the existing Communities, the May revolution in France is likely to have reduced de Gaulle's ability to prevent the other countries of the Community from responding to new political initiatives.
- f. The Community as it stands is no longer so attractive as it was. It consists largely of a customs union, a common agricultural system that ^{is little more than} ~~consists largely of~~ an excessively high price level, excellent studies and proposals on a wide range of economic ^{subjects} ~~studies~~, and institutions. The customs union is a success, but it is no longer so remarkable now that tariffs in the industrialised countries are generally low; it is arguable that a precise commitment to a customs union is undesirable without a concomitant economic union; while the EEC has now been ~~if~~ liberal in foreign trade, it has on the whole had a negative influence in the most important aspect of foreign trade - imports from low-income countries - and it is arguable that the situation for low-income countries would have been much better if the Germans and Dutch had retained control of their own commercial policies; and participation in the customs union would, in the latter respect, certainly be retrograde for Britain. The agricultural policy is socially reactionary (a kind of Corn Laws in reverse), and this would be especially the case for Britain which has low food prices; and the other aspect of

+ political
+ economic

the agricultural policy is that the Germans are paying a tribute of a quarter to half a billion dollars a year to de Gaulle, and Britain as a member would have to do the same.

The studies and policy proposals are very good, but they need the institutions and political will to put them into effect. The institutions have been severely weakened and it is doubtful, with the Commission also weakened and its morale ebbing away, whether the studies will lead to positive policies.

g. Initiatives in a federal direction and the emergence of a new Robert Schuman~~ne~~ are now unlikely to come from one of the Six, but arguably could well come from a non member (Britain).

h. At the international level, dependence on America and identity of interest with America have declined somewhat, and so has fear of Russia.

i. While the automatic spill-over type of progress that was originally expected is not taking place, people are at the same time losing sight of the ideal of a United State~~s~~ of Europe. SL

j. The reforming zeal of the coming period seems likely to be in the direction of a general reform or reconstruction of society, which makes it less suitable to play down the construction of Europe as being part of a broad canvas reaching from the construction of a world community to the reconstruction of national communities.

A radical political initiative from Britain

It follows from this new situation that the new policy should be:

1. Overtly directed at the establishment of a political federation.
2. Put forward by Britain, with a government initiative some time during the period 1970-73.
3. Recognising that the EEC has preempted important parts of economic policy, the political initiative should safeguard the EEC as much as possible, but should not be inhibited by this to the point where a dynamic policy is undermined, (i.e. a European reserve currency and a technological community system should be part of the new initiative - the frontiers to be defined extensively or modestly depending on how gravely or optimistically the situation in the EEC may be viewed at the time).
4. Internationally, the emphasis should be somewhat less on automatic alignment with America, and somewhat more on ~~sentence~~ ^{deliberate} with Russia and on Europe acting as a third force pressing

towards the establishment of a world community.

5. Federalist ideology should be played up not down, showing the construction of Europe in the context of world construction and of the reconstruction of society down to the smallest geographical and economic units.

It seems feasible that the British government could be persuaded to take such ^{an} initiative some time during the period between 1970 and 1973. The balance of payments should be healthy by then. Jenkins on the Labour side and Heath on the Conservative side should find a federalist policy acceptable and should be able to secure their parties' acceptance. This would depend, however, on their being able to expect a sufficiently positive response from the Continent. The ground for such a response could be laid by unofficial activity (e.g. a Hague-type congress in 1969). It should be possible to secure Benelux and Italian agreement to a British proposal to set up a supranational political organisation. If it looks as though such an organisation, even with fairly limited functions, could be set up by those countries on their own (or with other Efta members that are willing), it would seem difficult for the German government to stay out; and if the Germans come in, the French could not stand aside for long. Obviously this 'scenario' has many doubtful points in it; but it has enough strong points, and the European situation outlined above is bad enough, for the content of a political initiative on this scale to be worth serious and detailed consideration.

The subjects of such an initiative would be foreign policy/defence, currency/economic policy, technology, and institutions. The British government has already declared itself favourable to a technological community and to a European currency; British defence policy is now centred around the ^{concept} ~~policy~~ of Britain as a European power; and the strengthening of Community institutions in a democratic direction should not come hard to Britain. A package including elements from all these subjects would therefore not be such an extraordinary departure from existing British policy, but rather a new way of looking at existing policy and accepting its logical consequences.

Technology and institutions are considered in separate papers that have been produced for the White House conference. Foreign policy and defence are considered in the following section; and monetary and economic policy in the concluding section of this paper.

NUCLEAR POWER AND EUROPE

1. The longer term aims and background

Nuclear Civil Research in Europe is now on a level comparable to that of the USA. Taking into account only the Six plus Britain, the relevant figures are summarised in table 1.

TABLE 1

	<u>Europe</u>	<u>USA</u>
Research reactors critical (number)	100	180
Contribution to nuclear literature (% world output)	26	38
Nuclear R & D budget (Civil) (m. \$)	1,000	1,000

What is more, Europe is by now as large a market for nuclear energy of the same order of magnitude as the USA. Relevant cumulative data are summarised in table 2.

TABLE 2

	<u>Europe</u>	<u>USA</u>
1970 Market (MWe, nuclear)	10,000	50,000
1980 Home market	90,000	150,000

However, the nuclear power industry in Europe is far more fragmented than in the USA and whereas in the EEC orders for 5,000 MW installed capacity were spread amongst ten or more companies, in the USA only four companies obtained orders for installations totalling 50,000 MW. (fragmentation of the)

Partly due to this and partly also to the European market, Europe has not been as successful as the USA (or the USSR or even Canada) in exporting its technology. (An exception to this seems to be radio-isotopes and irradiation, and, up to a certain point, reprocessing services.)

The amount of research already undertaken, the existence of highly qualified personnel, the scope of the market and the available funds all make it possible for Europe to develop an autonomous and competitive nuclear power industry. But this prospect is threatened by a duplication of effort in research - e.g. separate national fast-breeder reactor programmes in France, Britain and Germany - and above all in development, due largely to the weaknesses of industrial structures, i.e. too many small industrial groups, poor communications between governmental research centres and industry.

The aim of European strategy in the nuclear power industry should therefore be to develop larger industrial groups linked more closely to research and to effectively pool governmental research. Furthermore, since it is expected that by 1970 at least 40% of EEC fuel requirements will be enriched uranium, and by 1980 at least 80%, there is an obvious interest for Europe to have its

own nuclear fuel enrichment capacity both for reasons of security of supply and for balance of payments (fuel is worth perhaps twice the value of the original reactor over the life of a nuclear power station).

2. Industrial Links or the "siege of Europe"

The consortium formed to build the Dragon experimental reactor is a good example for the future development of multinational European companies for reactor development and construction. Companies working separately in different countries on similar major lines of reactor development should be brought together to share their experiences and compete within the European market with other equally multinational groups developing other lines. This would not only share costs more widely and increase competition, it would also provide an insurance policy for companies, which could together share a wider range of knowledge, as well as for individual countries which would not be obliged to tie themselves to one particular line of development because it was the one pursued by their nationally based company.

A strategy for creating such transnational European companies could start with the consolidation ^{of consortia} no longer on an ad hoc basis for one prototype but for the development of a range of reactors from that prototype. Only a permanent association of companies, better still one single company, could ensure regular and unequivocal transference of knowledge and experience. The UK AEA now seems more in favour of such a strategy; with government support and either simple licensing agreements or better an ad hoc agreement on the co-ordination of state purchasing, the British "lead" in nuclear power construction could provide it with a foot in each consortium (there need only be three) which would nullify the effects of exclusion from the Community in this field. Euratom has in fact till now largely failed to influence the structure of the nuclear industry and the Commission has recently declared its support for cross-frontier mergers and joint enterprises, including companies from non-member countries.

As regards fuel supplies Britain can offer the following facilities:

- Enrichments: Capenhurst, which at the present time is capable of producing about 400 t. of low-enriched uranium per year, is being expanded to reach an output of about 1,600 t. by 1980.
- Fuel elements: Springfields, has at present a capacity of about 400 t. of oxide fuel per year. This is being expanded to obtain 2,000 t. per year by 1980. The present capacity of 1,500 t. per year of magnox fuel is not being expanded.
- Reprocessing: Windscale, which at the moment has a capacity to treat 1,500 t. of irradiated magnox uranium per year, is being further expanded to be able to treat about 1,000 t. of oxide fuel by 1980.

Opening Capenhurst to other countries in Europe would certainly fill a need of these countries expressed currently in the talk on the continent of developing a third enrichment plant in Europe. It might also make Capenhurst itself more viable since costs would presumably fall if the plant were expanded not just to meet Britain's needs but those of a wider market too. But Britain will have to introduce its partners to the Capenhurst knowhow - or all that is needed for the industrial enrichment in any case - if they are to share in the costs of its expansion and make it a joint undertaking.

Irrespective of the arguments on Capenhurst, there is everything to be gained by Britain offering access to the world's largest re-processing plant at Windscale, as well as knowhow. This is the profitable end of the business and Britain can earn goodwill as well as cash through giving preferential terms to Europeans. Small German and Italian plants are now being developed so that a British initiative at this stage would still not be too late.

Desalinisation of sea water by nuclear power combined with power stations, and especially extraction of uranium and other minerals from seawater, is another field in which British technology is well advanced and where joint research and development might well be pursued for example with the Belgians and the Dutch.

3. The Breakthrough to Europe

A number of the above points could be used deliberately by the UK government as part of a strategy to outflank the Gaullist veto. For example access to Capenhurst could be restricted to countries which had signed the non-proliferation treaty, as a guarantee of good behaviour which might even mollify the Russians. Such a strategy would also imply a deliberate rejection of French advances e.g. possible joint work on the A.G.R.

The fact is that a co-operative attitude by the British (as under 2 above) e.g. for joint work on fast-breeders and the investment of Dounreay knowhow in a joint European undertaking, or on a fuel supply or access to Capenhurst, would contrast so strongly with the French that one can imagine a rapid realignment towards greater joint efforts between the Five (or four) and Britain. This could hardly weaken Euratom further than French actions have already done. But it might well weaken the European response to the Americans by excluding the French. And by itself a policy in this field alone could not of course change French attitudes.

The major institutional contribution to developments in this field would be an agency to co-ordinate public purchasing policies for reactors. But considerable progress could be made without any new agency through agreement between public authorities in most countries (i.e. except Germany where private industry is the main consumer), once governments had approved the creation of multinational nuclear construction companies.

FT/afw
12th July 1968

D. McL.

(compiled from study group documents and notes on discussions)

COMPUTERS AND EUROPE

Even when complete harmonisation has been achieved in Europe and an enlarged community is created it is doubtful if an equivalent economic effort could be sustained to that of the United States in all fields of technological development. A list of priorities must be drawn up and a period of phased growth gone through. Many people feel that it is pointless for Europe to spend money in areas when we can benefit from existing vast American investment and technological expertise. Why, for example, create a European computer industry when a first-rate American one already exists, active in Europe and employing thousands of Europeans. Why not buy American and invest the funds saved by not having to cover research, development and production in an area where we can get ahead of the Americans?

The answer to these arguments can be expressed in two quotations, one from Professor Edward Teller, the distinguished nuclear scientist, one from a recent OECD report on the technological gap. Professor Teller said "the electronic computer is probably the most important result of applied scientific effort, not only in the United States, but in the world". He went on to say that the consequences of the development of computers are almost without limit, not merely in the successful mechanisation of simple functions of a clerical, industrial or academic nature, but rather in the field of the intelligent employment of human brains.

In the OECD study mentioned earlier, computers are mentioned as a key industry because their widespread use in commerce, industry and government has made them a key factor in the economic and social structure of all countries. This is particularly so in countries without large defence or space programmes where the computer industry can provide the necessary rallying point for scientific and technological advance.

