CHAPTER III

THE EUROPEAN ECONOMIC COMMUNITY.

The Common Market: In an age of growing interdependence among nations, when there is an urgent need to develop new institutions to accommodate that interdependence, Europe's experiment known as the Common Market (formally called the European Economic Community) is being closely watched. The Common Market's nine members today constitute the world's largest single trading bloc. By 1980 it was expected to form into a single political, social, economic, and monetary union, the European Community. The Common Market was founded in 1958. In 1963, a year and a half ahead of schedule, it completed the formation of a customs union. Industrial goods and most farm produce moved freely among the six founding members, and goods imported from non-member countries were subject to a common tariff. Five years later, three new members joined the community, but that year witnessed a crisis (1973). There was inflation, payments deficits, monetary instability, and even the danger of insolvency. The crisis is now over though recession lingers on. The Common Market will serve as an example of how to institutionalize interdependence. It now serves as a model for many other regions. Its achievement was a great success in all spheres of activities. The principal inspiration of the E.E.C was political. A handful of leaders were determined that the nations of Western Europe should never again fall back into conflict; and the economic union was to be the means of securing this aim. Their vision, their persistence and their skill have ensured that the establishment of the Community is one of the major events in the history of modern world.
The origin had its roots in the O.E.C. and the N.A.T.O. The O.E.C. set up in 1948 was to channel Marshall Aid, and the N.A.T.O. set up in 1949 was primarily aimed at military defence. The Benelux paved the way for the Common Market and the experience gained by the O.E.C. proved valuable. The E.E.C. was born along with the O.E.C. Of course Western Europe was divided between the E.E.C. and the E.E.T.A., though three from the latter joined the former later to bring the six to nine. Some countries of the region remained neutral. Of all persons, the individuality of De Gaulle of France remained unique. The E.E.C., the O.E.C. and the E.E.T.A. were merged in 1965, and this fusion became a reality with the establishment of a combined executive in 1967. Measures of integration already determined, went ahead as planned. Internal tariffs were abolished ahead of schedule and proposals for political union were carried out with determination. France proved a paradox to the situation by being an opponent of the moves though a keen advocate earlier. There were always differences between France and the others on almost all matters and yet things went through as planned. The smallest countries were given weightage in all the institutions, which was a courteous and inexpensive gesture to the susceptibilities of the smaller nations by the larger ones. Differences seldom arose vertically, and majority decision-taking was never enforced in practice against the grim convictions of any member. This is still a long way away and may never be realised. The Rome Treaty of 1957 provided for the establishment of a Council, a Commission, an Assembly, an Economic and Social Committee, a Court of Justice, and several Instruments for implementation. The European Social Fund and the European Investment Bank were created. The entry of the U.K. into the E.E.C. was a high drama
in itself. Agriculture, transport, energy, industry, regional and social policies and medium and macro-policies, received special attention. These policies were carried out through the Community's Budget by contributions.

The Purposes of Integration: Although the inspiration for European integration was political the means chosen were economic. It was thought that economic union would itself make for political unity. But total unification of economic policies was not laid down in the Treaty of Rome. Yet the Treaty has purposes of unlimited ambit to be followed through measures of wide but limited scope. The Treaty is, therefore, a practical as well as a visionary document. The eight purposes mentioned in the Treaty are: 1. Establish the foundations of an ever-closer union among the European peoples; 2. Ensure economic and social progress of their countries by eliminating the barriers which divide Europe; 3. Aim at constant improvement of the standards of living and working conditions; 4. Act together to achieve steady expansion balanced trade and fair competition; 5. By strengthening the unity of their economies ensure harmonious development of the various regions and backward areas; 6. By means of a common commercial policy aim at the abolition of restrictions in international trade; 7. Strengthen the links binding Europe and overseas countries; and 8. By the establishment of this combination of resources they are resolved to strengthen the safeguards of peace and liberty and call on others in Europe to join them in this. There is thus both management as well as liberalisation of the economy.

