

EUROPE: WORLD PARTNER

The external relations of the
European Community



Europe
in the move





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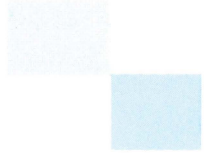


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The Community's world role

The European Community is one of the success stories of the latter half of the twentieth century. It began in 1951 when six war-shattered nations decided to pool their basic industrial resources of coal and steel so that war between them would be impossible. Forty years later, it has grown into a 12-nation Community which is a major world economic and trading power. The European Community¹ represents, alongside the United States and Japan, one of the three pillars on which the global system of pluralist democracy and market economy is built.

As the dynamics of European integration thrust forward, the Community is consoli-

dating its economic power through the 1992 single market programme and the creation of an economic and monetary union (EMU) with a single currency. It is also strengthening its political dimension through a parallel project for political union, one of whose aims is to unify the foreign policy of Member States.

This new inner strength can only add to the Community's international standing, bringing with it new responsibilities and new challenges. The breathtaking pace of global geo-political change requires European response mechanisms of a kind that has not existed hitherto. The Community's international role is therefore expanding as it deepens its relations with traditional partners and assumes new responsibilities with new partners in Eastern Europe and elsewhere.

The unique nature of the Community – more than an intergovernmental organization but less than a sovereign

Over 20 heads of State, prime ministers and leading political personalities from third countries visited the European Commission in 1990. On 29 May 1989, US President George Bush came to Brussels and visited Mr Jacques Delors, President of the European Commission.

¹ The European Community is in fact three Communities: The European Economic Community (EEC), the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (Euratom). For convenience sake, they are considered as one entity and are referred to throughout this publication as the European Community (EC).



State – makes its specific international role more difficult. So does its basic constitution, the Treaty of Rome, which gives the Community wide economic powers but few political ones.

Despite this, it has played a pivotal role in preserving and expanding the multilateral world trading system and forged an unprecedented network of trade and cooperation relationships with its partners from

the industrialized and developing worlds. Its political influence too has grown over the years thanks to the development of what is called European political cooperation (EPC) whereby Member States coordinate their foreign policy.

The structures and procedures for foreign policy cooperation were codified for the first time in the 1987 Single European Act (SEA). These will be further refined and

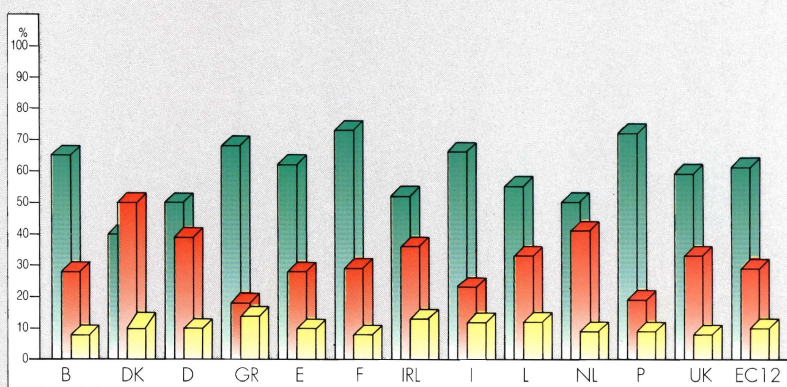
Support for joint Community defence

A large majority of the public in the European Community (61%) feels that the Community should have a common defence organization. This was the clear answer to a flash question inserted into the regular six-monthly Eurobarometer opinion survey in the 12 Member States of the European Community in October 1990.

In only one Community country (Denmark) are more people (50%) against a common defence organization than for (40%). In two others, Germany and the Netherlands, exactly 50% of those questioned favour common defence. In the nine other Member States – including neutral Ireland – a clear majority are in favour. In two countries, France (73%) and Portugal (72%) almost three-quarters are for.

A total of 12 872 people throughout the Community were asked: 'Currently the European Community cannot involve itself in matters of defence. Some say that the Gulf crisis has proved that the European Community should have a common defence organization. Others feel that such a common defence organization is not necessary. What is your opinion?'

