



MOVING TARGETS

Neither Fortress nor Sieve

A Conversation with François-Xavier Ortoli

Expressions such as "European Fortress" or "reciprocity" have recently become very widespread in the debate on international economic relations. Even inside Europe, the ghost of a self-sufficient, self-contained Europe seems to be haunting several political personalities; and a harsh critique of the present and future role of the Commission has been publicly expressed by the British prime minister, thus filling the press with yet another commonplace, *le gaullisme de Mme. Thatcher*. Moreover, from outside the borders of Europe, some observers, both American and Japanese, seem to perceive the unification of the European market almost as a form of deviant behaviour, more as a threat than as a contribution to the trade liberalization process under way on a world scale. And if this perception were to prove to be more than just a passing phenomenon, one could really speak of the end of an era.

In the post-war effort to create a stable and peaceful world order, Washington had indeed actively supported and encouraged European unity, economic integration and the abolition of obstacles to trade among the old rivals. Progressively, however, this enthusiasm for the economic and political coalescence of the democracies sited on the eastern shore of the Atlantic has faded away, and seems now to be replaced by an attitude of fear and irritation. At the very moment when the U.S. and Canada create their own common market, and when Washington's diplomacy arm-twists Japan and Taiwan, on a purely bilateral basis, into granting to some American firms the same treatment as that of national firms, the attitude towards Europe of many American opinion leaders and Congressmen takes on a lamenting and sometimes accusing tone, as though the Europeans were on the point of abandoning multi-lateralism in order to concentrate on

themselves, in other words, to build a "fortress." And, in this growing uneasiness in trans-Atlantic relations, the request for reciprocity of treatment is almost considered the proof of crime - the crime of trying to establish Europe's economic relations with the rest of the world on a bilateral, possibly discriminatory, basis.

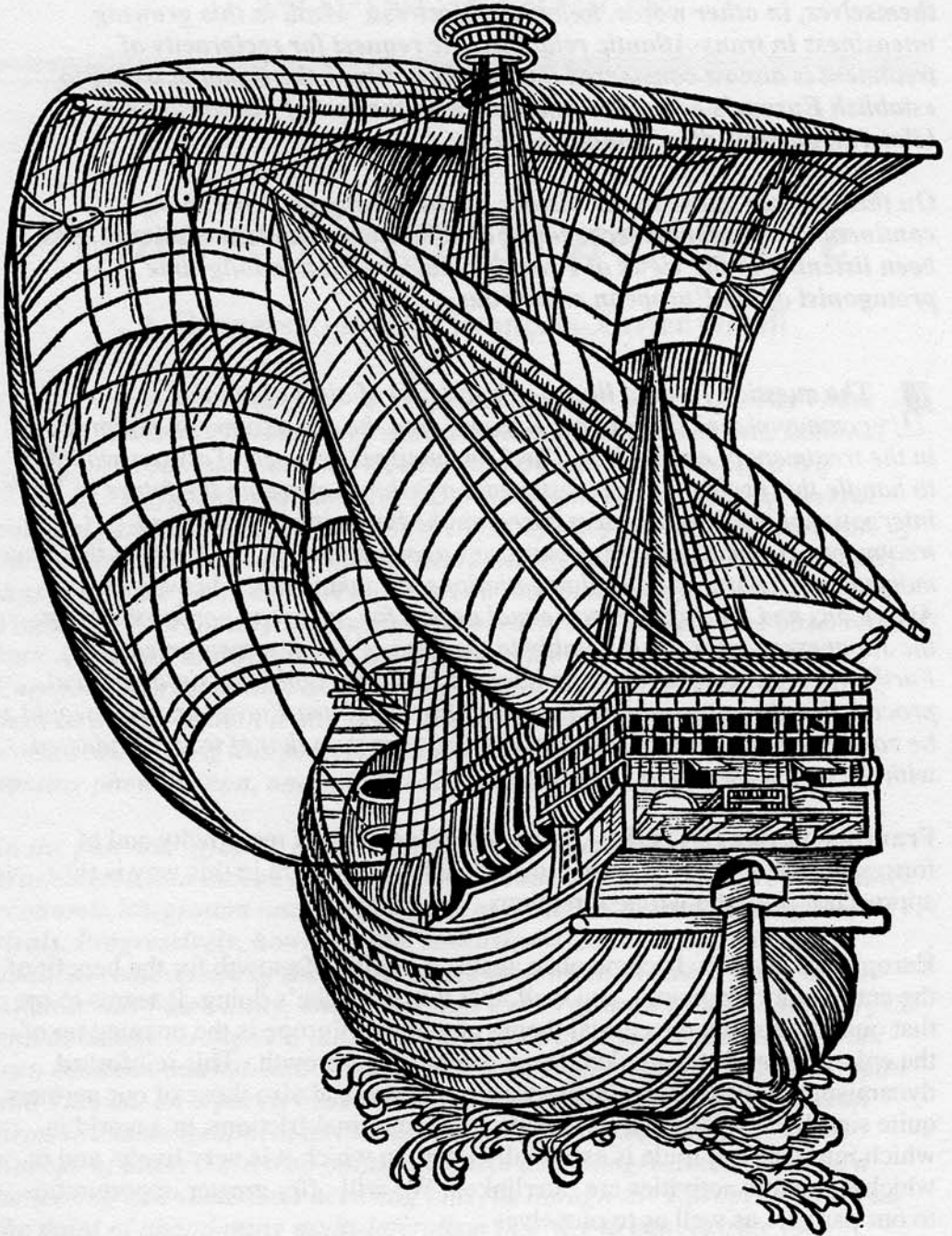
On this delicate phase in the history of the "dialogue between the continents," Giuseppe Sacco, editor of The European International, has been listening to the views of François-Xavier Ortoli, a long-time protagonist of the European endeavour.