1. Economic Integration: Bracwell-Hilnes.
The Measures Specified: The Treaty specifies the principal measures by which these aims are to be attained. They include: a) the elimination, as between member states, of customs duties and of quantitative restrictions in regard to the import and export of goods, as well as of all other measures having equivalent effect; b) the establishment of a common customs tariff and of a common commercial policy towards third countries; c) the abolition, as between member states, of obstacles to the free movement of persons, services and capital; d) the inauguration of a common policy in the field of agriculture, e) the inauguration of a common policy in the field of transport, f) the establishment of a system ensuring that competition in the Common Market is not distorted; g) the adoption of procedures permitting the coordination of the economic policies of member states and the correction of instability in their balance of payments; and h) the approximation of their respective national laws to the extent required for the Common Market to function in an orderly manner. The purposes of the treaty are so broad in their scope that in the interest of consistency the member states need to coordinate the other major areas of economic policy as well as those specified in the Treaty of Rome.

There are two cardinal principles to guide the members: the avoidance of nationalism and the avoidance of discrimination, both combined under equality of treatment. Also, community patriotism has been developed in their external policies. At the same time unemployed workers and less-developed regions have received special treatment for political reasons. The underlying principles are the acceptance of accelerated growth and the exploitation of increasing

2. Economic Integration: Braccewell-Gilnes.
returns to scale and decreasing unit costs. Welfare distribution and trade diversion find no mention, because Smith and Ricardo were considered more relevant to the formation of a common market, while subsequent offerings are only more qualifications and refinements. The essential doctrine is that there is a general presumption in favour of customs unions and other forms of economic integration. Economic integration is more likely to cause gain than loss within countries as between them; a priori, any country or any individual is less likely to lose from the formation of an economic union than to gain. The E.E.C. tariff is lower than that of others, aid and investment to developing countries and imports from developing countries were larger (in 1963) than for the U.S. or U.K. and Japan combined. Thus empirical evidence supports the benefit of customs unions as illustrated by the E.E.C. Growth rate has been higher after integration than before its formation, though there is no guarantee that high growth rates will endure. But inflation and labour unrest have caused a setback. In the matter of "a harmonious development of economic activities" (neutrality) the E.E.C had achieved by the beginning of the seventies an impressive measure of coordination. It was in the coordination of their domestic economic policies (conjunctural management) that inconsistencies continued to exist and the E.E.C had farthest to go. And in the matter of raising the standard of living a very satisfactory rate of growth was achieved, but it must be pointed out that the lack of economic and monetary union had impaired the policy of agricultural parities and highlighted the dilemma of partial integration.

The E.E.C as Customs Union: The tariff and quota polity of the E.E.C is based upon the creation of a customs union. Present

understanding of the theoretical implication of such arrangements is based on the pioneer study of the subject by Professor Jacob Viner. The issues were subsequently developed by Professor James Meade and others. Meade's basic theoretical formulation may be summed up as follows. In assessing the effects of a customs union we have to take into account that it can shift production away from the lowest cost producer to a higher cost member of the union. Such trade diversion is a departure from a previously more rational pattern of resource allocation. On the other hand, the creation of the union can shift production away from a less efficient to a more efficient member of the union and such trade creation represents a shift towards a more economic pattern of resource allocation. As a first approximation, therefore we can conclude that whether or not a customs union is beneficial depends on the balance of these two effects. This balancing is, however, based upon a number of simplifying assumptions. The first is that the demand for the goods in question is totally inelastic. The second assumption is that supply curves are infinitely elastic. Gains and losses would differ once these assumptions are absent. It follows from all this that a union can have both advantageous and disadvantageous effects. Whether it is beneficial or not depends on the balance of the effects of trade creation and diversion. The static analysis of customs unions does not of itself provide a basis for categorically commending or rejecting them. Whether they are good or bad depends upon the particular circumstances. But some generalisations do emerge although it must be admitted that there is no substitute for measurement in deciding the actual results of a union. First, a customs union is more likely to be advantageous on balance if the economics of the partners are actually very competitive but are potentially complementary. Second, a customs union is more likely to increase
economic welfare the higher the initial duties on imports from partners. Third, the production effects of a customs union will be the more advantageous the lower its tariff against the outside world. Fourth, a union is more likely to raise welfare the greater the proportion of world production, consumption and trade covered by it. The larger the union becomes the greater the probability that trade creation will outweigh trade diversion. (Predictions based on economic models reveal that the benefits of Western European Customs Unions are not great, and that the gains are very small indeed.)

