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The Economist

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December 30, 1972

Hello, Europe!

The day of British entry into the common market dawns. But what shape are British industry and finance in? What shape is the EEC in? And what shape is the average British family in?, a special analysis, pages 31-53.

The first task of the new Europe of the Nine is to get its relations with the United States on the right footing all round. What needs to be done, and can be done, right away, page 9.

The Westminster Parliament hasn't got round to thinking seriously about its relationship with the European show at Strasbourg. It should do so soon, page 17. Mr Wilson's regrets, page 19.

Truman's world

It was providential that Harry Truman was America's president in the late 1940s when the post-war world was being shaped. Without him America's policies would have been less mature, and America's friends would have been in much more trouble, page 13.

A city is missing

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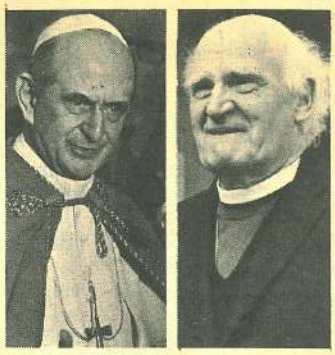

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New Europe and old America

Britain joins the European Economic Community 15 years late ; and from Monday, the first day of the new order, that time lost will harry the Nine every time they stand still. Of the four main causes which breathed life into the original Europe of Six, only one has so far been achieved : France and Germany are unlikely ever to go to war with one another again. A second jogs along with varying success : the Nine are gradually pooling their national economies for the joint pursuit and control of economic growth (see pages 31 to 53 for the immediate problems and opportunities after Britain's entry). A third is sleeping : some day we will revive the dream of an eventual federal Europe along American lines, but at present peoples and governments prefer not to rally to it.

The fourth main purpose of the EEC was to start building an eastern pillar of the western alliance. As the Six become the Nine, this pillar is still incomplete and very wobbly. Unexpectedly, this now deserves to become the most urgent subject on the new Nine's agenda. There are dangers of serious political and economic disagreements between America and the new Europe in 1973.

Isolationism and Vietnam

Fear of Russia, that familiar cement between the western allies, has become beguilingly faint. Most Americans now reckon, like Mr Nixon, that continued American military support in Europe, while desirable in itself, should depend on Europe doing its bit to restore the strength of America's balance of payments. "No pay, no soldiers" is a creed which many in Congress will take far further than the President, shaking every branch of every protectionist and troop-cutting Christmas tree which a legislative season in Washington can provide. It may therefore not be enough to stitch together Atlantic tolerance by a patchwork of high-level visits such as Mr Heath will pay to Mr Nixon at the beginning of February, and such as the President plans to make to several European countries during 1973.

Those who sponsored integration in Europe did so because they expected that some day America would not wish to continue, or would not be fully welcomed, in Europe as the only arbiter of the west. The America which during the 1950s encouraged the Six into being, and which in the 1960s pressed British membership without success on to France and its partners, was an America ready to tolerate the economic inconveniences of uniting Europe as the price for making a new market and a strong front line. The architects of the Marshall plan and the EEC guessed fairly well at the eventual decline of America's margin of power. What men like Harry Truman could not foresee was that this decline in America's power would result from an abrupt deterioration in the all-providing American balance of trade, and from the United States being involved in a seemingly endless Asian war—and that would result in many Americans turning their impatience against the Europe they had helped make.

The bombs on Hanoi are the worst possible fanfare for Europe. Since Mr Henry Kissinger returned empty-handed from his negotiations with Le Duc Tho, the already testy state of the Atlantic debate has grown unmistakably worse. This has happened at a moment when the process of mending Atlantic tempers, begun a year ago when Presidents Pompidou and Nixon met at the Azores, was just getting into its stride.

The wellbeing of Nato, shaken when President Nixon seemed to deal with the Russians over the heads of his allies last May, was being studiously restored. The raid by Germany's Christian Democrats on Herr Brandt's Ostpolitik was beaten back with American approval last spring ; this helped an American administration anxious to open its own doors to the east. In November Herr Brandt's government was confirmed in power. Appreciation in Washington of Mr Heath's handling of British entry into the common market was universal. America's reconciliation with France, deftly promoted by Mr Kissinger during his spare time in Paris, had by this autumn become a full-blown diplomatic love affair. The Shultz plan for international monetary reform presented in September, though the Europeans still dislike its full

severity, was acclaimed by them as a welcome initiative. The choices available in an American trade bill, opening the way to a further lowering of trade barriers during the Gatt negotiations that are supposed to start in 1973, were being thoroughly explored in Washington until this month. At their summit meeting in Paris during October the Nine did their best to respond to this ; it had begun to look as if the forthcoming Gatt talks could bring in a Nixon round as fruitful as the Kennedy round of tariff reductions between trading nations proved in the middle 1960s.