The replies, by country, were as follows (%):



	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
Common defence organization necessary	65	40	50	68	62	73	52	66	55	50	72	59	61
Common defence organization not necessary	27	50	39	18	28	19	36	23	33	41	19	33	29
Don't know	8	11	10	14	10	8	13	12	12	9	9	8	10



Mr Jacques Delors, President of the European Commission (right) and Mr Frans Andriessen, Vice-President, receive Mr Toshiki Kaifu, Prime Minister of Japan, and Mr Nakayama, Japanese Foreign Minister, on 10 January 1990.

extended in the framework of political union.

The special nature of the Community and the way responsibilities are split between it and Member States can cause problems for the EC and its partners. Sometimes the latter have been disappointed at the absence of Community action on a specific issue, not realizing that the issue in question did not come under the EC's authority. At other times, the seeming ambiguity of decision-taking procedures have generated suspicion and even, in some cases, hostility among its partners that hindered the acceptance of the EC as a fully-fledged member of the world community.

In some policy areas, like trade and agriculture, it has exclusive authority to act in place of and on behalf of its Member States. Other areas such as transport or the environment are spheres of 'mixed' responsibility, with the Community able to take decisions on some aspects while national governments retain – at least for the time being – responsibility for others. Certain areas of policy, such as defence, have hitherto lain outside the competence of the Community altogether.

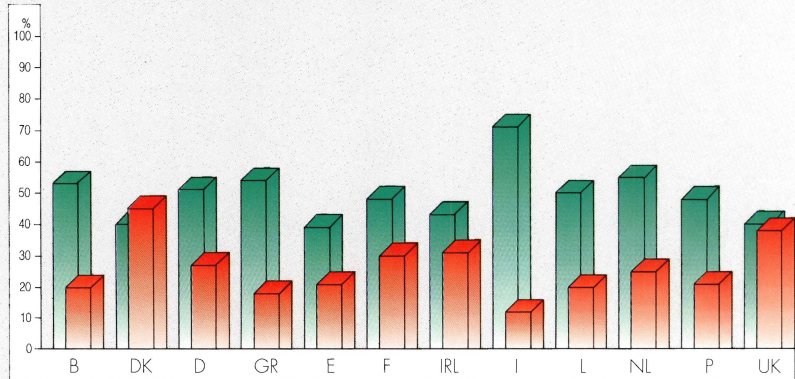
We need to overcome whatever resistance we encounter, if only to adapt the instruments we already have, so that we can, for example, inject more substance into the Lomé Convention or make a success of our aid programme for Poland and Hungary. We need to give countries that depend on exports for survival more access to our markets to prevent them plunging deeper into debt. We need financial instruments which will help these countries to adapt and modernize their economies. I am concerned that we will never achieve all this with our present decision-making procedures. Thanks to the Single Act the Council, Parliament and the Commission are a more efficient institutional troika than they were a few years ago. But this is not enough to enable us to keep pace with events.

Jacques Delors, Bruges, 17 October 1989.

Joint foreign policy favoured

Over half the European Community's population (51%) favours a joint foreign policy for the Community, while just over a quarter (26%) is against. This is one of the findings of a Eurobarometer opinion survey in the 12 Member States of the Community in autumn 1990.

The detailed results (in %) per country:



	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
For	53	40	51	54	39	48	43	71	50	55	48	40
Against	20	45	27	18	21	30	31	12	20	25	21	38

One fundamental principle lies behind the Community's policies towards the outside: enlightened self-interest. The EC's own economic well-being depends on a liberal, multilateral world economic order as well as on the welfare of its partners, particularly in the Third World. To this principle, can be added a sense of responsibility towards former dependent territories of Member States which has led to special relationships like the Lomé Convention with the African, Caribbean and Pacific (ACP) group of countries.

This principle has been pursued with a mixture of realism, pragmatism and compromise. At the multilateral level, the Community has established a leadership role in the field of global trade liberalizing negotiations within the General Agreement on Tariffs and Trade (GATT) and in North-South relations in the UN context.

Bilaterally, it has trade and cooperation agreements with the ACP countries, the

States of the Mediterranean basin, its neighbours in the European Free Trade Association (EFTA) and in Central and Eastern Europe.

The nature of the Community's external relations at present reflect its position as fundamentally an economic entity. The sheer weight of its economic power and its ability to speak with one voice on behalf of all its members have propelled it into a leadership role on world trade. But, conscious that this role carries political responsibilities too, the Community has developed over the years its foreign policy co-operation. As a result, its influence on world events has tended to become a good deal wider.