We may therefore legitimately ask why so much emphasis is placed on the creation of customs unions. The answer is partly political, in that the process of economic integration prepares the ground for political unification. But the other reason is that this kind of analysis ignores many of the other advantages which can accrue to the participants. First, a larger market gives rise to opportunities for the fuller exploitation of economies of large-scale production. Second, the intensity of competition may increase as a result of the formation of a union. For example, industrial structures undergo a change. Third, such an arrangement is likely to enable the members to extract better terms, when they bargain together, from international negotiations.

The internal tariffs and quotas of the E.E.C were abolished and eliminated rather easily as there was reciprocity. Neither did it lead to any contraction or closing down of some enterprises because of competition. But it is likely that the more efficient ones had a greater share of the development. Mergers occurred in order to obtain the economies of large-scale production and to eliminate
excess capacity. Intra-regional trade expanded very fast. (The rate of increase doubled within a decade.) Trade also increased 50 per cent more than it would have without the union. These benefits are important and considerable.

Non-Tariff Barriers: Progress in the field of N.T.B. has been variable. Anti-trust policy has been quite successful. An impressive administrative machine has been set in motion. The pessimists have been confounded. No cartel or practice involving significant control of the market has yet found favour with the Commission. It has prevented mergers. But the staff is inadequate to carry out the competition policy.

In the field of taxation there are signs of some progress; the common form of T.V.A. has been introduced but the formidable task of harmonising the rates remains. There is still much to be done in the field of excise duties and the harmonisation of corporation tax is still at the discussion stage.

In the case of state aids the picture is reasonably promising. The main weakness was the escalation of regional aids, but the commission believes its 1971 decision to put a ceiling on such assistance marks a real turning point—it may well be right. Sectoral aids have been more successfully contained and export aids have in the main been suppressed.

The harmonisation of technical and official standards poses quite a problem simply because the administrative task is enormous. The amount of work involved partly arises from the process of consultation with producer and consumer. Then there is the need to go through the whole Community process in the interests of democracy. It will take a long time to accomplish.
In the field of public purchasing we have clear signs of progress in public works contracting but as yet nothing has finally been decided in respect of public procurement. It is necessary to add that it is not easy to legislate discrimination away. In the case of state monopolies we can only report limited progress.

Factor Movements: The Community is more than a customs union. It is referred to as a Common Market and the latter technical term implies that the free movement of factors of production—labour, capital and enterprise—exists alongside the customs union. This is in fact the case in the E.E.C., but even this term is inadequate to convey the decisions of the Rome Treaty. The latter calls for common policies in agriculture and transport and harmonisation policies in fiscal and other fields. These make it in fact an economic union. The Hague decision of 1969 intends this—to form an economic and monetary union. But this was delayed, and this affected agriculture, especially prices and incomes. Over 90 per cent of the Common Market Budget was devoted to supporting the agricultural policy of the E.E.C. Its share was falling rapidly during the early seventies. There was confusion as to whether economic integration or monetary integration should take precedence, but the monetary crisis meant that it overtook them all. This upset all calculations regarding agricultural parties were affected by currency and fluctuations. The Commission wished for a permanent currency relationship in order to dispense with internal taxes and subsidies. This affected Germany most as she had to revalue her currency which affected her farmers' incomes. Hence Germany insisted on economic and monetary union to maintain the C.A.P. in its original form. Germany and the Commission differed only on the matter of tactics before this union was to be achieved by 1980. The CAP thus had economic objections and politi
difficulties. The budget also provided for regional development and social policy, but they are now subject to a ceiling.