President Nixon might yet try to use this momentum with Europe to distract weary Americans from their disappointment in Vietnam. But it would be a feeble throw—and, so far, the reverse has happened. The break in negotiations on Vietnam—even if it proves short-lived—has already been long enough to paralyse the Administration's European policy. The talk in the outgoing Congress is of reintroduction of Senator Mansfield's all too familiar amendment calling for a unilateral reduction of American troops in Europe, and of trade legislation which (if an American president made use of it) would restrict rather than increase America's imports. There is no prospect that the new Congress, with more Democrats in the Senate and its legion of disappointed Republicans, will be more malleable than its predecessor, as many people in the White House had once hoped it would be. The head of steam behind a trade bill is in danger of leaking away. The mix of statesmanship and American self-interest with which Mr Nixon planned to appeal for authority to negotiate with Europe in the new year is in danger of being lost. The decisive alliance inside the Administration itself which could provide the power needed to shore up 1973 as Mr Nixon's Europe-year—that is, the alliance between Mr Shultz at the Treasury and Mr Kissinger in the White House—is likely to remain in mothballs so long as Mr Kissinger is busy worrying his way out of Vietnam.

Two signs of protectionism

Two unhappy economic signs from Washington demonstrate the change in mood. It is no longer certain that the Ways and Means Committee of the House of Representatives will make time to consider a trade bill before bogging itself down in tax reform and the linked proposals to channel more federal money to local governments. If it does not, Mr Nixon will find himself unable to negotiate in Geneva until 1974 unless he wishes to open talks without congressional backing, which Europe, Japan and others, remembering the fate of the American Selling Price agreement in 1967, would probably refuse to treat seriously.

Secondly, America has decided to play tough in the negotiations on Gatt's Article 24(6), under which America can seek compensation for farm exports that may be lost as a result of Britain, Denmark and Ireland joining the common market. These negotiations for compensation may become bad tempered by the spring, at a time when Mr Nixon's trade bill will either have disappeared altogether or be stuck deep in the legislative mud. At a decisive moment, Congress's gaze may thereby be turned away from the sweep of Mr Nixon's prose about the Atlantic alliance, and towards the first protectionist haggling of a European community that has been enlarged to take in Britain, the largest market for imported food in the world.

The undeclared calculation on both sides of the Atlantic used to be that such irritating negotiations as those on Article 24(6), on Europe's special trade preferences in countries to its south, on the American "selling price" system for benzenoid chemicals, and on the American failure to extend generalised preferences to poor countries, would all somehow come out in the wash together. Instead, the course may now be set for a separate half-cock trade negotiating war on every boring little one of them.

Congress might hardly notice

The temptation for the Nine, burdened by the delicate task of proving that they are compatible with each other during their long-delayed honeymoon, will be to dismiss this Atlantic diplomacy as Mr Nixon's own job. There is little the Nine can do, after all, to hurry Le Duc Tho along ; little to get into gear the onslaught of Atlantic statesmanship which Mr Nixon wants to launch at his inauguration and in his State of the Union message. A Nine which miraculously presented themselves—in that fashionable phrase—as more outward looking would barely be noticed at this late stage by the politicians of the new Congress. The purpose of calling these Nine of the old world into existence really is not just to redress an imbalance of payments in the new. Those sums which show how Europe pays more than its share of defence cut little ice in America. With another hefty increase in European defence budgets coming up during the over-full employment year of 1973, there is in fact little more slack that the Europeans can now offer to take up.

What the Nine can and should do is to concentrate instead on certain tangible actions, designed to make an impact in Washington, whether or not the American Administration is tripping over itself in the maze of Vietnam. First, eight of the Nine could put the screws on France to change its hostile attitude to negotiating balanced troop reductions between Nato and the Warsaw pact. During the run-up to France's elections in March President Pompidou might be especially sensitive to pressure on this point. At present France takes no part in the military side of Nato ; yet France holds two divisions in Germany sheltering behind the Americans, and alone among the allies obstructs every American effort to talk to the Russians about mutual troop reductions. At a time when the ending of conscription in America means that the threat of unilateral American withdrawals of troops from Europe will certainly grow, France's attitude is illogical and self-defeating—as well as being obviously offensive to Congressmen and others in Washington.