E *The question I would like to ask you first of all is about the*
I *commonplace of "Fortress Europe" and the discussions on reciprocity in the treatment of enterprises. The Community is accused of always wanting to handle this problem in too systematic a fashion, of seeing the future of international trade as a system based on the bartering of privileged treatments. Ironically, these accusations against the EEC are raised at the very moment when purely bilateral negotiations are taking place between the Americans and the Japanese on equal access for American corporations on the Japanese market, most notably in the area of public procurements. Furthermore, one could ask why it would be unthinkable that, in a political process like the construction of a united Europe, intra-European trade would be conducted at a level of freedom much higher than that of trade conducted with the rest of the world.*

François-Xavier ORTOLI - Before even speaking of reciprocity and of fortresses, one must realize that to approach the problem in this way is to approach it from the wrong direction.

Europe was asked to become once again an engine of growth for the benefit of the entire world economy, and well, that is what she's doing. It seems to me that one forgets that the central theme of a united Europe is the opening up of, the enlargement of the market, the acceleration of growth. This reinforced dynamism will benefit our businesses, of course, and also those of our partners, quite simply because we live, despite some marginal frictions, in a world in which international trade is essentially open, in which it is very lively, and in which economic activities are interlinked. We will offer greater opportunities to our partners as well as to ourselves.

MOVING TARGETS



François-Xavier Ortoli

Trees must not hide the forest. A few months ago, I was struck by a page in the *International Herald Tribune* entitled "The World Has An Appointment With Europe." In a very synthetic way, this title summarizes an indisputable truth. The entire world, once Europe unites, will be changed in a remarkable and lasting fashion; however, this change will not be brought about by the construction of an impenetrable fortress, but by the "appointment" with the single market.

I believe, therefore, that one should not turn matters around. I will say it again, the truth is that Europe is in the process of transforming itself into a dynamic, single market. One cannot repeat often enough the idea which is the basis for the reasoning of the Commission in Brussel and which the Commission developed in the "Cecchini Report." It is the implicit reasoning of governments, of firms, and of individuals: the basic idea is that of a market in which costs will be reduced, which will favor the most dynamic and the most competitive businesses, and in which the disappearance of a certain number of costs due to the current obstacles and rigidities will give rise to a supplementary growth which is estimated to be from 3.5 to 5.5%, a higher employment rate, more well-being. Consequently, in the very competitive and very open world of today, Europe will be perhaps a stronger and more solid competitor, but also it will be a larger market and a greater consumer of goods and services.