But the Community's external relations are affected not just by its own choice of options and its own decisions to deepen and develop its structures with the creation of the post-1992 single market and the progress towards EMU and political

union. It must also respond to outside events.

The dramatic and far-reaching events of the past two years in Eastern Europe, the Soviet Union and the Gulf have posed new challenges to which the Community is responding. It is developing a variety of new instruments – a new generation of European agreements with its eastern neighbours, new types of cooperation with the Soviet Union, possibly an East-West energy charter and a support programme for the post-war regional reconstruction and development after the Gulf war. It is also gearing up to respond to a series of requests for Community membership from a number of countries.

As East-West *détente* strengthened, the confrontational relationship typified by the Warsaw Pact and the NATO alliance changed its nature. The Member States of the Community who belong to the West European Union (WEU) have used this forum to strengthen their defence cooperation. So as to reinforce their ties in the face of a shift in NATO priorities, the United States and the Community signed in November 1990 a new declaration on EC-US relations, which created a new institutional framework for mutual consultation.

Both internal and external factors therefore are pushing the Community to assume that fuller role in world affairs which its economic weight dictates and which its friends and partners are rightly looking for.

Now, more than ever, there is a need for vision and imagination, for the casting-off of established patterns of thinking and for international cooperation on an ambitious scale. . . The challenges before us are enormous and we in the European Community are preparing ourselves to live up to these challenges.

*Frans Andriessen
Vice-President of the
European Commission*

The Community as a world economic power

The world's biggest trader

The Community is the world's biggest trader. Its external exports (excluding Members' trade with each other) amounted to ECU 413 billion in 1989. This represented 15% of world exports compared with 12% for the United States and 9.1% for Japan. The EC is the biggest market in the industrialized world with a population of 340 million; it is also one of the most open.

The Community has to export in order to finance its substantial imports of food and raw materials. The EC is the world's biggest importer of agricultural products. The Community's exports consist of quality manufactured goods (80% of the total) and of processed foodstuffs.

The Community therefore needs export markets to be as open for EC products as its market is for imports. In this, the Commu-

nity owes much to the considerable achievements of the GATT system over the past four decades in reducing worldwide barriers to trade in manufactured goods. The Community has in fact helped to make these achievements possible. It has been a leading participant in the Uruguay Round, the latest GATT liberalization initiative which includes for the first time a major programme of liberalizing farm trade and trade in services.

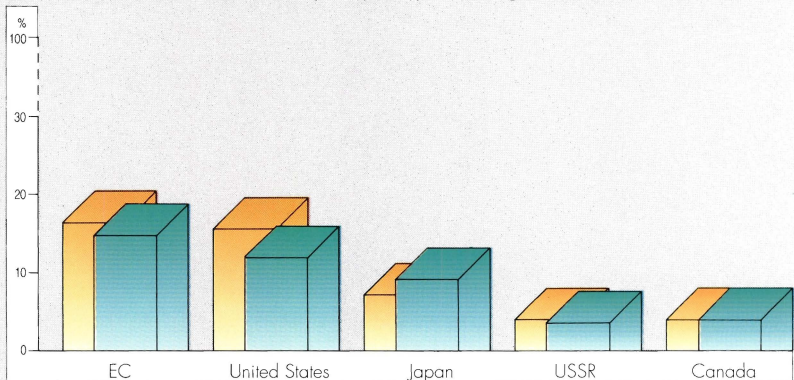
As a result of successive GATT tariff reductions, the Community's weighted average tariff level for industrial goods is now less than 5%. Once the various tariff preferences which the Community grants to many suppliers are taken into account the average industrial tariff level effectively applied falls to about 1%. Developing countries benefit from duty-free access to the Community for their manufactured or semi-manufactured goods either through

Europe, world partner

The European Community, world's leading trading power

The share of world trade¹ held by the principal trading nations in 1989 (in %):

	Imports	Exports
European Community	16.2	15
United States	15.6	12
Japan	7	9.1
USSR	3.8	3.6
Canada	3.8	3.8



¹ Excluding trade between Community countries

direct agreements with the Community or through the EC's generalized system of preferences (GSP).