**Macro-Economic Policy:** It has two phases, one before 1969 and another after that. The earlier period was governed by the principle of interdependence and coordination and the later by the desire for economic and monetary union. The national economies became increasingly dependent on one another. This increased interdependence and sensitivity required that there should be some coordination and rules governing the way in which member States controlled their levels of activity and in particular the way in which they dealt with balance of payments problems. As within a country, so within a region a uniformity of policy had to be maintained. Inflation, deflation, anti-slump policies, interest rates, exchange rates, etc., are sensitive instruments of policy. The desire to achieve economic and monetary union was underlined in a memorandum prepared by the Council of Ministers in 1969. This called for the strengthening of the coordination of (a) short-term and (b) medium-term economic policies and the institution of (c) short-term and (d) medium-term monetary-aid schemes. This led to the Hague Summit agreements which replaced coordination by union. But the world economic scene and uncertainties about U.K. membership and the continued recession stalled further progress towards integration into an economic and monetary union. Added to these were the differences in thinking on the subject as to which should be the precursor and what tactics should be adopted. Several plans vied with one another for general acceptance. The Werner Plan succeeded finally, but as mentioned earlier, none became effective because of the international situation. The moves got bogged down in the morass of international financial and currency crises.
Problems of the Union: Whatever the motives, the coordination of national economic policies had to face some problems. Little progress was achieved in coordination, and few concrete measures were adopted beyond the recommendations of a very general nature. What are the difficulties? 1. Different rates of inflation in the member States. 2. Foreign trade structures biased towards the rest of the world with differing exchange rate policy. 3. The E.M.U. has been the victim of an extremely unsettled international monetary system. 4. The political feasibility of the E.M.U. proposal as an ultimate state of affairs. Are the member States really willing to give up sovereignty on the scale required, e.g. France? This was to be a part of the first stage of the plan for coordination. The second stage of Action Programme was to be the medium-term policy which followed the first stage of the transition period. This appeared to threaten the free-market system though it repeated the philosophy of competition. This was done in the name of programming. Dr. Erhard objected to this proposal and criticised it. This was ruled out and the French model of planning in influencing the private sector was accepted. This conformed to the policies and intentions of the Treaty. The medium-term policy of programming came to fruition despite objections and misgivings. This required the production of projections of economic growth, and was in charge of another body. Industrial policy is perhaps the least developed area of Community activity. There is no call for a common industrial policy in the Treaty, but there are several provisions scattered through the Treaty which relate to industrial policy on which the Commission based a number of policy proposals. These relate to such matters as wide competition in public works contracting and public procurement generally, the harmonisation of technical and official standards and the encouragement to joint activity.
THREE VIEWS ON EUROPEAN INTEGRATION

Positive and Negative Integration: Before examining the three views held regarding European Integration it would be useful to distinguish between positive and negative integration.

Negative Integration = Common Market.

Negative and Positive Integration = Economic Union.

It is possible that positive integration will be undertaken by a group of countries without complete negative integration and this may indeed, in an age when regional policies are prevalent become the normal form of economic integration. The discrimination in favour of regions may take any form - 'non-tariff barriers' or import and exchange controls. A common market is a far lesser thing than an economic union, and without economic union it will prove to be unviable. (Economic policies are required to stabilise prices and balance of payments, to secure both full employment and rapid economic growth, and to aim at a number of other objectives designed to maximise welfare and in circumstances where the removal of instruments for acting unilaterally on the balance of payments reduces the possibility for the government of each member country to attain these objectives by means of its own policies.)