A second point which must be emphasized - but it's the same idea - is that the creation of a united Europe will have the primary effect of taking down barriers, rather than adding new ones. This is the objective itself and a natural consequence of the single market. But, let's be frank. In the EEC, as well as in the other countries, some of the present regulations will have to be kept. I do not speak of regulations that are simply pretexts for protection, but of legitimate legal and universally accepted regulations. It seems evident, for example, that some anti-dumping regulation - not regulation aimed at protecting markets but at making possible a rightful, legal, universally accepted response - must be maintained, not only by the EEC, but by its partners as well. But once again, it is legal, it exists everywhere, and it may be necessary in the world today in order to avoid temptations to interfere in the market in more dangerous forms. Consequently, I believe that the primary theme is not the theme of a "fortress," it is the theme a single market, and of a single market which will remain open. This is the first benefit for our partners.

Furthermore, when one speaks of the progress of Europe, one forgets too often

MOVING TARGETS

that at the same time, other single markets are in the process of being created. Not only is one able to see - with the Canadian elections - the concrete progress of a political project envisioning the abolition of obstacles in the exchanges within North America, but also one is witnessing the formation process of a market *de facto* in Southeast Asia. Without any declared project or regulatory action, a multi-polar system - the main pole being Japan - is being created in this part of the world, characterized by a very large development of internal exchanges, as well as by the strong capacity of their exports to penetrate our markets.

My starting point, as you can see, is the economic reality of the end of this century. And this reality is characterized by the birth of a dynamic single market in Europe which inserts itself into the framework of a world in which many single markets are going to develop without, I hope, anyone of them turning into a protectionist entity. And I would say that the problem of protectionism, if it must come up, will certainly not be more serious in Europe that it already is today in the United States, where there is now a new trade law, or in Japan. The common objective for everyone must be that the new regional realities become an opportunity for progress in the development of exchanges with one another, and not the pretext for the formation of blocs. This is true for all of us.

Now we arrive at the question of reciprocity. To really grasp the meaning of this question, let's take the example of customs tariffs. When a state lowers its import tariffs, it acquires a sort of right - at least a moral if not a legal one - towards its partners in GATT. In the same manner, the moment in which we establish a much freer market, we entitle ourselves to ask that this freedom be the occasion, outside the borders of the Community, to realize similar advances on the path towards liberalization. The word "reciprocity" is therefore not a synonym for the will to close oneself in. On the contrary, the practice of reciprocity could in the end translate into greater freedom in the world market. We are pulling down our obstacles. It is now the other countries' turn to create for Europe and for the entire world additional areas of freedom. It is well understood that if the notion of reciprocity were for purely defensive ends, in such a case it would present a problem. But that we offer a vast market and that in return we expect the world in its entirety to become an even more vast and more mobile market does not appear to be, in my opinion, so absurd a reasoning. It is in fact very solid reasoning.

I do not want to go into detail, but in that, it seems to me, there are three

fundamental ideas. First of all, Europe is in the process of accomplishing an opening up of its markets in a world already very open, and from which the whole world will benefit. Secondly, regional integration is a phenomenon we are going to see in other parts of the world, as well, and we hope that other single markets that would be created would be as open and, I would say, as comprehensive as ours. Thirdly, from the moment that we open this single market which by its increased size and dynamism will offer more opportunities to economic actors, non-European as well as European, it becomes legitimate to ask that additional opportunities be created in other parts of the world. Today, all the debate in the framework of GATT revolves around the idea of realizing a more open system of international trade; and Europe's demand for reciprocity may help to continue in this direction by bringing about a new equilibrium, at a higher level of freedom, among the large blocs that demonstrate the willingness to unify with one another economically.