At the heart of the EC's external relations is its common commercial policy which gives the Community exclusive authority for the trade policy of its Member States. It provides for major decisions to be taken by the Council of Ministers by majority vote and confers on the European Commission considerable executive and negotiating authority. The result is that the EC is able to take swift and effective decisions in the trade policy area.

The decision by the authors of the Rome Treaty to establish a common commercial policy for its external trade was a logical counterpart to the decision to establish the free circulation of goods and services within the Community. By the same token, the current initiatives to complete the internal market by the end of 1992 will likewise have important implications for the Community's external trade policy: the disappearance of physical frontiers within the Community will lead to the elimination of the last remaining disparities in Member States' trade policies. This means, in effect, putting in place the final elements of the common commercial policy.

The common commercial policy is augmented by common rules for the liberalization of imports, for surveillance and safeguard action and for action against dumped and subsidized exports. These were added to in 1984 by the creation of a new trade policy instrument enabling the Community to take action against illicit trade practices by its trading partners.

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The European Community is world leader in matters of trade. This is due to the quality of its products.

Its role in world trade apart, Europe wants to be a truly loyal partner, but vigilant and ambitious, anxious to build a fairer, more effective economic order.

Jacques Delors,
investiture speech,
European Parliament,
17 January 1989

The external dimension of the single market

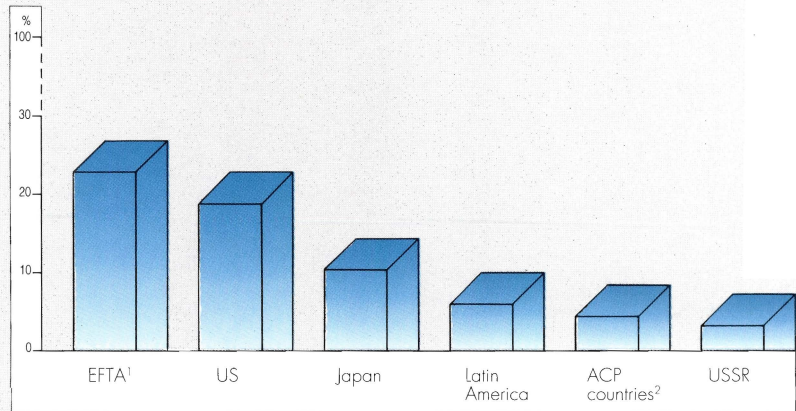
The Community's decision in 1985 to create a frontier-free internal market across the Community by the end of 1992 is in itself one of the most significant economic milestones of the past decade. It has caused firms and governments both within the Community and outside to rethink production, marketing and investment strategies.

Despite progress over the years, many awkward barriers remained, which kept the 12 national EC markets fragmented. The initiative for the single market programme came from Jacques Delors, the former French Finance Minister, who became President of the European Commission in January 1985. Delors deliberately chose the single market to relaunch the Community after five years of near-immobilism rather than his alternative projects for EMU or political union. These are now

The Community's suppliers

Where the Community's imports come from (in %, in 1989)

EFTA ¹	22.8
United States	18.7
Japan	10.3
Latin America	5.8
ACP countries ²	4.4
USSR	3.4



¹ European Free Trade Association (Austria, Switzerland, Iceland, Sweden, Norway, Finland).

² Countries in Africa, the Caribbean and the Pacific, which have ties with the Community through the Lomé Convention.

The basic idea behind the 1992 project was to speed up the removal of the remaining national barriers to the EC's internal market so that European firms could benefit from a home market of truly continental dimensions and take advantage of scale economies thus generated to increase their worldwide competitiveness.

The concept of the vast single Community market, unhampered by internal frontiers, was at the very core of the objectives set in the Rome Treaty in 1957. The Treaty preamble expresses the resolve of Community members.

To ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe.

following in the wake of Project 1992, confirming the aptness of Delors' strategy.