The E.E.C. having for good reasons made negative integration effective, will have to adopt positive integration policies or seriously water down the C.E. that has been achieved. In fact the only major achievements have been in the field of agricultural

4. European Integration: Michael Hodges, Chapters 7, 8, and 9. (Penguin)
policy and Kennedy Round. There is no political integration without economic integration, and no economic integration without political desire and decision; even though there was no need to spillover from economic to political integration. The question is if positive economic integration cannot take place without federal powers. Could it not be achieved by something intermediate between national authority and a federal authority in order to coordinate and enforce common economic policies. Of course nations could not be expected to act in the interest of all by themselves.

1. The Case for Economic Union: The major achievements of the E.C. were five: (a) the establishment of the Customs Union; (b) the creation of the agricultural common market; (c) the successful negotiation of the Kennedy Round; (d) the cartel policy; and (e) the uniform system of tax on value added (TVA). Thus in practice as much as in the letter of the Treaty of Rome, the emphasis was on negative rather than on positive integration. Though the achievement cannot be belittled on the negative side, it is incomplete without progress in the field of positive integration, resulting in the creation of a full economic union. There are many problems of common concern: 1. Industrial policies. 2. Science and technology policies. 3. Investment policy. 4. Transport policy. 5. Sectoral policies. 6. Aid policies. 7. External policies. 8. Balance of payments policies. These are important for the survival of the Common Market. This implies a high degree of positive integration. Pure removal of discrimination (negative integration) is not enough. Economic union must be based on a positive policy covering many elements of economic aspects. The medium-term Economic Policy Programme was a compromise reached between France and Germany. This gave time to consider long-term
policies. Without positive integration negative integration is unsatisfactory. The Common Market is bent on achieving it. Agricultural policy and Kennedy Round were the only positive achievements.

2. The Case for the Common Market: (a) The Common Market can operate to produce major economic gains without moving from customs union to political union. (b) The benefits of economic integration in the Common Market have been equitably spread among the member units, thus avoiding to a considerable extent a series of 'disturbing crises' that might well have aided the spillover process. Specialisation and economies of scale and competition and investment have been achieved on a considerable scale. The countries are advanced and equal. Growth in all spheres was phenomenal. Its success gave prolonged and enhanced prosperity. Not much of supranational jurisdiction was necessary. An inter-governmental approach was sufficient to ensure satisfactory operation. The 'hidden hand' of market mechanism coordinated and directed all policies. A political decision was not necessary for economic results. There is too much functional integration in the E.E.C. out of proportion to need when mere coordination by sovereign States was enough to produce sizable gains.

3. The Case for a Reappraisal: The proponents of this view stress that a customs union may affect productive efficiency through the exploitation of economies of scale, increased competition and faster economic growth. When these are taken into account, the qualitative effects of customs unions become enormous, according to them. But the possibilities are unlikely. The gains from trade are either already being reaped or, if not, their exploitation is not conditional upon duty-free imports, but on closer contact and better
knowledge of foreign markets on the part of business. This view is supported also by the experience of regional liberalisation of trade inside the Common Market, which has not led to the close-down of industries or to an increased rate of bankruptcies. Other factors explain the situation.

5. Modern Theories of International Economic Relations; Frankin (Moscow) 1969.

The E.E.C. Pros and Cons: The literature on European integration is very vast. It had sent people into extreme emotionalism. Even the economists failed to hide their feelings. The main motive was political, and economic justification was sought to elevate it to the realm of reason. Almost all writers made a final plea on the grounds of political unit. Since we are concerned about the economics of it we shall analyse it from that point of view. The countries of Western Europe wanted to form themselves into a "third force" and be in a position to compete with the U.S. and the U.S.S.R. who were on either side of them. How far they gained is problematical and needs reappraisal, but in the process they had damaged the rest of the world in primary products, agriculture, industry and trade, besides creating tension, cold war, an arms race and a military build-up through the N.A.T.O. They wanted peace and prosperity for themselves, but denied it to others. It was like a sword that cuts both ways. They were merely in "Atlantic solidarity" and "Nato unity", and in containing communism in East Europe.