E *Therefore you are not among those who fear what is perhaps improperly*
I *termed "Thatcherian neo-Gaullism"?*

François-Xavier ORTOLI - I would say that what is called "Thatcherian neo-Gaullism" is rooted in an intellectual approach very different from what we were just speaking of here. The goal of the policy led by Mrs. Thatcher is certainly not to create a fortress, neither a British fortress nor a European one. Almost to the contrary, when one speaks of "Thatcherian neo-Gaullism," the fear - and this is why I think that "neo-Gaullism" is not the precise term - is of Great Britain's tendency to encourage a very open market, nationally and internationally, without creating at the same time the necessary structural conditions for the market to function as effectively as possible.

E *The idea that a united Europe should be a Europe of sovereign nations,*
I *which Mrs. Thatcher continues to repeat without end, is then very different, from the political as well as the historical point of view, from the Gaullist idea of l'Europe des patries.*

François-Xavier ORTOLI - I would say that when one speaks of "Thatcherian neo-Gaullism" to describe the attitude of the British government towards the construction of Europe, one is simplifying things a bit too much. There is actually quite a big difference between the position of Mrs. Thatcher and the position of General de Gaulle. To understand - beyond the slogans - the European policy of France during the presidency of General de Gaulle, one

MOVING TARGETS

must remember that the agricultural common market was created on French insistence and under General de Gaulle. And I cannot think of a transfer of sovereignty more striking than the fact that the prices of agricultural products are determined by the EEC, at the heart of the Council of European Ministers, and no longer nationally. This is too easily forgotten.

During the time when I was a young civil servant in Paris, every year one of the most political issues of governmental action was the determination of agriculture prices. And yet it is France that pushed for a common market for agriculture. It is under the insistence of Gaullist governments that we have actually accomplished some important transfers of sovereignty, and I am speaking of real transfers, to the benefit of the Community.

However, it is not untrue that there is a Gaullist element in the policy of Mrs. Thatcher. I believe that when we use the terms "Gaullist" or "Gaullism" when speaking of the British prime minister, we are thinking more of an attitude, of a way of being, of a manner of conducting affairs, than of the actual substance of Gaullist doctrine.

E
I *Is it the method?*

François-Xavier ORTOLI - Above all it is the attitude: the coherence of the relationship between the fundamental political option and daily actions, the affirmation of the ideas with which this leader identifies, her readiness to gamble her political survival on the triumph of these ideas. In this, there is no doubt that there is something very "Gaullist" about Mrs. Thatcher.

E
I *Then what you are implying is a positive judgement, as much of the person as of the political leader. Finally, this Gaullist trait consists of being convinced of her own goals, of not looking for power as a goal in itself, of not allowing herself to be distracted by the simple occasion, if so only at the tactical level, of fighting energetically for her own ideas, and of taking responsibility for her policies.*

François-Xavier ORTOLI - Yes, I am talking about the attitude as the Head of State, as the Head of Government, as the bearer of political responsibility. That this attitude exists - for a Gaullist like myself - is the most natural thing in the world. The problem Mrs. Thatcher poses for a united Europe to me appears

François-Xavier Ortoli

to be of a different kind, and not at all a consequence of her Gaullist streak. I have already said that one can be not only Gaullist, but that one can be de Gaulle himself, and allow transfers of sovereignty, allowing them, of course, in a cautious and even guarded manner, and choosing well where they apply: but allowing them. And to do so for an extremely simple reason which no longer arises from the fundamental political option, but from the evidence itself.

We have often been reminded - and current events are continually giving us proof - that *de facto* transfers of sovereignty preceded those transfers accomplished *de jure*. At present, Europe is undergoing the reconquest of sovereignty which had been transferred *de facto*; and a new sovereignty is arriving which will operate collectively and at a higher level.

E *Then are we going to recover at the European level the attributes of the*
I *sovereignty which each European state, to a greater or lesser degree, was forced to cede de facto?*

François-Xavier ORTOLI - Yes. It is a reconquest on the level of Europe. And what is actually the most important factor today in the relations between Europe and the rest of the world? We had an international monetary system. It collapsed, and the dollar became the pilot currency. Today, a great part of the international monetary debate focuses on the dollar and how the dollar is going to evolve. Where is our sovereignty when everything centers on the dollar? It can only be collective, it can only be found in a form of cooperation such as the European Monetary System. This cooperation is probably still too weak at present to give us the assurance that the King-dollar will not continue to