If we accept these evaluations of the role and the importance of the computer industry then one of the critical paths towards European prosperity is obvious. The computer will be, in the very near future, both the "heart" and the "brain" of all large organisations within the body of Europe. If the body is to be truly European, then obviously the heart and the brain must be European too.

Having accepted the fact that there is a vital need for an indigenous European computer industry, how are we to achieve it. It is obviously sensible to eschew theory as far as possible and to relate possible actions to political and industrial realities. There are two possible stages into which future action can be broken down.

I The development of ad hoc links between the various European computer manufacturers, such links, if possible, being forged against a background of

inter-governmental approval.

II The creation of new groupings, both industrial and governmental, within Europe formed with the united purpose of creating a visible, indigenous European computer industry.

Stage I - The Creation of Ad-Hoc Links

The need for a harmonisation of European computer effort in order to meet the American challenge has so far proceeded on a national basis. In Britain the Government has participated financially in the necessarily large expenditure on research and development and has actively encouraged the industry to rationalize itself. In 1968 ICT and English Electric Computers Limited will combine to form ICL, backed by Government grants (in exchange for shares) totalling \$30 million. ICL will have over 50 per cent of the British market, a larger proportion than IBM. In comparison ICL will have about 5 per cent of the French market and about 15 per cent of the Swedish.

In France, Government is spending \$100 million on its attempt to build up the French-owned Compagnie Internationale d'Informatique, whose main shareholders are CSF - Thompson Houston and CGE. This company at present markets the 1001 series designed by the small American company Scientific Data Systems. The plan is to develop a new indigenous series, the "P" series, by 1969.

In Germany, Siemens and AEG/Telefunken are each receiving Government backing for development of the order of \$30 millions each.

The immense resources of a company like IBM and General Electric tell critically in Europe and though by 1967 there was a pause in the American commercial offensive, as General Electric sorted out the muddle it had made of its Bull operation, and IBM patched up the harm done amongst its customers by the painful troubles of the 360 series, the American challenge will continue to be serious.

In France the "plan calcul" will certainly produce a range of second generation computers, by 1969; the logic of the CII's "P" series is closely modelled on IBM's 360; but is unlikely to match up to the next generation of American computers which will appear shortly after; and there are many signs that the effort in software will not be on a sufficient scale.

As for Siemens and Philips, there is no doubt that they have the resources to develop computer hardware, at considerable cost, and in some of the many process applications they are already involved in, they will succeed. But Siemens, like English Electric, is at present technologically tied to RCA, with which it has a 10-year agreement. Only time will show whether, in the next generation, it can profitably go it alone, or indeed wishes to. It has some 12 per cent of the German market, and is building up a Europe-wide sales and service network. But its total computer operation employs only some 6,000 people, and though these are highly productive, the total turnover is

less than a third of ICL's.

One thing is clear: the defensive national policies developed by three European governments each damage the efforts of the others. Buy National policies, for instance, in the German or British government markets, add to the mutual difficulties of companies like ICL and Siemens in establishing a Europe-wide marketing base comparable, for instance, to that of IBM. Indeed, American-owned companies which produce in, say, France or Germany receive higher priority in public buying than European companies exporting from outside. As for development costs, while there may well be a case for the existence of more than one Europe-owned computer company, the present triplication of effort, on a national basis, may well be slowing the rate of development and diminishing the prospect that any one European-based company will eventually succeed in establishing itself as a genuine rival to IBM. There are great advantages in moving on to a truly "European" policy, which will bring to an end the triplication of government-backed research and development effort, open the separate markets up to Europe-based computer companies and foster the development of companies of European scale.

The creation of ad-hoc links between interested European computer manufacturers is obviously the speediest way to move towards a truly European industry. A review of the existing manufacturers as to their likely enthusiasm or suitability for such links could be expressed shortly as follows: -

- (i) C.I.I. Individually keen at working level but political factors would slow down acceptance beyond a sensible time limit.
- (ii) Siemens Keen to take any action that would hasten the end of virtual R.C.A. control but jealous of autonomy. Have achieved a significant share of German market.
- (iii) Telefunken Broadly interested, particularly if it meant stealing a march on Siemens. Little up-to-date experience except at large end. Have no significant share of the commercial market.
- (iv) Philips Keen to make a success in the computer field to demonstrate their "systems-minded approach". Little particular experience and over-international for European aims.
- (v) Drift Kontrol and SAAB Both have certain relevant experience and keen to expand.
- (vi) Olivetti Not so nationalistically inclined as French/German companies. After past experience are implementing a policy of specialising in terminal equipments but are keen to develop systems and software expertise.

Discussions between various combinations of the companies described above have been proceeding with varying degrees of enthusiasm over the past few years. From these discussions it is apparent that agreement on two factors is essential before any such link could be successfully implemented.

- (i) Agreement on joint software production to common standards
- (ii) Agreement to work to "rationalised" sales and product policies

The initiative for mergers and combinations at industrial level will have to come from the companies, but since European governments have decided to involve themselves in the computer industry, they will have to play some part. So far, for instance, the pressures in Britain have been for the merger between English Electric and ICT, and in Germany for cooperation between Siemens and Telefunken. Those pressures for national concentration will have to be relaxed and replaced by encouragement for the more European and more commercially attractive mergers and integration cutting across frontiers. In all the companies concerned, it is probable that mergers or combinations at the European level would be at least as welcome - or more so - than combinations with traditional rivals at home.

Stage II - The Creation of New Groupings - Industrial and Governmental

The creation of new groupings leading to a unified indigenous European computer industry would require both Governmental and Industrial action. Such action would lead to the creation of new institutions and industrial organisations. If the principal lead came from Governments then a possible pattern of progress could be along the following lines.

First there must be established a small but high-powered European Computer Secretariat under a strong Director. This would be financed by the member countries. The Secretariat's first task would be to call for national surveys of computer requirements for ten years forward. These surveys would be carried out by the appropriate national authorities who would work to strictly defined parameters of large, medium and small systems, and would be responsible for drawing up operational requirements for any special systems.

The national surveys would be passed on to the European Secretariat in accord with an agreed timetable and with the necessary guarantee for national security. The Secretariat would then collate the results and would hammer out near variants in specification into agreement with the approval of the national authorities.

Next the Secretariat would prepare lists showing the overall European requirements for systems, with their attendant broad operational requirements and the likely time-scale of requirement. That these lists were being prepared would, of course, have been known to the manufacturers as would the fact that tenders would only be called for from consortia of manufacturers crossing national boundaries. Generally these consortia would consist of a prime contractor, one of the existing major manufacturers, and subsidiary manufacturers of electronic components and peripherals. This would enable the smaller countries to benefit also.

The bids from the consortia would be considered by the Secretariat who would make their selection upon grounds of economy and production capacity,

not nationality. When the individual consortia had been matched to the supply of a particular system or part of a system, then the national governments would be informed of the choice.

Thereafter, the placing of national government orders would be done individually along the lines indicated by the Secretariat, whilst the Trade Associations of the industrial and commercial users would be informed as to which consortia were being recommended. It is likely that civil users would take advantage of the economies of scale and the efficient use of scarce intellectual resources that this system would create.

In order to achieve this successfully, there would have to be political agreement as to its necessity and practicality. It is quite possible, however, in the present political climate, that the industry cannot wait for joint government action, and must therefore take the initiative itself.

The future development of computer systems, as far as they can be foreseen, make it clear that the essential element of any system lies in the standards embodied in the central processor and its associated software. The terminal and peripheral equipments can be manufactured to interface to any processor and the applications software can be designed to work on any system provided that it is written in sufficiently high level language.

The achievement of a European computer industry could arise from an organisation along the following lines; the creation of an overall joint service company to be set up and owned by the participating companies. This would contain three main elements: a product planning group, a systems software group and an information centre.

The functions of the various elements would be as follows: -

The Joint Service Company

- (a) Product Planning - it would be responsible for deciding the standards inherent within the central processor and necessary standards for the development of total systems.
- (b) Systems software - it would be responsible for the provision of all generally applicable software starting from executive interface and including peripheral housekeeping, and general applications such as PERT, production control, etc. Of course, much of this work could be sub-contracted to national groups provided that it was carried out under central control.
- (c) Information service - this would be a gathering and distribution point for all information arising out of the work done by the participating companies thus enabling them to benefit from all the work done within the Group. Part of the information service's responsibility would be the arrangement of free cross-licensing agreements between the national groups and also the giving of support of industry-specialised areas.

In each of the major European countries national groups could be set up based on the existing industry. Each of these nationally based companies would have two major parts: -

1. Equipment Manufacture
2. Customer systems, design, customer software, sales.

Equipment Group

Equipment groups would be responsible for the manufacture both of processors and peripheral equipment. Thus equipment groups making processors would also have the responsibility for executive software to the interface defined by the joint services company product planning team. Through the information service and the arrangements for free cross-licensing, it is likely that the equipment groups in the national companies would manufacture that equipment at which they excelled, sell it to other members of the group and buy from them other necessary hardware.

Customer Systems Design, Software and Sales

These sections of the national companies would have the local responsibility within their group marketing area for carrying out the necessary sales activity and associated system design and the writing of special customer-orientated software.

Costs

The costs of the joint services company would be met by the other participating companies purchasing from it the services provided by the information section and product planning and by purchasing also the systems software.

The action described in the previous paragraphs could come about by purely commercial agreement. It would be far easier, however, if these commercial agreements were arrived at with general European government approval and working to agreed European standards.

If this is to be achieved within the necessary abbreviated time-scale, abbreviated because of the force of American competition, it is necessary for both government and industry to be more outward looking. It is necessary for industry to investigate the possibilities of European cooperation and to convince potential European partners that this is not merely a commercial bid for power. At the same time it is necessary for governments to give less attention to the purely local rationalisation of their industries and to look at the broader European picture instead.

Neither Stage I nor Stage II will be easy to achieve. Neither the political nor the industrial advantages are immediately apparent in the short term and there is no doubt that the sharply varying comparative strengths of the participating nations and companies will lead to many disagreements. The creation of a specialised group or inter-linking body of specialists, with no apparent axe to grind and the ear of their respective governments and industries, aimed at creating a European computer industry would obviously accelerate progress. This catalytic group could have the

following task: -

- (a) Promoting and helping in the negotiation of common standards.
- (b) Proposing and executing, as agent of the Governments, common development projects, to be implemented by industry.
- (c) Bringing companies together and advising and acting as a consultant on common activities and mergers.
- (d) Policing a common market in public buying and assisting the Governments in working out common requirements.
- (e) Possibly promoting training and computer applications.

That the creation of a European computer industry is to be desired can be finally confirmed by economic arguments for studies indicate that it would effect trade similarly to a Customs Union i.e. trade diversion and creation together with changes in investment policy. No change could obviously occur before 1970 but thereafter improved European competitiveness could lead to a trade diversion effect so that by 1975

- (a) 50% of the post 1970 growth of U.S. exports to Industrial Europe and
- (b) 25% of the growth of U.S. exports to the rest of the world would be replaced by output and trade by industrial Europe. No increase in world demand can be allowed for but trade creation within Industrial Europe, through cross-licensing and exchange of components, could increase output up to £50 million.

Whilst these changes are not sensational, in the one year selected, 1975, an improvement is indicated of £123 million to the "European" balance of payments and £175 million to output. Beyond 1975 the consequential benefits would increase rapidly so that European trade and output might benefit by as much as £1,850 million over the decade 1970-1980.

Federal Trust White House Conference, 12-14 July 1968

A MORE RADICAL EUROPEAN POLICY

Section III: Monetary and Economic Policy

Relations with the EEC

The main problem, when one considers any lines of economic policy for a European political community, is that many aspects of economic policy are already dealt with by the EEC, and the members of the EEC are committed to act within that framework.