Secondly, the Nine should concentrate their energies on international monetary reform, particularly on the

" adjustment process," (ie, on ways for the dollar to be devalued, when necessary, without losing face), rather than on trade negotiations. This would be an easier kind of change to sell to America's protectionists, who include —as they did not during the Kennedy round—the labour union leaders who helped defeat Mr Nixon's opponent in November. Fast, slight changes in parities would be the quickest way to put right any bias against America in the present payments system, as well as reducing the need to restrict capital movements by direct controls. The Nine are still cautious about agreeing to a more automatic system of parity adjustment, because of muddles bred by their own failing pet scheme for semi-currency union ; but there were signs of progress from them at the recent first meetings of the committee of Twenty in Washington. One must hope that this progress will quicken once Mr Heath and M. Pompidou have taken their turns to meet Mr Shultz and Mr Nixon in the new year.

Clear signs of progress on money would help to get the trade talks off the ground. If Congress does give Mr Nixon a trade negotiating mandate, then the Nine should be prepared for it to be accompanied by some fairly awkward demands for safeguards and special assistance against disruptive imports. If Mr Nixon fails to get his mandate, then the Nine should take a more positive and openly political attitude to negotiating trade concessions piecemeal. If Sir Christopher Soames gets the right job as commissioner for external trade in Brussels next week, he should set a lead in this.

There is no good reason, for example, why the Nine should not offer to hold down domestic food prices, and progressively narrow the margin of preference against food imports, in return for a long-term deal whereby the actual cash value of subsidies in all systems of agricultural protection, including America's own, would be evened out. The Nine should also offer to drop all the " reverse preferences " enjoyed by their exports in Africa and the Mediterranean ; and propose a more expansive scheme of tariff preferences on imports from all countries with a gross national income below, say, $500 a head—provided that the United States, Japan and other rich countries would agree to do the same. It must no longer be beyond Europe's wit to speak the political language of deals and compromises on the trade and money that pay for troops ; the language any American in government can easily understand.

Try some old-time religion

By plunging overboard into the sort of politics that draw easy cheers, western churchmen are missing an important chance of helping mankind

There might have been a bit of a stir if the Pope and the Archbishop of Canterbury had swapped their Christmas messages: if His Holiness had condemned all men of violence (including those who claim to be fighting for a united Catholic Ireland) and if His Grace had ticked off President Nixon for sending his B-52 bombers over North Vietnam. But most people would probably have not noticed at all. They have ceased to take any notice of the torrents of churchy comments on current affairs that gush from the religious centres of the western world.

The authors of these pronouncements apparently feel obliged to go on making them, whether or not many people are listening. To be fair, the main reason is not their weakness for verbosity. The churches are responding to pressures from within their own ranks. Impatient activists are urging their religious leaders to engage in direct confrontations with dictatorial regimes, especially those which pursue policies of racial discrimination. One of those activists, Father Cosmas Desmond, resigned a few weeks ago from the priesthood and the Franciscan order because, he said, the Roman Catholic church in South Africa had accepted apartheid " in practice, if not in theory." He apparently feels that his bishops are too concerned with saving souls, instead of working for the changing of the political and social conditions in South Africa. Quite a few Christian laymen and priests in various parts of Africa, Asia and Latin America seem to agree with Father Desmond in wanting more liberation and less salvation.

Their leaders are increasingly following them. The World Council of Churches in Geneva often seems to put a higher value on political and social commitment than on the more traditional religious activities. The Vatican has become deeply preoccupied with the political and social issues of the day. So have most sorts of archbishops and leading preachers from many non-episcopal churches.

This trend towards the " politicisation " of the western churches is welcome to radical revolutionaries. However reluctant they may be to admit it, they need " respectable " allies in the early stages of their struggle to change the social and political order in their countries. Communist governments, too, often find the churches useful unwitting allies. And many people in the third world look to the churches to act as advocates of their economic interests.

The diagonal line

Those who complain that the churches are now tending to earmark for some strange caesars many things that are God's, and seeking unsuccessfully to render to some poor men things that are Mammon's, need to make their