that the EEC countries have since been able to help bring about new discussions on the North-South economic relation, they have a historic achievement to their credit. But, at the same time, this very process has revealed deep divisions among themselves.

These divisions will be considered shortly; but, in the meantime, they are also reflected in the second effect of the transformations of 1974. This lies in a reversal of power. The European countries, depending so heavily upon energy imports from the Middle East, were much more closely affected by the rise in oil prices than the United States, which, while by no means self-sufficient in energy, was far less reliant on Middle Eastern sources. Even today many Americans are unaware of how far they were beneficiaries of the oil crisis of 1973-4. It greatly weakened the European currencies; it greatly strengthened the American dollar. In turn, this change was linked to a third: a high degree of inflation in the domestic economies of most European countries and an endemic economic crisis in some of them.

Oil crisis weakened European currencies

Internal frustrations

These frustrations in external matters might in themselves seem sufficient to account for the disappointment of those high hopes that had been conceived in Europe at the beginning of 1973. But they were accompanied by a series of internal frustrations too. Indeed, it would appear in retrospect that the negotiations on the enlargement of the Community had really served, by their success, to cover the failure of The Nine (or The Six) to agree on other matters. For it must be remembered that the original intention of the signatories to the Treaty of Rome had been to create a political community. All hopes of progress in that direction were stopped dead when General de Gaulle vetoed the first British application for membership in 1963. Ever since, the inveterate question had remained unanswered: what was to be the vehicle for "Europe"? And all that The Six had come up with was the Common Agricultural Policy (CAP).

Yet they had agreed on an ambitious program for economic and monetary union by 1980. Even if this had been realistic in the first place (a doubtful proposition), there was no chance at all of its realization once the inflation of 1974 began to be felt, and to be felt so unevenly.

Before the program was forgotten, the German Chancellor, Willy Brandt, announced a new vehicle. This was the Common Energy Policy. Indeed, Brandt went further. He argued that, without policy, Europe would be finished. tunately, a common energy policy cult enough to achieve even in co that are already united. The United still lacks one. And, in the case of questions of energy merely acce the divisions among the members. for example, was attempting in 19 1975 to deal with its domestic ec problems by borrowing heavily with the promise of North Sea collateral.

While this reflected Britain's ec weakness, it also indicated a cert pectation of political strength — or the *hutzpah* of Mr. Wilson's Gover This was evident in the British atte insist on a separate seat at the con of energy-producing and -consum tions at which it had already been that The Nine should have a sing mon representative. For France, other hand, energy questions pro splendid opportunity to establish the capital of the Euro-Arab di thereby fulfilling the twin French of assuming a leading role in Euro snubbing the United States. Ger call for a common energy polic therefore, an indication less of Eu unity than of that country's speci tion in the field of competing inter other words, Europe had, and still vehicle beyond the CAP.

This would not have matte much if the member states had be to consolidate their position, conti reach *ad hoc* agreements on a var issues, and share the profits of the nomic growth in such schemes as t the Regional Development Fund. was here that the differences in ec performance made such agreemen possible. In 1975, for instance, the GNP actually fell, and this fall was panied by a large increase in B balance-of-payments deficit. In 1 appears that the GNP has grown s but this growth is accompanied by a larger balance-of-payments deficit.

Germany, on the other hand tinues to accumulate vast surplus r of foreign currency. The downward of the pound (and the *lira*) goes h hand with pressures for the revalua the *Mark*. Differences in domestic pe ance were, in fact, accentuated b system of floating exchange-rates th come into being as the old interna monetary system had broken dow turn, this has meant that tensions o matters have increased.