The first thing that the members establishing the EPC can do, which will not damage the EEC in any way but will indeed only serve to help its development, is to declare their intention to build an enlarged EEC, as part of the EPC, into a full economic union. This will provide the EEC with the perspective of a future dynamic which it is at present on the way to losing.

The members of the EPC could state that they intend not only to implement fully a common commercial and a common agricultural policy within the enlarged EEC, but also to develop a common monetary policy, common regional policy and regional development programmes, common energy and transport policies, common fiscal, technological and social policies. The intention to develop the EEC institutions into a fully democratic and federal system should also be explicit.

The intention should also be declared to accept all European countries, including particularly any members of the EEC that do not at first become members of the EPC, as full members whenever they wish to join, provided that they accept the rules of the EPC and its supranational community system. The Treaty establishing the EPC should provide for a merger of the EPC and the EEC, ECSC and Euratom Treaties, as soon as the memberships become identical.

The members of the EPC that are also members of the EEC should be punctilious in refraining from breaking the rules of the EEC. On the other hand, there are problems that are vital to the future of European countries that must be dealt with by the EPC, and these include problems of advanced technology and of international monetary policy. Technology is dealt with in other conference papers; and this paper deals largely with international monetary policy and with the associated question of balance of payments policy.

European monetary policy: the birth of the Europa

One must first distinguish sharply between a European currency and a European reserve unit. Economic union must be very far advanced before the members of the union can establish a common currency. Indeed, the common currency, which finally excludes recourse to exchange controls or exchange rate adjustments, should probably be the very last step after all other elements of economic union have been fully developed; otherwise there is too great a danger that some member countries will be forced into permanent deflation and depression by balance of payments weakness, and will suffer the fate of Southern Italy in the Italian national state.

A common reserve unit, however, can be established without major advance in other fields of economic union, and certainly without a common tariff or customs union. Thus the members of the EPC could establish a European reserve system based on a common reserve unit which could, as *The Economist* has suggested, be called the Europa. This unit would provide the members of the EPC with additional liquidity, because they would be able to buy Europas for their national currencies up to an agreed amount. In this way the national reserves would be to that extent backed by the collective reserves of the members. In the case of Britain, a special arrangement should be made whereby Britain had access to Europas up to the amount that might be required to deal with withdrawals of the sterling balances - or alternatively to pay off the sterling balances, whose holders would then be able to hold Europas. This would be a permanent arrangement that could replace the medium term and short term arrangements that now exist.

As is suggested in the section on foreign and defence policy, Europas could become an alternative reserve currency into which holders of gold or dollar balances could switch if they wanted to. If circumstances such as those of 1967 or 1968 pertain, there can be little doubt that large sums would be transferred into Europas in this way. The EPC would, when American reserves became too low, be able to offer stand-by credits to the United States as has been done by the national central banks during recent sterling and dollar crises. With the EPC in such a strong creditor position, it should be possible to secure American agreement to the replacement of the reserve currencies by an IMF unit - a generalised SDR. Even if agreement on the creation of such an international unit is not achieved, the world financial system would still be much better based upon two substantial reserve currencies than, as at present, on one substantial currency and one that is almost ceasing to be an effective reserve unit.

While the creation of a reserve unit does not have to be accompanied by general economic union, there are certain economic policy measures that should be related to it. These are particularly the establishment of a common capital market and of a common policy on balance of payments questions.

The capital market is required because holders of a reserve currency wish to have interest on their money, and they need access to the quantity and variety of short term paper that is at present to be found only in New York and London. The Europa would therefore be greatly strengthened as an international reserve unit if at the same time an effective European capital market, joining London to the continent, was developed.

The need for agreement on balance of payments policy arises because reserves, and hence a common reserve unit, are used to finance balance of payments deficits. Decisions about the limits to which countries can draw the reserve unit therefore imply decisions about the extent to which payments deficits can be incurred and, to some degree, the way in which they are to be corrected. This brings us to the heart of the most crucial problem of international economics at the present time.

Balance of payments policy

The fundamental problem of international economic policy today is how long-standing or deep balance of payments disequilibria should be corrected. The existing instruments for correcting them have proved inadequate. For structural deficits, deflation is no cure: if it does not cure the deficit in a short time, it makes the long term problem worse by cutting investment and economic growth and hence competitiveness in the long run; and it is politically impossible in a democracy (and rightly so) to maintain a high level of unemployment for a long time. Devaluation is the most logical solution, but until the existing reserve currency system has been replaced by a new IMF unit, devaluation of sterling, and even more of the dollar, creates dangerous instability in the world monetary system; and for the members of the EEC, with the common agricultural policy and with the way in which the obligations of members of the community are understood and interpreted, devaluation is an extremely difficult weapon to employ. Means of acting directly on trade or payments, such as import quotas, export subsidies,

import surcharges or exchange controls, are theoretically adequate, but have in practice become difficult to use to the extent necessary to correct a structural disequilibrium, because of the high expectations as to freedom of trade and payments that have arisen as a result of the excellent international economic cooperation that has prevailed in the two postwar decades. The use of these measures, even when the balance of payments situation justifies it, is liable to evoke retaliations and to undermine the existing spirit of cooperation. More short term credits to tied countries over their payments deficits can in some circumstances be useful; but by their nature they are no solution unless the deficits are cured by one or more of the above methods.

Symmetrically, there is some inadequacy in the means for dealing with structural balance of payments surpluses, although here the reluctance of surplus countries to act sufficiently strongly to eliminate their surpluses is more of a factor.

The creation of the Europa will imply an agreement among the members of the EPU on policy for dealing with these balance of payments problems. It seems as if the most satisfactory solution would be a fiscal one, relating directly to external trade and payments, and covering trade and payments as generally as possible so as to distort international transactions as little as possible. This could take the form of an export subsidy combined with an import surcharge at a uniform rate across the whole foreign trade of a deficit country, and across as much of its invisible trade and of its capital transactions as would be practicable to tax in this manner. The surplus countries should at the same time apply an import subsidy (or reduction of import duty) and an export tax. In the context of the debate on border tax adjustments, i.e. on the refunds of indirect taxes (usually ATV) that exporters are entitled to claim, these fiscal measures can be seen partly as adjustments of the extent to which refunds of indirect taxes can be claimed by exporters.

Such a fiscal mechanism for dealing with balance of payments disequilibria has obvious theoretical advantages. It is general and does not cause administrative difficulty or economic distortion; and since it acts equally on exports and imports it does not unduly restrict or promote the level of international trade. For reasons such as this, a general fiscal mechanism has been attracting growing support among economists (see for example the article by Pierre Uri in The Times of 12 July 1968). In terms of practical politics it also now seems as if such a system could be adopted. Britain has resorted to import surcharges and export rebates;

America has been indicating a desire to be allowed to impose an import surcharge; and France has now applied export subsidies along with import quotas. These are substantial facts and precedents that indicate that wide agreement on the introduction of a system of this sort might be secured.

The members of the EPC could, in connection with the establishment of the Europa and the common reserve system, agree that their policy was to adopt an adjustment mechanism of this sort. There would then be the problem of securing agreement on such a system, first with any members of the EEC that do not become founder members of the EPC, and then with other world trading countries, in particular the United States.

It must be faced that France's partners in the EEC might find it difficult to persuade the French government to agree to adopt such a system; and the other members of the EEC could hardly adopt it ^{unless it} was decided in the EEC institutions that this should become EEC policy, because the application of export subsidies and import surcharges, or the variation of rebates on indirect taxes paid with respect to exports, is a matter on which individual Community countries could not act without a collective Community decision. On the other hand the French government, which has in fact applied export subsidies and import quotas, and which has obtained large credits mainly from other Community members, does not seem to be in a strong position to oppose such a policy; and in so far as the policy concerns import duties and quotas and export subsidies, the EEC can take decisions by majority vote. It does therefore seem possible, even if difficult, to overcome the problem of differing membership as between the EPC and the EEC as far as this question of balance of payments policy is concerned.

As already indicated, the American government appears apt to accept the principle of a new adjustment mechanism, so that agreement on this subject by the EPC members should be followed by a radical improvement in the system of international trade and payments as well as in the reserve system that finances it.

Fiscal policy

Britain must accept that, when membership of the EEC becomes possible (or when the EPC and the EEC merge), she will have to adopt the Added Value Tax. There are big advantages in making such a reform over a transitional period, i.e. in introducing the AVT initially at a fairly low rate and increasing the rate over a period of years, and Britain should therefore start the process as soon as possible (e.g. in the 1969 budget). The

AVT has, indeed, substantial merits that make its adoption desirable regardless of the issue of membership of the EEC; for it is possible, with such a broadly based tax, to raise substantial sums of money by only a small increase in the rate, thus making it possible to incur desirable public expenditure without at the same time producing undesirable economic effects such as disincentives due to higher direct taxation.

If, then, all the members of the EPC have a system of Added Value Taxation, it will be possible to supply the EPC with its own fiscal resources in the most fair and simple way imaginable: by providing that a given percentage rate of Added Value Tax goes from each member country direct into the Community budget. This will give the EPC a great source of strength that is at present lacking in the EEC, because the EPC will have access to the necessary money that it needs to carry out its functions, some of which will be undoubtedly expensive.

Thus the EPC could pay, from its own tax resources, for a large science and technology budget; for the activities of a European IRC; for the creation of a modern transport network in Europe; for a common aid budget; for the necessary underpinning of the Europa and of loans raised by the EPC for its capital expenditure; and finally for the arms purchasing board and the defence budget which will eventually, as the national defence forces become integrated in the Community force, become very large. When the EPC and the EEC merged, the same system and the same budget could provide the means for a great expansion of regional policy, social policy, industrial policy and other economic activities of the Community.

AN OCEANIC DEVELOPMENT COMMISSION

The European Continental Shelf should be 'Europeanized' and the ownership and development value vested in an independent OCEANIC DEVELOPMENT COMMISSION.

Objective. To assume responsibility for executing an accelerated, long-range, concerted programme to convert to practical reality the oceans' inherent promise for mankind.

Method. Exploitation of resources should be left to the business enterprise sector, the Commission's role would be co-ordinatory and promotional, seeking to accelerate the pace of development through the sponsorship of R&D and financial measures where the risks are too high or the profits too long deferred to encourage rapid progress. The Commission should also regulate the activities of ocean industries and police the marine environment within its jurisdiction. In addition, it would perform certain operational functions in support of business enterprise and would be responsible for strengthening Europe's scientific/educational base in oceanology.

Tasks

1. Accelerate the development of the seas' physical, chemical, geological and biological resources by
 - Encouraging private investment in technological developments and in the economic utilization of these resources through loans, development contracts etc.
 - Precipitating new ocean technologies and enhancing our subsea engineering capabilities by initiating a major underwater venture.
 - Supporting research into all aspects of the seas' resources, including new uses for marine products, and ensuring that there is no unnecessary duplication of effort, facilities or equipment.
 - Building and operating a fleet of survey vessels and submersibles to explore, locate and assess the economic potential of marine resources both within and without Europe's Continental Shelf.
2. Expand our knowledge of the marine environment and our understanding of the ocean's boundaries, properties and processes by supporting basic oceanographic research in existing establishments.
3. Broaden education and training in marine science and enlarge our pool of qualified manpower in this sphere through grants and awards to European universities and institutes, and by setting up a Sea College devoted specifically to the study of marine science in all its aspects - legal, social, economic and political, as well as scientific and technical.
4. Collect, store and disseminate oceanic information through the establishment of a Data Handling Centre.
5. Regulate all ocean industries' activities on, above, or beneath the floor of the Shelf, including the conservation of living resources
6. Acquire an operational capability to rescue and salvage from the deep-ocean floor.