The E.E.C. is governed by a supra-national organisation, and Attlee on behalf of the U.K. rejected in strong terms the offer to join it because of the loss of sovereignty it would involve.
by permitting the body to decide the fate of nations. The body would consist of individuals who had no representative character from the people except that they were experts and belonged to the civil service. Moreover, the economic ideology of the nations contained a spectrum of views. Germany and France never agreed on any issue though de Gaulle tried to sway over all decisions and Germany gave in each time. It was evident that there was constant conflict between the "liberal" and "dirigist" conceptions of West European integration, but the irony of the situation was that France, which all through insisted on institutional arrangements, was the most reluctant to forge political unity and dragged her feet when it came to it. France was again responsible for the agricultural policy of the E.E.C. for political reasons. This went against economic theory and was a white elephant of the union and swallowed 30 per cent of the budget of the E.E.C. This hit the U.S. agriculturists and those of Latin America and the British Commonwealth. The U.S. manufactures were also affected, but the U.K., which raised objections elsewhere whenever the pure theory of international trade and practice was violated, kept silent and winked at the E.E.C. discrimination because of political necessities. The agricultural policy, hailed as the greatest achievement of the E.E.C. was the least to conform to theory and the most to damage the outside world, and thus earned the opprobrium of other nations. In fact the seventies questioned the agricultural policy of the E.E.C. and shattered agricultural parity and created the dilemma of partial integration because of the economic and monetary crises which prevented the E.M.U. coming into fruition. German peasants were affected by currency revaluation. The main link in the chain of the E.E.C. is thus in jeopardy while it has not been able to restore confidence to the rest of the world. The U.K. is now
reluctant to foot the bill for agriculture in the budget and this has created a crisis in the E.E.C., with France pointing the finger of accusation against the U.K. In fact the agricultural vote has declined in recent years.

Despite policy restrictions on the formation of cartels, mergers have continued to take place and the more efficient have taken a greater share of the increasing flow of trade. Though reports say that the medium and small firms have not closed down, the recent sweep of strikes indicates the closure of firms and the swelling of unemployment. These are inevitable in the face of international competition and technological advance and the expenditure on R and D. 'Backwash' effects have been accelerated despite measures to cause 'spread' effects through regional and social development. Southern Italy and Ireland are still cause for anxiety. It is possible to counteract the common criticism that the only achievement of the E.E.C. has been to strengthen and enlarge big business, both within the Community and the world, at the expense of the other sectors. Otherwise, Germany would not be an ardent and active member of the E.E.C., giving in to all the whims and fancies of France. The E.E.C. has in fact not benefitted the small farmer, small industrialist, the factory worker and the mass of consumers, while big enterprises and big landlords have gained. In fact people are giving up agriculture as their standards of living compared to that in U.S. and other advanced countries is poor and are swelling the ranks of the urban population and adding to the unemployed which is mounting at an increasing rate year by year. Unemployment is as much as 8 to 10 per cent in the west. Thus, while militarism and big capital have been strengthened, the small and the middle men have been elbowed out by the E.E.C. and made powerless. The gap in the society is widening.
Examining the phenomenal growth of trade, one has to read between the lines. Consumer preference that was suppressed showed itself by going in for the products of the other members of the union. This resulted in the extraordinary growth of intra-community trade which went up from half to two-thirds of the total. This cannot be regarded as a gain for the Community as a whole, though it helped to utilise undercapacity and streamline industry for economic efficiency. Empirical evidence is not encouraging. On the other hand, trade with the outside world declined or remained stagnant. The E.E.C. membership, though confined to Europe, showed a semblance of outward-looking economy by providing capital and tariff concessions, again on a discriminatory basis, but primarily to promote self-interest and thwart the development of associated territories. If at all, development was to be dependent on all those who enjoyed fringe benefits and marginal concessions so that past colonialism became a doubly strengthened collective neocolonialism of Western Europe. This was the biggest blow dealt by the E.E.C. Pains were taken not to include South Asia or extend concessions granted to others except under the MEFTA. The Associated Territories provided the missing and required raw materials for the E.E.C., and provided an outlet for their manufactures. They were enabled to indulge in the processing of raw materials and other manufacture that would help the E.E.C. thus making them entirely dependent on Western Europe. These run counter to the true aims of the new international economic order, visualised by the world.

