

What, then, have been the principal pressures and tensions among The Nine over the past couple of years? The first concerns the question of regional aid. Here, Italy, Britain and Ireland have been competitors for the limited regional development funds available. All of them have depressed or poverty-stricken regions, and both Italy and Britain have failed to recycle their own domestic product in a manner that would permit an equitable distribution of internal wealth or generate the capacity for growth in their poorer areas. Britain, too, has tended to behave as if the losses it suffered by joining the EEC so late (approximately an extra \$500-million deficit on its balance of payments at 1973 prices) represented some sort of British concession that should be compensated by a large flow of regional development funds. Italy's domestic political problems have, however, been more pressing. But, in general, what has become clear is that the regional-aid program is not big enough in scope to make a significant difference to any of the countries concerned over the next few years.

Second, there is the working of the CAP. A certain paradox is evident here. The CAP was originally the outcome of a Franco-German understanding by which both countries sought to maintain a degree of prosperity for their surplus rural populations. But, in general, it was Germany that put up most of the money and France that received most of the benefits — a situation that reflected the dominance of de Gaulle over Erhard. Moreover, it reflected a deliberate French attempt to retain a high proportion of people on the land. As such, it amounted to a tax levied by France on other members of the Community for the sake of French political and social stability. But this contradicted one of the overt aims of the CAP, which was to lease uneconomic smallholders into a pleasant retirement and thereby increase the overall efficiency of European agriculture. In other words, hidden tensions were at work inside the CAP itself, and its economic and social functioning varied from country to country.

#### Price of entry

Britain, which has an extremely efficient agricultural system, accepted the CAP with a heavy heart as part of its price of entry. It was expected that it would substantially increase the burden on the British economy. It is now argued, however, that the effect has been exactly the reverse; and the British, who once, with German backing, made it a primary aim of their European policies to revise the agri-

cultural agreements, have now, with German acquiescence, declared that these are non-negotiable.

The reason is clear. The workings of the "green money" system, whereby a notional unit of account for the EEC agricultural prices as a whole are then translated into the different national currencies, are highly advantageous to those countries whose own currencies are floating downward. It is, therefore, Britain and Italy that are now being subsidized through the CAP. The Germans, of course, are still paying. But the real paradox is that the CAP *does* represent a great burden on Britain and on other countries — since subsidization simply means the acceptance of the ludicrously high prices that have been fixed for agricultural produce in Europe anyway. And in turn, these prices lead to overproduction and underconsumption — to lakes of wine and milk, and to mountains of butter and beef, even though a large number of the people who make up the EEC can barely afford to eat meat once a week. At the same time, the CAP has led to tensions in Europe's foreign relations, for it was designed simultaneously to allow some imports from the Third World — and thereby to support, or at least buy off, developing countries — while restricting imports from the United States and Canada — and thereby to encourage European farmers.

These tensions are felt less now than they were three or four years ago, and have partly been absorbed by the framework of the North-South dialogue. But they cannot be expected to remain relaxed forever. In the meantime, Europe has, in one signal respect, extended the scope of its operations in the Third World. The Lomé Convention, which superseded the Yaoundé agreements, has created a framework for relations between the EEC and 46 other countries, not only in Africa but in the Caribbean and the Pacific. The exclusive club has given way to a much more open association. This could certainly hold great promise for the future. At the same time, one should note that it has also been accompanied by a degree of disappointment in the developing world, since The Nine, like other advanced nations afflicted by the twin evils of inflation and recession, have had to cut their spending; and, inevitably, the cuts have included development aid. This was at German insistence; and, while it reflected economic necessity, it also indicated political tensions. The majority of the associated states are still French-speaking — and the German Government saw no reason why France should

*Reduced tensions not expected to remain*