7. Establish and operate environmental observation and prediction services.
8. Aid pollution abatement and control.
9. Support shoreline and harbour stabilization and protection, and the preservation of amenities.
10. Assist in the planning of industrial and urban development in the coastal zone.

Auto-Financing.

- Primary: The sale of exploration licences and production leases, and royalties flowing from the exploitation of marine resources on, above or beneath the Shelf.
- Secondary: Investment, interest from loans, fees from services, patent rights etc.

It is sound practice to re-invest at least part of the revenue obtained from the exploitation of non-renewable resources to ensure an adequate and dependable flow of resources in the future. The principle of auto-financing is crucial to this whole proposal. Without the autonomy which financial independence can give, this project would fall foul of the same obstructions impeding progress in other European co-operative ventures.

By 1970 the British sector of the North Sea will yield £12 million in royalties and by 1975 this is expected to reach £24-30 million. The American Federal Government has netted more than \$2 billion from the working of the sea-floor near the United States during the last decade, and is currently obtaining \$12 million per month from this source. It can therefore be seen that the ODC would, from the beginning, have an income which compares favourably with any other international scientific organisation. Its annual budget could in time surpass £200 million. A large sum of money, but not disproportionate when one considers the challenge which must be met from across the Atlantic, the business that would be generated, and the large span of industrial and scientific activities embraced by such a programme.

Accountability. The Commission should be directly responsible to the European Parliament, and democratic control should be exercised by that body through the power of appointment and dismissal.

LAURANCE REED. July '68

INSTITUTIONAL REFORM BY STAGES

The tasks we have outlined for an expanded Community in the previous chapter have important political implications for its future structure. We envisage a considerable increase both in the range and importance of the activities of the Community and hence the need for much stronger Community institutions. These will in any case be required by an expanded Community containing ten or more members if the greater spread of their interests is not to result in an inability to reach agreement.

This, however, is only one aspect of the structural changes that will be required. As more power is concentrated in the hands of Community authorities, so it will be essential to ensure that their activities are subjected to effective scrutiny and control, and their decisions taken only after an opportunity has been given to all interested parties to state their views. An increase in power at the Community level also will make more urgent than ever the creation of effective regional units of government, and other measures to ensure the greatest possible participation by the citizens of the Community at all levels of decision-making in society, ranging from local government to the summit of the political system.

Nor is this merely a matter of reshaping the formal institutions of government. It also implies a much greater attention than has hitherto been given to the opportunities for participation in political parties, trade unions, industrial trade associations, other professional bodies, as well as at places of work - whether factories, farms or offices - and the many other institutions and groups which impinge on the daily life of the citizen. In this context the pressure that emerged during 1968 among university and college students for a much greater say in the running of these institutions of higher learning were a reflection of what is already felt to be a growing need in society. They were at the same time a welcome sign that groups of determined individuals can still make an impact on the shape of our society, complex though it has become, and remote though those in authority sometimes appear to be.

A major restructuring of the political systems of the countries of western Europe is therefore required. It will not be easy to achieve, and undoubtedly it will take time. So far our political institutions have shown themselves remarkably resistant to change. While innovation has been going on apace in other areas of society, all too many of them have stood still. But as the tempo of change increases, it will more than ever be important to adapt our institutions to new circumstances. We are now in a situation in which we need to anticipate future problems unless they are to overwhelm us.

In the context of an expanded and evolving Community the first priority will be to develop institutions at this new level of government which are effective, responsive to change, and subject to proper control. The first step towards this is to have a clear picture of the type of institutions which will be required, bearing in mind what exists already, what national governments can be persuaded to accept in the short to medium term as acceptable reforms,
/and how

and how these could be used to open up possibilities for further changes as the process of integration itself develops.

As far as the formal institutional development of the Community is concerned, it is clear that particularly careful attention has to be paid to those organs which take decisions. At present this function is performed by two bodies - the Council of Ministers and the Commission. The Council is made up of representatives of national governments and is the body where all important decisions are taken. Preparatory work is carried out by a group of senior officials known as the Committee of Permanent Representatives. It is they who now undertake a great deal of the hard, slogging discussion that precedes agreement. Even when this is reached round their own table, however, it still has to be confirmed by the Council.

If the Council disposes, it is the Commission which proposes. This is a body of fourteen members who, theoretically at least, are nominated by all the member governments acting in agreement. In practice each government nominates the requisite number of its own nationals, and expects the other governments to agree. Nevertheless, once appointed the Members of the Commission are formally forbidden to solicit or accept instructions from any national government. Their task is to seek to identify the common Community interest, and having done it to make a proposal to the Council. This body, in turn, is obliged to take the Commission's proposal as the basis for its own discussion, unless by a unanimous vote it rejects it. This in fact very rarely occurs. The Commission is therefore the initiator of Community legislation.

The crucial element in this decision-making is the dialogue between the Commission, as a representative of the general Community interests, and the Council as a representative of the constituent member states. It is crucial for a number of reasons. In the first place, it gives the Commission the initiative in implementing the Treaty. Secondly, it allows it to perform a very important brokerage role in finding ways of reconciling national interests. Thirdly - and this is its most important aspect - it provides a mechanism which can be used to transfer authority, over a period of time, from national authorities to Community authorities.

The way the mechanism functions is heavily dependent, of course, on the general state of relations existing at any given time between the member states. In the first phase of the Common Market, between 1958 and the end of 1962, for instance, when conditions were very favourable in this respect, the Commission was able to take a very prominent part in the decision-making process, and at the same time acquire considerable additional powers for itself. Since early 1963, on the other hand, when there have been marked tensions within the Community, the Commission has found life much more difficult. Increasingly decisions have tended to take the form of the lowest common denominator between different national positions. A classic example of this was provided in the decisions taken on milk and sugar prices. What happened was that the high-price countries agreed to accept each other's demands - with the result that highly uneconomic price levels were agreed upon, in spite of the Commission's warning about the likely consequences. A year later the process went a stage further when intervention price levels were agreed for milk which varied from
/country to

country to country: a negation of the idea of a common market.

In both of these instances the Community interest took second place to crude bargaining between the member states. This is always likely to happen when the Commission is in a weak position and it points to the need in an enlarged Community of finding ways to reinforce it. In more general terms it would also be logical to seek a stronger role for the institution representing the Community interest as the process of integration itself advances.

At present the Commission is in a rather weak position when the member states find themselves in serious conflict. It derives its authority on the one hand from the Treaty - which itself is an instrument of the member states - and from the confidence that the governments place in it. Ultimately, therefore, it does not have any source of authority other than that which comes, directly or indirectly, from a national source. It is formally responsible to the European Parliament - an indirectly elected body of 142 parliamentarians from the six countries. It does not, in other words, provide any real alternative source of legitimacy for the Commission, nor any effective counterweight if the Commission attracts the displeasure of the member governments.

In terms of strengthening the role of the Commission in the future, therefore the most important problem is to find some way of underpinning its authority and making it less exclusively dependent on its present masters. One way of doing this would be to convert it into a body directly elected by the citizens of the Community, or to use the model of the United States and have its president so elected, with power subsequently to nominate its other members. Such a solution, however, would clearly be unacceptable at the present time to the member states. It may be that at some point in the distant future the Community will have evolved to the point when this would commend itself as the right solution. For the time being, however, a different method has to be found. If direct election is excluded, an alternative is an indirect process of election. The body which could perform this function is the European Parliament as the institution which represents (though indirectly at the present time) the citizens of the Community countries. Even this, however, might prove to be too radical a step and it would have the disadvantage of making possible the election of a Commission that was quite unacceptable to the member governments. In this case the decision-making apparatus might be deadlocked.

The solution to this problem is to be found in a nominating process to the Commission in which both the national governments and the European Parliament would participate. There are various ways in which this could be arranged. A minimum first step would be the submission by the Council of its list of nominees to the Parliament for a confirmatory vote. Initially this might take the form of negative confirmations, that is, the proposed members would be appointed unless a majority (or a weighted majority) of the members of the Parliament dissented. Even this modest degree of participation would give much more substance to the Parliament's right of dismissal; for it would then have a guarantee that the Council would not merely reinstate the outgoing members.

At a second stage the Parliament's role could be increased. That is, the list submitted by the Council would need its positive confirmation before being appointed. This could give both the Commission and the Parliament a much stronger position in any conflict with the Council - especially if, as is suggested below, the Parliament were to be a directly-elected body.

Beyond this stage it is possible to envisage a series of further steps which would eventually lead to the direct election of the Commission by the Parliament - with the Council initially having a similar confirmatory role as that suggested earlier for the Parliament. In other words, an evolutionary process could be set in train which would lead to a progressive reinforcement of the Commission's political role as the integration itself advanced. (See Table 1). The commission, however, would not acquire complete autonomy with respect to the member governments until an advanced point on the scale of integration: a recognition of the fact that for a considerable time to come the nation state is likely to remain the predominant element within the Community's political system. For the foreseeable future it is clearly necessary to ensure that the members of the Commission continue to enjoy the positive support of the member governments, even if the initiative with regard to their nomination passes, as is suggested, into the hands of the European Parliament.

A similarly progressive system can also be envisaged with respect to the legislative and budgetary powers of the Commission. The key element here is not so much an upgrading of the powers of the Commission itself, which would continue to have as its primary function the formulation of policy proposals - but a change in the role played by European Parliament. At present this body is merely consulted by the Council before it takes a decision on a Commission proposal. The ministers are under no obligation to take any account of the views expressed by the Parliament, and frequently these are ignored.

A first step away from this situation would be to oblige the Council to submit its own policy decisions to the Parliament before they were finally enacted. Here again, the initial procedure might consist of a similar type of 'negative confirmation' as already proposed for the nomination of the members of the Commission. This would mean that Council decisions were approved unless there was a positive majority against them. At a second stage, corresponding to the next step in the scale of integration, positive confirmation by a majority vote would be required. Beyond this point, the relative roles of the Council and Parliament could be reversed. That is, the Commission would present its proposals to the Parliament rather than the Council, and the latter's role would then become more akin to that of a second chamber. Its positive approval would be required for the legislation or budgetary measures proposed, but at this stage its role would have become a distinctly secondary one.

TABLE 1

<u>Scale of integration.</u>	<u>Role of national governments.</u>	<u>Role of Parliament.</u>	<u>Role of electors.</u>
1. (Present situation)	Appoint all	Nil	Nil.
2.	Appoint all	Negative confirmation (a)	"
3.	Nominate all	Positive confirmation (b)	"
4.	Nominate some	Nominate some and confirm.	"
5.	Propose candidates.	Select and confirm.	"
6.	Joint participation in electoral college. (various procedures could be envisaged)		"
7.	Positive confirmation (b)	Elect President/ all members.	"
8.	Negative confirmation (a)	ditto.	"
9.	Nil.	Nil.	Direct election.

(a) Appointed unless (weighted) majority against.

(b) Not appointed unless (weighted) majority in favour.

Clearly the time scale required for such an evolution is more likely to be measured in terms of decades - or more - rather than in years. There is no reason, however, why the legislative procedure for all policy matters should be the same. It is already the case that the Community's legislative powers over different policy fields vary widely. Whereas, for instance, it has substantial powers in agricultural matters, it has very few in the field of social policy. It is clear that in the future, even in those areas where the member states agree to take action in common, that they will be far more hesitant in giving the Commission direct powers than in others. One can imagine, for instance, that they might - at some future point - be willing to allow matters affecting the customs union to be handled in a way that would certainly not be acceptable for more sensitive areas of national policy such as defence and foreign policy. The aim would therefore be gradually to build up a sector of the Community's legislative activity in which the Commission-Parliament relationship was the crucial factor. Once this principle was accepted one could expect a gradual extension of it over a period of time.