**François-Xavier Ortoli is President and General Manager of
TOTAL - Compagnie Française des Pétroles,
has held several ministerial positions in France
and has been vice-president and president of the EEC Commission.
Among other military decorations, he holds the *Medaille de la Résistance*,
and is doctor *honoris causa*
of the Universities of Oxford and Athens.**

MOVING TARGETS

dominate international monetary evolution, dragging along with it the ensemble of problems we have encountered across its unreasonable fluctuations. The problems due to the disappearance of a real international monetary system are profound and perhaps decisive, as much from the point of view of the real economy, as from that of the expectations of the entrepreneurs who stand by in anticipation. An international monetary system that works is an essential condition for national sovereignty.

E
I *What is your judgement then on the European Monetary System?*

François-Xavier ORTOLI - The EMS has an enormous advantage: it has allowed us to put some security into the economic world, for businesses, for example, whose conditions for activity have been considerably ameliorated since 1978. But from the creation of the EMS there has been a second advantage, because it has demonstrated that in a very open system, the world system of today, there cannot be any policy that does not take into account these international problems. We have demonstrated it for Europe in the simplest of manners, and we have succeeded.

When the EMS was created, there was a great deal of debate and more than just a few critics. The major objection was that the cart was being put before the horse; there cannot be monetary cooperation without real economic cooperation. But the proof is there, and we took a step which provoked the transformation of national economic policies. Today, these policies remain centered largely around national questions, but much has been done to ensure that they be coherent with the international arrangement in order to guarantee a reasonable rate of exchange among currencies, which is to say a sufficiently stable framework within which to act.

It seems to me then, that the EMS shows us very well that the phenomenon of unification that we are witnessing has one principal effect: it is perfectly in line with the fact that we are in an interdependent world. It responds to the necessity in a free exchange environment to have norms, rules, and common attitudes which prevent that we should all of a sudden find ourselves in situations which do not take into account external realities, causing a retreat of some sort from the world, and operating to the detriment of our own economies. The fact of having proved this is very important. It is an indisputable benefit brought about by the EMS such as it has been up until now.

If you want to speak of the EMS as it will be in the future, I would like to recall the fact that there is still much important progress to be made. First of all, instead of the *écu* being simply an accounting unit or an abstract currency to be used in medium and long term financial markets, it must become a real instrument of transaction; it must become the “metric system” for the entirety of European business. Making the *écu* not simply a convenient point of reference but one of necessity in transactions within Europe seems to me to be perfectly coherent with the single market.



A 20 billion mark banknote (1923).

I repeat, the logic of the single market is rooted in the removal of trade obstacles and the ensuing reduction of costs, the resulting growth, a reduction of prices, and a gain in the general well-being. The single market means a global optimization. In this global effort, why deprive ourselves of the opportunity to get rid of the parasitic costs that are due to different regulations on financial activities, to the need for guarantees against exchange risks, to the impact of excessive currencies fluctuations?

The existence and the broad usage of a common monetary unit, even if parallel to national currencies as the *écu* is, would generate substantial cost reductions. If the “financial” *écu* progressively becomes a commercial *écu* used widely and without obstacles, the result will be a vigorous phenomenon of trade

MOVING TARGETS

creation similar to that brought about by the abolition of barriers to the trade of goods. There exist indeed monetary borders which also bring about unnecessary costs, and which must disappear as well.

There is, however, a third point more related to national monetary policies than to the *écu* issue that seems worthy of being stressed once again, because it is critical. Free movement of capital will be with us even before 1992. It is actually planned for mid-1990, as a preview, if I dare call it such, of the single market. This is directly related to the existence of the EMS, that guarantees a quasi-stability of exchange rates. But who can guarantee us tomorrow against the risks of divergent monetary policies? Of course, the very existence of the EMS has greatly reduced this risk, but it has not disappeared. The past cannot guarantee the future, and the success of the EMS in its first years does not prove that national policies based on total national monetary sovereignty will not go flatly against the double aim of exchange rate stability - that we seek through the EMS - and perfect financial fluidity, established by the principal of free capital movement. How is it possible to have at the same time national monetary policies, free capital movements, and fixed exchange rates? Coordination of national monetary policies is therefore compulsory.