The trade of developing countries with the E.E.C. was declining relatively while increasing with that of the C.M.E.A. Moreover, while there was more trade in manufacture there was less in primary
commodities. This happened at the same time as increasing trade within the Community and decreasing trade with the outside world. The commercial interests of non-members, both industrial and non-industrial, suffered in the E.C.E. The E.C. was using discrimination as a weapon, and the U.S. gave tacit approval to it because of Nato. In fact, the dollar crisis was due to the collusion with the Nato, in armaments spending abroad. Even the O.S.F. was a fringe benefit because of O.A.P.T.T.'s insistence while capital investment was mainly directed to preferred areas, including the Asian Countries. South Asia was always discreetly omitted wherever possible, though of late overtures are made through concessions in quota allocation for entry of manufactures.

Apart from the plethora of economic literature on the subject there are both optimists and pessimists about European integration. Prominent among them are Johnson and Scitovsky respectively. The western European integration has been subject to a broadside attack from Raul Prebisch, Gunnar Myrdal, and Sidney Dell, on the score of theory and on the consequences to international economic relations. Every aspect of the integration has been severely criticised by them, especially by Dell, who has championed the cause of the developing countries, who have been hit badly in all matters. Perhaps more than North America, it is Latin America, Africa and Asia, who had to bear the brunt of the E.C.E. tactics. It was not for nothing that Nigeria declined and rejected the offer to associate itself with the E.C.E.

The E.C.E. has succeeded in reinforcing large-scale production by exploiting the economies of scale, subsidised agriculture, and improved the terms of trade and bargaining capacity (C.A.T.T. and E.T.I.), satisfied consumer preferences, extended social benefits,
harmonised policies and forged political unity. But the increasing
resort to strikes is an obvious symptom while the main aims of
raising the standard of living and providing full employment and
fostering social justice have remained a far cry. There is no
mitigation of conflicts while integration has been facing growing
difficulties. Free trade is not an ideal for immediate achievement
in the face of rapidly advancing technology and aggressive business
enterprise of the U.S. and M.N. Co. The main stimuli is the desire
to be a "third force". But progress is slow and unification is
difficult, what with wide differences in opinions and approaches.
There is an eagerness to share the world markets, and this produces
an ever widening gap with the developing countries. The triangle
of the U.S., the Western Europe and Japan, has revived some of the
memories of the imperialist times, in market grab and partitioning.
The U.S. is in a dilemma, but has consoled herself, both in theory
and in practice. There are conflicts in agricultural policy and
location of industry. There was at one stage quotas levied on
Italian imports into France. Germany has been gradually militarised.
Finally, there has cropped up the need to reconcile the functional
and institutional integration of the E.E.C. Once again it must be
mentioned that the E.E.C. is wedded to protectionism of the non-
tariff variety. Their disunity was exposed during the oil crisis,
with all the will and the skill the E.E.C. had very disruptive
influences on both its own economy and on the economy of the rest
of the world. Even the European Commission could not cope with
tackling all of them. The integration of the E.E.C. is equivalent
to the protectionism of the U.S., in its menace. Their motto seems
to be: to protect and to bargain. Even the Indian press was highly
critical of the E.E.C.