This type of development would clearly place much more responsibility on the European Parliament, and also give it much more work to do. It would in fact give it a role akin to that at present being formed by national parliamentary bodies. There are some who argue that given the weaknesses and defects of such bodies, which are a matter of widespread concern throughout western Europe, it would be foolish to place so much emphasis in Community structure on a type of institution whose merits are now being called in question. Those, who put forward this view however, have not - as yet at least - produced any convincing alternative. In terms of current democratic theory it is very difficult to envisage any viable type of institution to perform the duties of legislative scrutiny and supervision of an executive that is not based on some type of representative principle. It may be that undue emphasis has been placed on the role of a body representing the generality of the individual citizens, and that the functions of bodies representing organised groups in society should in future be upgraded, as they have been in Yugoslavia. It may also be that in western Europe we have been unduly influenced by the Fascist experience of the corporativist state - which, in theory at least, replaced a conventional assembly by a body nominated by groups. In that case, however, the experiment was conducted under very special conditions: a monopoly of power by one party under the aegis of a dictator. In our own type of pluralistic system there is certainly room for more experiment with bodies representing interests. They already exist in several of the countries of the Community (though not in the Federal Republic, which in this respect is like Britain), and there they have been given a consultative role with regard to legislation. Such a body also exists in the Community: the Economic and Social Committee.

At present this Committee is formally nominated by the Council of Ministers on the basis of names submitted by national governments. The procedure for the compilation of these lists varies from country to country, but in all cases the members consist of representatives of interest groups: farmers' organisations, industry, the trade unions, the professions and so on. The Committee, which consists of 101 of these representatives, has no right of initiative. It can only formulate an opinion about proposed legislation if it is asked to do so. Like the European Parliament its opinions are not necessarily taken into account by the Council: their importance in terms of influence upon ultimate decision is generally slight.

Much could certainly be done to make the Economic and Social Committee a more meaningful body. There is no very good reason for instance why the national governments and the Council should continue to determine its membership. This function could more properly be performed by the Community-level interest groups (which now exist for virtually all the major categories covered by the Committee's present membership) who could propose members to the Commission. At the same time the Committee should automatically be consulted on issues concerning the economic union. It is a matter for discussion whether

its powers in this respect should be upgraded to parallel those proposed for the Parliament. This, at all events, is not an immediate issue.

The composition and method of election of the Parliament is, in contrast, a matter of the utmost importance. It has already been suggested that the powers of this body should be very substantially increased over a period of time, and that this can be done in a series of stages. In order to perform these functions effectively, however, it is vital that the Parliament should be a body truly representative of the citizens of the Community. At present it cannot claim to be this. This is not so much due to the fact of it being an indirectly-elected body, but rather because several of the national parliaments have rigged their system of electing members to it to exclude extreme parties, and in particular the Communists. In this way about a quarter of the French and Italian electorate is in practice disenfranchised: they have no representation in the European Parliament.

The existing treaties already in fact make provision for the introduction of direct elections to the Community Parliament. No timetable has been laid down, however, for such elections and agreement on the details has first to be reached by the Council of Ministers and then ratified in each member country. As long ago as 1960 the European Parliament itself drew up a draft Convention providing for a two-stage phased introduction of direct elections. In the first stage, which it was suggested should correspond to the transition period of the EEC, the membership of the Parliament would be raised to 426 members, two thirds of whom would be directly elected, the remaining third to be nominated (as at present) by the national parliaments. Beyond the transition stage all the members would be directly elected. During the first of the two stages the elections would be held according to the respective electoral systems of the six countries: subsequently the aim would be to have an electoral procedure 'as uniform as possible' throughout the Community.

The proposal was duly transmitted to the Council of Ministers, since which time nothing further has been heard about it. From time to time individual national parliaments or governments seek to reinstate the problem on the agenda of the Community, but in the present situation it is clear that there would be fierce opposition from the French government - not to say some hesitation on the part of others - to take such a step.

Direct elections nevertheless remain a crucial element in the future institutional development of the Community. Once they were instituted it would not only greatly reinforce the authority of the Parliament, and indirectly the Commission, and at the same time provide one channel of direct involvement in the affairs of the Community for the individual citizen, but would also trigger off a series of other developments. At present, for instance, the political parties in the six countries are still essentially circumscribed by their national boundaries. A number of them - the socialists, christian democrats and liberals, for instance - do have an increasing network of trans-national links, and within

the European Parliament they are organised in party groups rather than in purely national delegations. Nevertheless, the amount of feedback from these European activities into the daily life of the national parties is extremely limited. This is entirely understandable because they remain basically organisations for the mobilisation of support in a purely national context, and the prizes they offer to their members and supporters are still almost exclusively to be found in the national political arena. In this way they are much more firmly bound into the national state than interest groups, whose Community-level structures are now considerably more advanced than those of the parties.

The institution of direct elections to a European Parliament is the only way in which this situation could be changed. It is nevertheless generally agreed that by themselves direct elections might have only a slight impact unless at the same time the powers of the European Parliament were increased. Unless this body is seen to exercise some real influence on policy-making it will attract little attention either on the part of the politicians - who, understandably, tend to gravitate to where power lies - or the citizens in the Community at large.

The two reforms, therefore, must necessarily form part of the same package of reform. One can in fact envisage a number of items for such a package - the institution of a partial system of direct elections, the inclusion of the parliament in the nomination process for the members of the Commission, and an upgrading of its role in legislation. A further refinement would be to introduce a greater degree of flexibility into the arrangements for the institutional development of the Community. At the moment any substantial change can only be effected through the cumbersome procedure of unanimous agreement in the Council of Ministers followed by national ratification. This is in part justified, however, by the absence on the Community level of a truly representative parliamentary body. Once this had been created, it would be advantageous to allow at least certain future institutional changes to be decided by the Community institutions themselves. A special procedure could be worked out for this, following one of the models for the enactment of legislation that has already been suggested.

At the same time it would be worth considering if some degree of automaticity, or at least a time-table element, could be built into the structure on the pattern of the arrangements for the achievement of the customs union which were written into the Rome treaty. A definite date could, for instance, be set up for the introduction of full-scale direct elections, at which point the Parliament would automatically acquire the right to nominate a certain number of the members of the Commission (see Table I), and when also its confirmatory vote would be required for all legislation lying (for instance) in the sphere of the economic union.

The aim of the first stage of an institutional transition period, in short, would be to build up the authority of the Community elements in the institutional structure to a level at which they participated on equal terms with the national

governments in the decision-making process. Beyond that, in a second stage, the aims would be to give them a predominant role. Before moving on to this second stage - which would involve the nomination of members of the Commission by the Parliament, and its acquisition of a commanding position in the legislative process, it could be arranged that a new treaty would be required, thus giving national parliaments the ultimate say in determining the pace of the Community's institutional evolution.

Such a development, however, clearly belongs to the relatively remote future. In the meantime the fundamental problem is to work towards a situation in which the first steps can be taken. In this context it may well be that the crucial factor in the situation will be provided by the problem of financing the Community. So often in the past the need for money on the part of the ruler has been the lever by which assemblies have been able to increase their own authority. Today the Community is financed very largely by national governments from their own budgets. Already, however, part of its resources come directly from the proceeds of the agricultural levies collected on imported foodstuffs. There is also a provision in the EEC treaty (Article 201) that the Commission shall make proposals with regard to it becoming self-financing from the proceeds of the external tariff, once that is in operation. That situation has now been reached, and the Commission has in fact already made one attempt - in 1965 - to persuade the Council to adopt the measure foreseen in the treaty. That attempt failed, but the case for implementing that part of the treaty has now become much stronger, not least because as long as the member states themselves pocket the proceeds of the external tariff there has in any case to be some method of sharing out its proceeds among them.

Another aspect of this matter is that the member governments are now under growing pressure to pool their resources to ensure an effective and concerted effort in the field of the new technology. If they are to do this, however, they will have to increase their contributions to the Community budget. Although at present this represents only a small fraction of their national expenditure any expansion of the Community's role will tend to increase it, and therefore raise in any increasingly acute form the problem of budgetary control. National parliaments will find that more and more of their constituents' taxes are being diverted to purposes over which they have virtually no possibility to exercise their traditional functions. This problem of large sums of money escaping their scrutiny would become substantially greater were the governments, for their part, to agree to the direct financing of the Community's activities from the proceeds of the common external tariff.

A convergence of pressures from a number of different directions is therefore likely to create eventually a situation in which national governments will be forced to reconsider their attitude to the present institutional arrangements within the Community. This day could be materially hastened if more of the national parliaments were to follow the lead already given by the Dutch and German

assemblies who have made it clear, in the context of the discussions about the financing of the common agricultural policy, that they will not agree to the proceeds of the levies going directly into the Community treasury unless measures are taken at the same time to ensure effective parliamentary control at the Community level of their use. For the time being the national governments have been able to skirt this problem by agreeing to keep 10% of these receipts in their own hands, but the future of these financial arrangements remains on the agenda, and sooner or later a definitive solution will have to be found.

It is not difficult therefore to envisage a situation arising in which national assemblies, if they so chose, would be able to exert a decisive impact on the future of the Community's institutional development. As it is, the member governments of the Community have undertaken a fusion of the existing treaties within a period of three years from July 1967 (when the executives were merged) and any new treaty will require ratification at the national level. It may be that, in the present situation, the merger will be delayed. There are now an increasing number of issues of which this is true, but once the log-jam breaks, the Community will not be able to go much further without facing these budgetary and institutional problems.

From the point of view of potential new members of the Community these problems have to be faced too. There can be no doubt that were Britain and several other countries to be admitted into the Community with its existing institutions, the whole process of arriving at decisions would become much more difficult. Around the Council of Ministers' table the spread of interest to be reconciled would be much greater, and it would almost certainly be necessary to maintain the Commission at its present size of 14 members (as opposed to the original nine members of the EEC Commission). As recent experience has shown a body of this size is in itself a much less effective organ for decision making than its smaller predecessor.

In the perspective of an enlarged Community it is therefore all the more necessary to envisage a strengthening of the institutions on the lines that have been suggested. From the British point of view this would certainly be opposed by those who cling to the notion of national sovereignty. On the other hand it would offer a solution both to the problem of ensuring that extension of the Community did not result in immobility or impotence, and also that of the present weakness of the parliamentary element within the existing structure. Although some of the criticisms that have been made about the bureaucratic nature of the present Community go too far, it is true that the present situation is unsatisfactory from this point of view. The strong British attachment to effective yet democratic government could do much to correct the current imbalance between executive and parliament in the Community. It is therefore all the more important that we should clarify our minds about the problems to be faced, and the solutions to be offered, before we join. Constructive thinking on this side of the Channel about these issues could do much to encourage those within the

Community who are concerned about them, and convince them that British entry would reinforce, rather than debilitate, the structure on which they have placed their hopes.

R.P.
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U N I T I N G E U R O P E

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I TOWARDS A POLITICAL COMMUNITY OF EUROPE

The European Community is in a state of crisis. Externally, the crisis is exemplified in President de Gaulle's now familiar stance of barring - on increasingly implausible pretexts - entry to Britain and the other applicant countries. Internally, the crisis is perhaps even more insidious as paralysis creeps over the Community.

Undoubtedly the destinies of the six Community countries are more closely intertwined than a decade ago, and in a manner inconceivable 20 or 30 years ago. There are close and continuing links between their ministers, parliamentarians and officials; more important, their businessmen, industrialists, trade unionists, school teachers and many other professions are increasingly thinking and acting within a wider European framework; most important of all, the age-old suspicions between the peoples themselves - and especially among the younger generations - are being gradually replaced by a new sense of European identity, though it is arguable how much this trend has been slowed down or even reversed by the resurgent nationalist sentiment of recent years.