Free capital movement poses two additional sets of problems. The first is very obvious, that of a harmonization of the fiscal treatment of savings; otherwise money would go where this treatment is most favorable. It is self-evident that in this new competition among the different financial markets, the least taxed ones would be more appealing, with the risk of exchange rate distortion totally independent from monetary realities. It is therefore clear that fiscal treatment of savings must be the same all over Europe.

Let me finally go back to a question I have already touched upon. Should any one member of the Community find itself in an exceptional situation, contradictory monetary policies could create such pressure on the capital markets that we would be confronted with a choice between two evils: either a change in exchange rates (something all the more dangerous and unacceptable as the market becomes more strictly integrated for goods, services, and financial movements) or a resort to emergency measures even if they are not provided for the treaty, i.e. going back to exchange controls. There is a price to be paid for freedom.

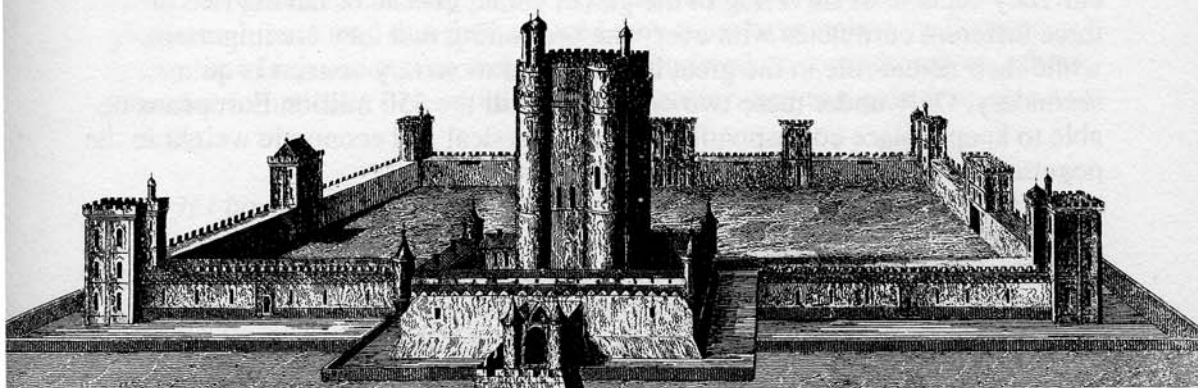
François-Xavier Ortoli

E *One could wonder, however, if your hypothesis is not rather unlikely, or even apocalyptic.*

François-Xavier ORTOLI - Of course. My hypothesis may look excessively pessimistic. But these extreme situations are the ones that must be foreseen in order to build, as we say we want to do, a durable institutional system based on a market whose unity is not at risk.

The common management of monetary policies, i.e. interest rates as well as money supply, will be a crucial element in the consolidation of the markets. Moreover, the *écu* will acquire a more important role so that it will become necessary to create an appropriate institutional mechanism to control this development, if we want to be consistent. It will be impossible, I repeat, to avoid a coordination among the different countries on money supply and interest rate policies. This is the price to be paid to avoid chaotic financial flows due to artificial distortions.

One final point. I have already said that one of the characteristics of the present system was the weakening of national monetary sovereignty because of the collapse of the international monetary system. This loss by the individual countries has not meant the transfer of sovereignty to a larger organization capable of guaranteeing a balance of interests. Today, monetary policy is strongly dependent upon the interpretation given by the financial world of the present and future condition of the dollar. We have thus a polarization around one single currency that ends up by influencing the entire market. I believe that



MOVING TARGETS

if Europe had its own currency, it could speak with a very different voice in the debate of ideas as to the future of the world order, as well as on the path to be followed in the gigantic economic and monetary transformation underway on a world scale.

To strengthen our opportunities in this grand debate, the single market and a common currency might provide Europe with a bargaining power much bigger than the one it has today, when Europe behaves in a disjointly fashion and pulls very little weight. The critical element is therefore always the dollar, and it would be so even if the Americans did not want it this way. On the contrary, monetary unity in Europe could allow the system to evolve towards a tri-polar world economic order, based on the *écu*, the yen, and the dollar.