But there is a long way to go towards that 'ever-closer union of the peoples of Europe' sought in the preamble to the Rome Treaty.

Customs Union: there is a customs union of the Six, completed in essentials last July, but the completion of the necessarily concomitant trade and transport policies is fraught with political difficulties. The common agricultural policy is threatened with collapse barely before it has fully entered into force. The customs union will no doubt survive, and the worst imbalances of the agricultural system remedied, but probably by means based more on national than Community lines. The irony of the situation in this field is that any fundamental restructuring of Community agriculture should concentrate production where it is most economic - which in large measure means in France. Such is the mistrust between the six governments and such the degree of retreat into national egoism - with France in the lead - that this prospect of cheaper food for the European consumer is unlikely to be soon achieved.

Economic Union: continuation of the present deadlock can only result in a further running down of momentum. No doubt certain technical agreements are possible in various fields. But there is now little hope of coherent and adequate Community programmes emerging for industrial structures, regional development, technology, international monetary policy, company law, patents, or possibly even for the elimination of fiscal and other non-tariff barriers to trade between the Six. The risk is great that, failing progress in these fields, the customs union will be crippled at birth. The danger is, indeed, that the present trend towards building up great industrial fiefs on purely national lines - in motors, petroleum, aircraft, etc. - will nullify the attempts to form a true common market. This could be fatal to any hopes of meeting the American challenge.

Political union: of this we see no sign

Four crucial historical factors underlie the present crisis.

1. The dimensional question

Without cavilling over the past, and certainly not agreeing with those who argue that Britain is paying for past errors - for all Europe is paying - we must recognise that Britain is essential to European unity. We must recognise too that Britain has changed and is changing still. In 1950 she was still dazzled by the afterglow of empire; now her vision is clearer.

Inside Europe, Britain could contribute an important - indeed vital - industrial, technological, cultural and political dowry. Only inside Europe can Britain avoid becoming a Trojan horse, or, in a more modern idiom, an assault carrier for an inevitable American occupation of Europe. Only with Britain inside can the Community achieve the economic and political balance essential for its future, or strength to match the super-powers.

2. The institutional question

Institutional weakness is one of the causes of our present discontents - the currently unwieldy commission of reduced political force, the ineffectiveness of the European Parliament, the lack of democratic control over the Council of Ministers. But stronger institutions are no answer to lack of political will, and too rigid a framework could be as much a danger as too loose a one.

3. The ideological question

The Rome Treaty relied too much on the hope that competition across frontiers would reshape the national economies to fill the dimension of the Common market. True, the need was to break down outworn attitudes, practices, interests and barriers, and for that a fairly heavy weapon was needed. For this 'destructive' process too it was possible to set a timetable. Now, the need is for constructive talents to build up concerted policies to develop industry, technology and society itself to fit the new pattern of

Europe. To do this to a timetable is less easy, above all when given the pace of technological change. Europe must establish its economic, political and social programmes on agreed principles and with precise aims, but at the same time incorporating the ability to amend the aims and the means in the light of developments.

4. The democratic question

Perhaps the most depressing aspect of the present Community system is the lack of popular appeal. The failure to enlist the peoples of the Six is a critical weakness, but it reflects the parallel discontent with governmental structures within the national states. Government from Paris, London or Rome seems remote enough to the average citizen, and as long as the Common Market appears to most Community citizens as an even more remote group of anonymous officials in Brussels, and as long as common policies appear to mean low incomes for farmers, high food prices for consumers, unemployment for miners, or regional decline, then European unification will have little appeal to the average citizen.

A new road forward

Because of the veto right enshrined in the Rome Treaty and its unrelenting exploitation by the Gaullist government to block both enlargement of the Community and its internal integration, little immediate progress can be expected of the present economic Communities. The one veto provokes others and a chain reaction of negativism results. So we must move forward in other fields. Just as British rigidity in 1955 prevented the emergence of a wider European unity emerging then, so French intransigence today threatens both further advance and, through the chain reaction effect, even the full exploitation of what has already been achieved. For these reasons we have no choice but to seek a new road forward to pull Europe out of its morass.

Certain fields of action are wholly or partially blocked by being reserved to the Rome and Paris Treaties. It is right that what exists should be preserved as much as possible, and so we must turn to other fields - foreign policy, defence, cultural relations - and to the monetary and technological fields which are logically though not textually wholly within the Community framework means that little progress will be achieved, and what is achieved will be only partially European - and only partially effective. To try to limit these matters to the existing Communities - assuming that the six could themselves agree on what to do - would inevitably exclude Britain and the Scandinavians; to deal with them in a wider framework need exclude no one, for France will have freedom of choice, whether or not to take part.

The time has now come therefore to build a political Community modelled on the successful aspects of the existing Communities, and one which, when the time is favourable, can be merged with the three existing Communities.

An element essential to this political Community is the supranational principle not adequately entrenched in the Rome and Paris Treaties.

The political community of Europe

To point the way forward in the political field is less easy than in the economic field, for there are no easily discernible 'customs barriers' to break down between the nation states and one is immediately faced with the sort of problems which, after ten years of tariff dismantlement, the Community of Six now faces in more complex fields of economic, financial and industrial policy. For this very reason, it is all the more essential to spell out the aims at the beginning, setting a 10-12 year timetable wherein the basic framework of a politically integrated Europe can be achieved.

The tripartite division of Council, Commission and Parliament (plus, of course, a separated Court of Justice) should be retained, but with significant changes from the present division of powers and functions.

It would be essential that all policies agreed are submitted to democratic control, with all decisions by the Council subject to parliamentary ratification and with parliamentary review also of the administrative decisions delegated to the Commission. Full television and radio coverage of parliamentary sessions should be provided in all member countries, while access for the public, press and broadcasting to parliamentary committees should be guaranteed.

Representative Government

The regional element is essential to a political Community. Throughout Western Europe the increasing centralisation of the nation state is under attack, especially where the states - the United Kingdom, France, Belgium, Italy, - themselves include more than one distinct linguistic or cultural groups.

The answer to the complexity of modern society and government is not to be found in the 'abolition' of government, whether through the simplistic propositions of the anarchic left or of the extreme laissez-faire right. Present circumstances demand, on the one hand, the unification of Europe (and other major world regions) and, on the other, the devolution of much social and economic decision-making to the regions, giving a tripartite Community structure: regional, national and European. What is needed is a radical reappraisal of the structure of the state as it has developed in Europe in the past two hundred years, for existing structures can no longer cope with the demands of our age.

Immediate steps towards the construction of the political community of Europe can only be taken by the national states. Internally, devolution is already under way. Internationally, the proposals put forward should include clearly defined areas in which progress could now take place, in a package to include the development of common policies in the fields of

technology, currency, foreign affairs and defence, on lines elaborated later in this document. It is essential that, from the beginning, a timetable is agreed for the transitional stages towards full competence of its authority in each of its fields of competence, and particularly the stage at which the qualified majority voting rule applies.

Fairly substantial financial resources would, in due course, have to be at the disposal of the new authority to finance the activities of the projected technological community, the European defence organisation, and external trade and aid activities with both Eastern Europe and the under-developed regions of the world.

II A TECHNOLOGICAL COMMUNITY

One field where the Common Market has so far failed completely is in tackling the problems associated with the 'technological gap' between Europe and the U.S.A. There is no longer any doubt that the gap exists and it appears still to be growing despite increased efforts in Western Europe to meet the challenge.

The gap does not seriously affect living standards in Europe. But it results in American control of an increasing proportion of the fastest-growing most advanced branches of industry, and also in the brain-drain - not only to the USA but also to American subsidiaries in Europe. However beneficial some of the immediate economic effects - the import of knowhow, modernisation of management and production methods - the implications for the future are alarming. When Mr. Harold Wilson said Europe would be condemned to an industrial helotry his language may have been colourful but in a twentieth century context not inaccurate.

There are many reasons for this state of affairs. Some, chiefly educational and sociological, e.g. low numbers in higher education, unwillingness to accept change, are undoubtedly extremely important and lie at the root of the matter, but even with immediate action now it is clear that they can only be transformed over a period of many years. Others, more technical, such as methods of diffusion of new techniques and management attitudes in general, are already being tackled, though not often enough at the European level, and much is being learnt and applied.

Size - not as a panacea but as an indispensable part of any solution - is still however the biggest immediate factor. And it is unfortunately the case that despite nearly two decades of endeavour in Europe - and particularly amongst the Six - to remove the claustrophobic effects of national frontiers on industry, the Americans still invariably have the advantage in size. Even where European integration has gone farthest - in enlarging the markets - the Americans retain the advantage, though the merging of the EEC and EFTA would give Europe a market approaching the purchasing power of the U.S. market itself.

Yet the enlargement of the market - Europe's major achievement - is still in practice, and particularly for advanced technology, more apparent than real. This is because 'buy national' policies based largely on public procurement, remain in force almost everywhere.

Equally serious is the fact that the existence of the bigger market in Europe has done little or nothing to stimulate the creation of much larger European companies, equal in size to their American competitors. Once again the Americans have been more successful in crea-

ting single companies which stand astride Europe's myriad fiscal, legal and other frontiers than the Europeans themselves. However, though fiscal and legal barriers deter companies from combining across frontiers, for the large firms in Europe, or those with a key role, the chief obstacle is in reality political. Governments too often actively discourage, sometimes even prevent European mergers and seek national ones instead. Not only is this frequently in conflict with commercial and industrial advantage, it also perpetuates many invisible national frontiers, renders subsequent European mergers more difficult, and results in units which while dominant in a national context, are still too small to face world-wide competition.

The biggest single disparity however is between the size of government support for Research and Development in Europe and United States federal expenditure on Research and Development. Lacking a federal government, Europe of course has no equivalent to this. Not only does the U.S. government contribute a higher proportion (about two-thirds) to total American R and D expenditure than any European government - only France comes near it - but the actual amount provided is well over four times the sum made available for all R. and D. purposes by European governments individually. (U.S. government about \$14 billion out of \$21 billion all sources 1964; W. Europe governments about \$3 billion out of \$6.3 billion) It is worth adding that U.S. government financed R. and D. is far more concentrated on a few sectors - space, nuclear, aviation, electronics; and that far more R. and D. is carried out directly through industry than in Europe where government institutes are common.

ELDO, ESRO, CERN, the Concorde and similar projects are all attempts to face this American dominance; Euratom too, though conceived in a different context. Britain has however now effectively withdrawn from both ELDO's and CERN's future activity, and Italy from ESRO's. Euratom's common research programme is in practice in addition to, not instead of, national programmes and though the Six have spent almost as much (and proportionately more) on civil nuclear research as the U.S.A., the Community has plans to build only one-tenth of the nuclear power capacity currently on order in the U.S.A.

Though the French backed out of the Anglo-French variable geometry plane and both British and French governments wished at different times to abandon the Concorde, Anglo-French aircraft co-operation looks like succeeding with both the Concorde and the Jaguar.

Successes like these are however rare and even they can be no more than holding operations, at best preparations for a permanent association

in the future. Agreements on ad hoc projects or institutions limited to one sector, are hamstrung by the conflicting requirements of keeping costs down while providing sufficient incentive to member countries in the form of contracts for them to wish to continue as members. Always dependent on governments for funds, permanently exposed to the temptations for their members to turn to cheaper American knowhow or material, such joint undertakings are constantly uncertain for their future.

Only a conscious and imaginative effort on a European scale can put our continent back into the technological race. A Technological Pool is required to cover all joint projects and provide the possibility for all member countries to take fair shares out of a larger cake without each needing to participate in all projects. Membership should be permanent, funds should be assured if possible through an independent source of revenue, but at the very least (perhaps initially) by five-year rolling budgets. The Executive should be responsible to a European parliament and its decisions subject to approval by qualified majority vote of members governments.

A Pool of this sort would not be exempt from national rivalries, but the wider scope of the agreement would provide greater possibilities for package deals - source of most progress in the EEC. Freed from the requirement to split every contract into numerous national shares, projects could become more economic.

The Executive could also exploit the Pool to tackle some of the areas hardly touched at present, for example, oceanology where the successful exploitation of vast undersea resources will be directly related to the scale of research and development finance available. It could deliberately encourage the creation of European consortia by refusing to grant major contracts to companies where only one country was represented. It could centralise work on the adoption of common standards - important for computers; stimulate rapid diffusion of new innovations; act as intermediary to bring together prospective partners in different countries.

Lastly, and above all, it could tackle the deep-rooted practice of 'buy national' policies, replacing these by 'buy European' agreements. Joint procurement agreements in which, for example, publicly-owned electricity authorities in Europe would standardise on a very few nuclear reactors developed by common consortia would provide Europe's nuclear construction companies with the strong home base from which to compete on world markets with the Americans. The same is true wherever the government, public authorities or corporations are the main consumer, for example, aircraft and telecommunications and to a lesser extent computers. Orders for a wide range of advanced military equipment should also be co-ordinated in this framework. Once again agreement would be easier in a larger context than if each sector were to be negotiated separately.

III SCIENTIFIC RESEARCH AND HIGHER EDUCATION

No plans for technology can ignore the importance of scientific research. Too often Europe's efforts in this field are fragmented and competitive instead of co-ordinated and complementary. A European Foundation for Science and Education could help co-ordinate research, keep records of current scientific activities, encourage interchange of information and personnel and advise governments on science policy.

Linked to such a foundation a number of specialized institutes should be set up for advance research and teaching, closely in touch with each other and with industry.

As pointed out earlier, the general level of education in society is a key factor in the development and application of new techniques. In this respect Europe is far behind the USA where over 20% of the 20-24 age group obtain first degrees - and far more attend university - compared with 10% or less in most European countries. The European Foundation for Science and Education should be called on to assess the consequences and to underline the urgency for action greatly to increase the numbers in higher education in Europe.

Another function of this Foundation should be to carry out research into education with a view to harmonization of methods and raising of standards and to actively encourage far more exchanges of pupils, students, and staff between schools and universities.

A further field of research for the Foundation in conjunction with the EEC would be the harmonization of trade and professional qualifications.

IV MONETARY POLICY

More than any other continent, Europe depends for its lifeblood on world trade. Taken together, and excluding trade amongst themselves, the Six Common Market countries buy more and sell more to the rest of the world than any other country or group of countries. With Britain and the other would-be members in the EEC, the enlarged group would be far and away the world's most important trading power. Its interest in maintaining world economic and monetary stability would be overriding.

On the one major occasion when the Common Market has acted as a single negotiating unit - in the Kennedy Round - the effect was to make possible one of the most important agreements for the development and consolidation of free and fair trade since the Great Depression of the thirties. The Kennedy Round would never even have been proposed had the EEC not existed: it would probably not have succeeded, and surely not produced so many American concessions if Europe

had not been able to speak for the most part with a strong and united voice.

The Kennedy Round was primarily of benefit to the rich developed countries and the real negotiation on the problems of the developing countries was intended to take place at the UNCTAD conference. But on this occasion the EEC, still less the rest of Europe, failed miserably to speak with one voice. Tragically the opportunity to create a coherent trade and aid policy towards the developing countries was lost. Success here will probably only be possible when the European countries can overcome their rivalries and differences caused by divergent policies in the past.

The contrast between the key role which her wealth and capacities have given Europe and her inability to play this role because of her own divisions is nowhere more striking than in monetary policy. The EEC countries together hold more gold and currency reserves than any country in the world. Yet Europe's nearest equivalent to a common currency is the Euro-Dollar - American dollars held in Europe; and the dollar of course remains the world's major reserve and trading currency.

In recent years almost all the increase in world monetary reserves has come from the dollar. Growing concern at the low level of reserves has led successively to a number of bilateral and multilateral agreements (swaps, etc.) between central banks to make better use of existing reserves, and in 1968 to the adoption of the new Special Drawing Rights system and the new two-tier gold price. These are effectively alternatives to the French proposals for doubling the gold price, and steps towards the abandonment of gold as a source of new liquidity. More recently still, with the Basle agreement between members of the Bank of International Settlements guaranteeing medium-term credit facilities to underwrite sterling, the world's second reserve currency has been blocked at best at its present level and in effect been transformed into a form of international reserve holding.

As a result the world seems to be in what may be a long transitional stage between the gold standard and the development of an internationally controlled reserve unit. With the dollar the only dynamic source of new liquidity, this stage is equivalent to being on a dollar standard. It is a system which is dangerously unbalanced not only because the rest of the world, including Europe with its great dependence on trade and the means of financing it, has less influence than it might wish over the conditions in which new money is created, but also because it weakens the external constraints on US monetary policy and can therefore be harmful for the American economy too.

It is of course feasible to return to gold though this would be a very arbitrary solution. Short of a new international solution, the creation of a European reserve unit leading to a European Monetary Union would seem much

more promising. A common European currency will in any case be necessary when full economic union is achieved in Europe. As a first step towards this, a common reserve fund could be set up, backed by Europe's vast economic potential and its large reserves. The creation of such a fund with its own reserve units - Europas - is not only logical within the context of European economic integration, it would also provide a counterweight to the dollar in the interest of both American and world monetary stability and could become a source of new liquidity and a stimulus to trade.

Action to create a European reserve fund is unlikely amongst the EEC member countries if only because of known differences of opinion on world monetary policy. On the other hand it is not necessary to await enlargement of the EEC to take the first steps. The Basle agreements in which European central banks, though not at present the French, are amongst the most important participants, already provide the basis. The European bankers present medium-term backing for sterling could be transferred into a permanent arrangement as the nucleus for a common fund which would grow as an increasing proportion of reserves of member countries were converted by stages into the new units.

Backed by the collective national reserves and the common fund, the national currencies of member countries would all gain in credit-worthiness. The considerable proportion of world trade financed in sterling - until recently about 25% of all international - might thus be maintained. When national currencies were merged this trade could then be switched without difficulty into the new common currency. Benefits would accrue to the fund member countries from the increased banking activities linked to the operation of a major reserve and trading currency.

The creation of the new reserve unit would need to be followed by common agreement on balance of payments policies because reserves, and hence the new unit, would be used to finance balance of payments deficits. Agreement on a reserve fund could thus become a means of stimulating further economic union providing the indispensable solidarity and common interest in mutual prosperity for the lack of which progress towards economic union is at present so painfully slow.

It would probably not be enough for such a common policy to rely on deflation alone and devaluation would have grave disadvantages both within Europe and world wide. A system of import quotas or surcharges, or exchange control would be in conflict both with EEC and international undertakings.

An alternative policy would provide for three stages in dealing with a balance of payments deficit. In the short run, a policy of deflation should first be tried. If after, say, six months the problem is not resolved, the next step should be a fiscal one relating directly to external trade and

payments. This would take the form of an export subsidy combined with an import surcharge at a uniform rate across the whole external trade of a deficit country. A surplus country would similarly undertake to apply import subsidies and export taxes.

Only if after a number of years these measures fail to correct the imbalance, would devaluation or revaluation of a national currency be adopted by agreement.

The proposed fiscal measures have obvious advantages. By being general, across the board, they would cause little economic distortion and be easily administered. As they would act equally on exports and imports, they would have little effect on the general level of international trade. In terms of practical politics, they might well become internationally acceptable.

Already Britain has resorted to import surcharges and export subsidies; America has expressed a desire to impose an import surcharge to deal with her balance of payments deficit; and France has now applied export subsidies together with import quotas. These substantial precedents indicate that wide agreement for the introduction of such a system might be secured.

V EUROPE - DETENTE AND DEFENCE

The Soviet occupation of Czechoslovakia, unlike the previous acts of Soviet repression, is a frightened reaction by her present rulers to the crumbling of unity and the passing of the monolithic solidarity of the communist world. Temporarily this will delay the growing detente between East and West, but account will soon have to be taken of the rifts and changes affecting existing alliances.

Two significant developments in international affairs have started to undermine the relative stability of the post-war division of the world between the two dominant super-powers and their respective spheres of influence.

The first is that overwhelming military power and possession of nuclear weapons no longer guarantees unquestioning compliance by smaller nations subjected to pressure by the super powers. The American failure to "win" the war in Vietnam, and the growing resentment of eastern-European satellites against the continuing Soviet domination are introducing instability into the rigid structure of the two-power blocks.

The second development, even more far-reaching in its likely consequences, is that the present organisation of the nation states is being increasingly questioned by the mass of ordinary citizens. In eastern Europe the Yugoslav experiment with the decentralisation of state power, the Rumanian assertion of national self-determination, and the Czechoslovak efforts at liberalisation, are all responses to growing pressure by the population for greater control

of their own affairs, and a more ~~critical~~ attitude about their hitherto rigid and doctrinaire social and economic systems.

In the west, disillusionment with traditional party politics and a growing questioning of the way our societies are governed, have been highlighted by the growing student unrest, by the May crisis in France and growth of separatist sentiments throughout Europe. Whilst these events have been symptoms of a malaise of modern society, its cure is not yet obvious, nor has any coherence emerged in the many remedies which are being suggested. For relations between European countries, both of these developments could, however, have profound effects and permit hitherto unexpected changes.

The division of Germany, has been the primary cause of tension in our continent since the end of the war. In spite of the passage of time, the fear of a "revanchist" Germany is still one which dominates the foreign policies of the eastern block. In the west, the German Federal Republic has been fully accepted as an equal partner in the Western Alliance particularly as successive German Governments have shown a willingness to subordinate national self-determination to the concept of a western European union. German statesmen recognize that reunification of their country is not practical politics, except in the context of a united Europe, within which none of the member countries assumes a dominant role. Thus Eastern European fears would be allayed and progress made towards the ultimate goal of reunification.

It is for these reasons, that an independent but neutral Germany would not be acceptable either in the east or the west. Whilst such a Germany would pose no military threat, the economic potential of a united Germany would soon make her the most powerful state in Europe.

Arising from this, and the slow but definite loosening of ties between eastern European countries and Russia, a common strategy for a detente between the two halves of Europe suggests itself. In the first place, to allay fears amongst Communist countries, there needs to be an explicit declaration by the western European allies of non-interference in the affairs of all their eastern European neighbours, and acceptance of their systems of government. This should lead to the official recognition of eastern Germany by the West. Indeed, the ostracism of the DDR may well have impeded liberalisation of the "Stalinist" complexion of its government.

Closer trade relations

Secondly, the limited and discriminatory trade relations should give way to a deliberate policy of the closest and most diversified commercial relations between the whole of eastern and western Europe. Because of the relative economic backwardness of the communist countries, and with the view to maximising trade relations, western Europe should seriously consider

the negotiation of long-term loans and credits for joint projects in the communist countries on commercial terms. Coupled with this, a massive programme of mutual exchanges of technical and professional personnel would lead to the cross-fertilisation of practices and know-how, and consequently to a harmonisation of industrial standards and techniques.

The significant fact about the capitalist and communist systems is that their respective organisations are undergoing changes which are bringing them closer together. The rigid central planning of economic activities in communist countries is giving way to a greater freedom of individual enterprises to compete with each other, and their success is now measured by profitability based on criteria of the free market economy. In the west, economic planning has not only come to stay, but its sophisticated developments are increasingly encroaching upon the free play of market forces.

It is therefore not inconceivable that, apart from the political differences between the two systems, the economic organisation of the two societies will in time grow very much more alike. Intensified trade and financial relations together with a massive interchange of know-how is bound therefore to speed up this process and reduce the present divisions.