For the moment, the world system is evolving towards something whose shape is difficult to predict, but that is likely to be based on rather loose cooperation in both exchange rate management and economic policies. The fact that this will be insufficient is already evident, and it will be clearer when, in any important country, there should appear a trend divergent from the rest. The system, sooner or later, has to become more organized and disciplined. I have just mentioned the possibility of a tri-polar order, but it might be necessary to imagine something different... We have seen the great idea of Special Drawing Rights blossom and fade; it is possible that we may have to revive the idea of an international currency.

Whatever it may be, and whatever the global evolution of the international monetary system brings, Europe must be stronger. And it will be stronger only with substantial coordination - even integration - of policies, and with a currency capable of surviving in the global game, instead of having two or three different currencies with everyone pretending that they are important, while their actual role in the great international monetary concert is quite secondary. Only under these two conditions will the 350 million Europeans be able to keep a place corresponding to their physical and economic weight in the negotiations over the new world economic order.

E *Isn't there a contradiction between Europe's efforts to unify and*
I *American initiatives for liberalization on a world scale? I am not just thinking of Kennedy and the Tokyo Rounds. Even at present, when the Europeans have decided to address the problem of liberalization in banking and financial services, immediately a parallel negotiation has been launched*

François-Xavier Ortoli

within the larger framework of GATT for liberalization on the international level. Is this an attempt to put water in the wine of Europe?

François-Xavier ORTOLI - In every country, there are both old memories of protectionism and a strong fear of the development of others and the formation of strong entities outside of our borders. I believe this is the wrong way of looking at the world such as it is. Not for decades and decades has the international trade system been as open as it is now. And it is a world which in spite of all the mistakes - because there have been some and there will be even more - is heading towards broader liberalization and greater openness. I think that these fears are excessive, because already we are enjoying a degree of unity in our markets that has not been attained since World War I or since the Depression. Consequently, I personally do not find it abnormal that we try to raise the level of freedom in an already open system.

What I would instead find profoundly abnormal is that anyone would say that Europe must be the land of freedom *par excellence*, and that it has no right to make itself anything other than a zone of perfectly open, free exchange, a sieve while nothing would be done about the trade obstacles that Europeans encounter in dealing with their partners. Europe cannot be created solely as a zone of free exchange. A united Europe can be created with an organization and with rules of its own, providing it with specific frontiers which it must be able to preserve. To me it appears normal that in the specific nature of Europe there are certain issues which can be discussed or negotiated so that its partners might consent to a greater opening up of the system on their side.

This is the great movement we are within. But what is unacceptable is that the European countries are singled out because they want to organize on a continental level, and that they are told they must have only a vastly open market in which every time they create more freedom for themselves, others - almost automatically - have the right to whatever they can gain from this new freedom.

E *If I have understood correctly, internal liberalization will cause some*
I *problems in relations with external countries on the subject of freedom at the international level, and that these problems must be resolved not by closing oneself into a privileged bloc, but by the mutual exchange of freedoms. However, it is not simply by liberalization that the political goal of a united Europe can be attained. What else must be done?*

MOVING TARGETS

François-Xavier ORTOLI - Several things. First of all, Europe will have to pose in the perspective of its own interest the problems in the future of technology, trying to rely on its own resources to keep up with the formidable changes going on in this field. As every country will have to, Europe must create for itself the means to remain competitive in all aspects of this field in order to play a large role in the technological game. On this there is a whole series of questions one could discuss, and I am sure that one day there will be an article in our journal about technological development in Europe.

Secondly, I think that your question takes us back, once again, to the notion of monetary unity. If there is one necessary organizational element, as I have said, it is to go further in the direction of monetary unity in Europe. Going further in this direction means that the European countries must remove the obstacles that would prevent a more wider use of the *écu*, and the *écu* must become a natural instrument of accounting across the continent, thereby eliminating all costs due to currency transactions. Going further also means that monetary policies must be made jointly. Here we get to the dispute over the Central Bank. The words "Central Bank" have a strong intellectual appeal, but are also a bit vague. I would prefer that we speak of an "embryo" of the Central Bank; that is, certain types of functions necessary to the working of the market would be administered collectively or in a very coherent manner, which would inevitably lead to the beginnings of an institutional structure, and therefore to an embryo of the Central Bank, which would develop with time.