A new look at defence

In its train, this raises the issue of the defence policies of the western alliance. We cannot indefinitely count on an American military presence in Europe. There is growing American pressure for Western Europe to assume greater responsibility for her own defence in conventional armaments, and indeed for the NATO alliance to evolve into a more equal partnership between a unified European command structure on the one hand and the American forces in Europe on the other.

Looking further ahead we must recognise that as long as American troops remain in Europe, the Russian military presence in eastern Europe is inevitable. It is possible, however, that given mutual defence guarantees by the two super powers their physical presence in Europe could in due time, be dispensed with. In the case of Russia, the additional security would lie in the declaration of non-interference with eastern European systems referred to above. The fear of western Germany's independent military potential could be allayed by the resurrection of the European Defence Community, which would fully absorb national contingents within the merged western European defence forces.

The stumbling block, however, would be the tactical nuclear capability now enjoyed by both Britain and France. There is no sign that Russia would be willing to entrust nuclear weapons to her European allies. The only

solution is the declaration and mutual inspection of a progressively enlarging nuclear-free zone in Europe, which might ultimately mean the renunciation of nuclear weapons by both France and Britain in return for complete Soviet withdrawal from eastern Europe, and mutual nuclear guarantees to Europe by the two super powers.

In the meantime, however, a definite start can be made by creating a western European defence organisation with a common defence staff in control of all national forces. One of its first tasks would be to set up a defence equipment procurement agency. The role of the organisation would be two-fold: firstly, even without an American military presence, to give western Europe a viable conventional deterrent against a Soviet military threat to any one member state; secondly, to give all Europe a guarantee against the unilateral use of force by any one member state against any of its neighbours, inside or outside the organisation.

A number of practical measures might be adopted to allay fears of the eastern European countries. These could include the appointment of official eastern European observers, attached to the organisation, and their presence at military manoeuvres.

The time is now ripe for the whole of western Europe to re-examine their national foreign and defence policies in the light of their common European security interests. The foregoing analysis suggests that their objectives in Europe are similar, and that a common policy of detente, friendship and cooperation with eastern Europe, might in the long run provide the basis for the reunification of the whole of our continent from the Atlantic to the Russian border.

VI A WORLD ROLE FOR EUROPE

For the first time for centuries Europe has ceased to be the spear-head for progress and the centre from which innovation, culture and modern civilisation had spread to the rest of the world. Since the last war, world leadership has passed into American and Soviet hands, whilst Europe, sapped of vitality, following two internecine wars, has become the periphery of the two super powers facing each other across a border crudely drawn through the middle of our continent.

The rivalry and polarisation of power has tended to accentuate political and economic differences between the two blocks and forced the majority of smaller countries to choose and align themselves with either America or the Soviet union. This development has taken a particularly acute form in Europe where deviation from unquestioning allegiance is regarded as *casus belli* by the protecting power. Thus Soviet suppression of Czech independence is matched by American support of the totalitarian regime in Greece, and their respective actions are justified by

over-riding strategic considerations.

The effect of these developments has been that major decisions on questions of war and peace have become the exclusive concern of the super powers, and even the United Nations has become completely ineffective and impotent except when backed jointly by the Soviet Union and America. The last time this happened was when the two powers combined to stop the Anglo-French adventure in Egypt in 1956. Thus although vitally concerned Europe has had no say over such issues as the Middle East, Cuba, or Vietnam, or indeed the whole question of nuclear rivalry and disarmament. At the same time however we are obliged to spend vast proportions of our national incomes on defending our respective satellite status quo.

It is true that individual European countries have made efforts to detach themselves from positions of subservience, and both France and Yugoslavia have striven to develop independent foreign policies. It must surely be clear, however, that neither nation has the power or resources to stand alone and exert any significant influence on the future development of world affairs. Their policies of non-alignment have also had little effect in separating or lessening the military confrontation of the super powers.

As long as Europe remains balkanised and divided with each individual country ineffectively trying to assert its national sovereignty and independence in its external relations, we will continue to remain impotent. By failing to accept a common European responsibility for defence and a Western technology, our future economic and political development will continue to be determined in Washington and Moscow.

Should we however choose to combine our vast economic resources and try to evolve a common foreign policy, we could change the balance of power in the world and regain an effective role for our continent. The aim within Europe must be to overcome the divisions between east and west and pursue a positive policy of détente leading to ever closer relations between Eastern and Western European countries. A European foreign policy should be directed at building a bridge between the two opposing super powers, and, by separating them, lessen the dangers of the existing military confrontation. The policy of détente does, of course, imply a corresponding reduction of armaments between Eastern and Western Europe. It would therefore conflict with the idea of building up an independent military potential and prevent Western Europe from evolving into another nuclear super power. Our combined strength and world influence would, however, find expression through the mobilisation and use of our common economic potential.

Indeed the disproportionate expenditure on defence has meant that in-

adequate resources have been made available for dealing with the real problems of the world, those of hunger, poverty and ignorance. The greatest danger to our peace and prosperity is the growing gap between advanced industrial countries and the underdeveloped regions of the world. Whilst the rich nations have been spending anything between 5% and 10% of their national incomes on defence, hardly more than one% has been devoted by them to combating starvation and misery in the rest of the world.

As the continent most dependent on external trade Europe has a unique incentive to reverse this trend. Our own economic prosperity will in the long run depend upon raising living standards in the rest of the world, and creating enlarged markets for trade. To achieve this requires a massive and co-ordinated programme of trade and assistance well beyond present levels to narrow the existing prosperity gap.

Hitherto, trade, investment, grant and loan policies to the third world by European countries have been dictated by national economic and defence considerations and have concentrated on their colonial territories. Whilst an ever increasing number of countries have been trying to conclude treaties of association or trade agreements with the EEC, years pass without progress. Even before the EEC is enlarged, Britain and the other applicant countries should get together with the Six and try and develop a joint policy based on a common aid budget, and a technical assistance programme. These should be coupled with commodity agreements and access for underdeveloped countries to adequate capital resources. Combined European resources would mean that this aid need not be confined merely to former colonial territories but could indeed be spread throughout the world. European trading interests are world wide and by allocating the resources in Africa, Asia and South America, we would reduce the dependence of the underdeveloped countries in those continents upon assistance from any one super-power, and in this way avoid the dangers of economic imperialism.

A united Europe whose members had come together through free and peaceful negotiation to create a new community of peoples for their own common good would not only provide a new point of equilibrium in world politics but also an example. It is not only in Europe that the problems of balkanisation and national wishes depress living standards and impede social and cultural development, and the lessons learnt in the long process of European integration, as well as the proof that it could succeed, would be of great use and encouragement to many divided regions of the world.

A common European foreign policy can thus be seen as a major factor in reducing world tensions. Within Europe the aim is to end the military confrontation of the super powers, and outside our continent to provide

a counter balance to Soviet and American competition for the economic domination of the underdeveloped world.

VII WHAT SHOULD BE DONE NOW

The economic Communities, for all their inherent limitations and their present stagnation, must be preserved. Their achievements have been great, if less than was hoped. But so long as the French veto on enlargement and integration remains, it is essential those Western European countries that are willing to do so should press forward their integration, in the following fields:

1. Technology and science
2. Cultural and educational exchanges
3. Monetary policy
4. Foreign policy
5. Defence
6. Overseas development

Mere inter-governmental cooperation and consultation is not enough, however, and appropriate institutions to undertake action in these fields must be set up. However, they must be designed with a view to their merger with the institutional framework of the existing Communities as soon as political circumstances are favourable.

THE INSTITUTIONS

The established Community division of powers between an Executive (the Commission), responsible for initiating and drawing up policy, as well as implementing it after its acceptance by a Council, together with the element of democratic control by the Parliament and of judicial control by the Court, has served well. But certain weaknesses, notably the persistence of the veto right and the absence of effective democratic control, must be remedied.

As it seems unlikely that the political Community could be merged with the existing Communities at once, it would be necessary to set up parallel institutions in Brussels for the new Community, with as much common membership with the existing Community institutions as possible. By ensuring that the new Community's institutions are more effective than those of the Executive Committee's, the latter could themselves gain greater dynamism.

COUNCIL

There appears to be no reason to suppose that the members of the exist-

ing Commission would be ineligible for the membership of the political Commission because of their obligations under the Rome and Paris Treaties. Initially at least, the political Commission could be smaller than the existing Commission, and its functions would be less concerned with detailed policy-making and administration. It should therefore be possible for some members of the existing Commission to serve also on the political Commission, the appointment of all of whose members should be subject to individual approval by the Assembly.

PARLIAMENT

As with the Council, there should be no difficulty in establishing a "political" Assembly whose members from the Six should be the members of the European Parliament. (If any member country of the economic Communities does not join the political Community its members of the European Parliament could be non-voting participators in the political Assembly). Moreover, just as the Consultative Assembly of the Council of Europe and the European Parliament hold joint meetings, so could the latter and the "political" Assembly unite at least three times a year.

Including, say, 36 representatives from the UK and eight each from Norway, Denmark and Ireland (with representation from other countries as necessary), the political Assembly would have some 200 members (assuming French participation).

The commitment to early direct elections and the greater power of the parliamentarians over the affairs of the political Community, especially in budgetary matters would do a great deal to improve the effectiveness of the European Parliament itself. Pending direct elections, the inclusion of all political groups represented in the national parliaments would enhance the value of the Assembly, while its greater effectiveness would ensure that the national parliaments delegates would be capable spokesmen to the Assembly. When the political and economic Committees are merged, a Senate of regional representatives should be elected.

COURT

As the political Community would lack the degree of administrative implementation of the economic Communities, the full panoply of a separate court would be unnecessary. However, a judicial committee to settle matters of legal interpretation of the political treaty would be advisable.

FINANCE

The effectiveness of the political Community will be measured by its manner of financing and the way in which its expenditure is undertaken.

If each member state were to contribute, for an initial five-year period, one half of one per cent of the value of its gross national product (or the value of the equivalent yield from the added - value tax), the political Community of the Six plus the Four would have an annual budget of some \$ 2,400 million, or the same as the Six themselves are spending in 1968-69 on their common agricultural policy. This sum would probably be adequate for each of the initial five years to finance the joint activities undertaken by the political Community: financing the institutions, joint weapon and military equipment development, technological research and the financing of projects, their joint overseas aid programme, youth exchanges, etc.

Supervision of the budget and expenditure could be shared between the Council, Commission and Assembly. The rest of the Community's expenditures would be on technology, where in both bilateral and integrated programmes undertaken to date, too many projects have been started and contracts awarded on political rather than economic grounds. While the principle of the "fair return" is one recognized in both national and international political life, it should be possible to devise a system whereby projects are agreed and contracts awarded mainly on technological grounds. All information regarding decisions about projects and contracts should be made available to the Assembly, which should have the power to subpoena ministers, Commissioners and independent witnesses to its Committees. By these means it might be possible to combine Community financing with efficiency in execution of projects.

CONCLUSION

Regrettably, further progress towards European unity seems unlikely at present within the framework of the existing treaties. Without sacrificing any of the progress already achieved within the EEC, or prejudicing its own development, a new and major initiative is now necessary in the political field. The proposal to create a European Political Community alongside the existing EEC seems to offer the best hope of achieving a breakthrough towards our ultimate objective. If the new Community has an inbuilt timetable for its activities, progress towards union might well become faster than that of the EEC. By creating a new focus of power within our continent it

would have a powerful impact upon the EEC by its example, and would encourage faster progress towards Economic union and the merger of the two Communities.

Success would rekindle the European spirit and capture the imagination, particularly of young Europeans with a vision of a United Europe, and the fulfillment of a dream worth working and fighting for.

Our next step therefore must be to persuade European Governments to convene a second Messina conference to negotiate a new Treaty guiding us further on the road towards European union.