As to the political aspect, this is probably the most difficult point. There are many people thinking about the political evolution of Europe. I believe that the political evolution *per se* is far off, and at the same time under way. Far off because in the end, the notion implies that foreign policy, national security policy, and economic policy will become part of one game. We are not there yet, but the question arises from the evidence. Even if we do not create a federation or a confederation, the question of a "defense" identity of Europe has already come up, though in a vague and confused manner, but with the preconception that in a world that is changing as ours is today, it will somehow end up in some form of existence. For the moment, however, this has yet to happen, and in my opinion it will take some time.

As far as foreign relations are concerned, political cooperation is just a beginning, and will require a period of apprenticeship. The area in which the linking of the European countries will be greater is obviously that of economic

policy, and it will touch upon some purely political aspects. As soon as you touch upon the subject of currency, you start going back to the heart of the problem, I would say. This does not mean that countries would not be able to establish their budgets as they prefer, or that there would no longer be the national monetary policies. It simply means that some degree of general coherence must appear and will appear in the process. In the meantime, we can think about what will come out of decisions already made, i.e. the decision for the EMS, to organize in a new and different way an element of collectively recovered sovereignty.

E *Then you see the general trend of the international system as moving*
I *more towards global liberalization than towards the formation of closed and opposing blocs. But at the same time, you consider fatal the rapprochement of the EEC countries and the coordination of their policies.*

François-Xavier ORTOLI - I think that global liberalization is the path for the future, but that this process will be accompanied by the formation of economic zones that will have to draw from themselves, from inside, the strength to create more wealth in a world framework that must remain as open as possible.

E *That is a very important point because you get to the question of what*
I *are the limits of Europe in a scenario such as this one. It is clear that what you describe is a rationalization of the world economy on a continental or multi-continental scale, in a framework of increased freedom of exchange. There are, however, certain parts of the world that do not participate in this movement like Eastern Europe, or who participate in a very uncertain manner. Here, the problem of the limits of a united Europe arises not only in the matter of relations with Eastern Europe, but also in light of the wave of requests for membership. Already at twelve members the EEC has problems, but the day when Malta, Cyprus, Austria, and Turkey join, some problems, such as that of the rotating presidency every six months, will become extremely complex.*

François-Xavier ORTOLI - I believe that for the moment there is not much to be said about the countries of Eastern Europe, nor can we draw any sure conclusions about the evolutions under way including those establishing contractual links between the Community and Comecon, or the Community and particular countries. As to the number of partners, that is a difficult and

MOVING TARGETS

double question. Whatever the progress made up until now may be, we have not yet surmounted the contradiction between, on one hand, the creation of a real community entity, strong, determined, ambitious in its actions, and on the other hand the temptation to act by following the lowest common denominator. Inevitably, the addition of new members would make things even more complicated, and would enlarge economic disparities.

Certain persons think it is useful - but I am aware of the technical and political difficulties in this - to reconsider the mechanisms of association or pre-membership, which allow these countries to ensure their development and which open up an immediate future for them with the EEC, so that this does not become even more cumbersome. To succeed, Europe must at some point decide which conditions must be filled so that a larger dimension does not slow down the unification process. It seems to me that there are many precautions to be taken as the expansion of the EEC progresses, even more that interest differences are already very wide: certain countries legitimately benefit from the transition period, others do not participate in the mechanisms - such as the EMS - which in the recent period have helped most to support the idea of a united Europe. One of the first objectives we must focus on is having all of the most important currencies - I'm thinking of the peseta and the pound - within the EMS.

E
I *So we can say that the first priority is to complete the EEC as it is now before enlarging it any further?*

François-Xavier ORTOLI - Nothing should be done to expand Europe that would weaken the deciding mechanisms or slow down the integration process. This is the golden rule, not to be forgotten.