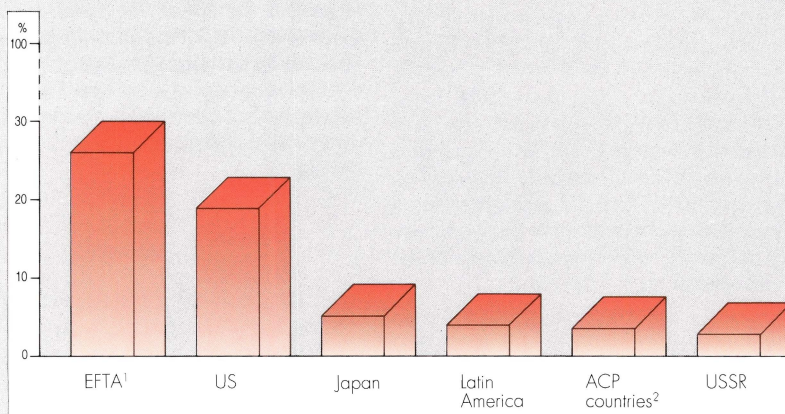
The aim of the single market programme is to eliminate the remaining physical, technical and fiscal obstacles to the free movement of people, goods, services and capital within the Community. Initial doubts the Community or its trading partners may have had about the chances of success of the project have been dissipated.

The commitment to achieving the completion of the single market was given concrete form by the Member States through the Single European Act which came into force in 1987. This document contained the revisions in the Rome Treaty required to speed up decision-taking on single market legislation.

The Community's clients

The destination of the Community's exports (in %, in 1989):

EFTA ¹	25.9
United States	18.8
Japan	5
Latin America	3.6
ACP countries ²	3.4
USSR	2.9



¹ European Free Trade Association (Austria, Switzerland, Iceland, Sweden, Norway, Finland).

² Countries in Africa, the Caribbean and the Pacific, which have ties with the Community through the Lomé Convention.

Source: Eurostat.

The SEA not only strengthened the powers of the European Commission as the Community executive, it also, crucially, introduced the principle of majority voting instead of unanimity in a number of policy areas related to the single market.

The single market has many ramifications for the Community's trading partners. At the technical or institutional level, the completion of the internal market requires the completion of the common commercial policy. In concrete terms, this means that individual import restrictions Member States have been allowed to maintain will have to disappear by the end of 1992.

These concern long-standing quota restrictions individual EC countries have imposed against certain products – such as cars and consumer electronics items – principally from Japan and South-East Asia and a wide range of goods from the Soviet Union and Eastern Europe. Internal limits among the Twelve concerning how textile imports are shared out or how sensitive products coming in under the GSP are handled will also have to disappear.

Other consequences of the single market for the EC's outside partners are harder to quantify. Many have voiced fears that the

post-1992 Community will resemble a 'fortress Europe', turned in on itself and protected from outside competitors by a series of external barriers. In other words, these partners are concerned that the major change brought about by the single market will be to transfer existing barriers from the Community's internal frontiers where they are today to its external ones.

These fears were addressed by Community Heads of State or Government at the Hanover meeting of the European Council in June 1988. They declared:

the internal market should not close in on itself. In conformity with the provisions of GATT, the Community should be open to third countries, and must negotiate with those countries where necessary to ensure access to their markets for Community exports.

Similar views were expressed by the Rhodes European Council in December 1988 where the Community rejected the implied criticism of 'fortress Europe' with the slogan of 'partner Europe'.

At the macroeconomic level, the completion of the internal market will boost growth, create new jobs and sharpen competitiveness. This new dynamism in the Community

economy will stimulate the world economy and create new market opportunities for its suppliers whether they are located within the EC or outside.

Exporters to the Community will find themselves selling into a single market of 340 million consumers with a uniform (or mutually-recognized) set of norms, standards and procedures. They, like local EC firms, will need to manufacture to only one set of standards in order to market their product anywhere in the Community. They will no longer have to face 12 different national requirements. Foreign firms, like Community operators, will enjoy scale economies and greater market flexibility.

Moreover, the Community is bound by its international obligations, both multilateral (GATT and the OECD) and bilateral (the EFTA and Mediterranean agreements and the Lomé Convention). Thus in areas like norms and standards, or government procurement in sectors covered by the relevant GATT code, the benefits of the single market will, in line with the EC's obligations, be made on a non-discriminatory basis to the Community's trading partners.

It is also in the EC's own interests to keep the post-1992 market an open one. As the world's largest exporter it is dependent on the existence of open markets around the world. In many ways, the Uruguay Round represents the forum for translating the external aspects of the single market into concrete advantages for its trading partners, particularly as concerns the further expansion of world trade in goods and the extension of liberalization rules to trade in services.

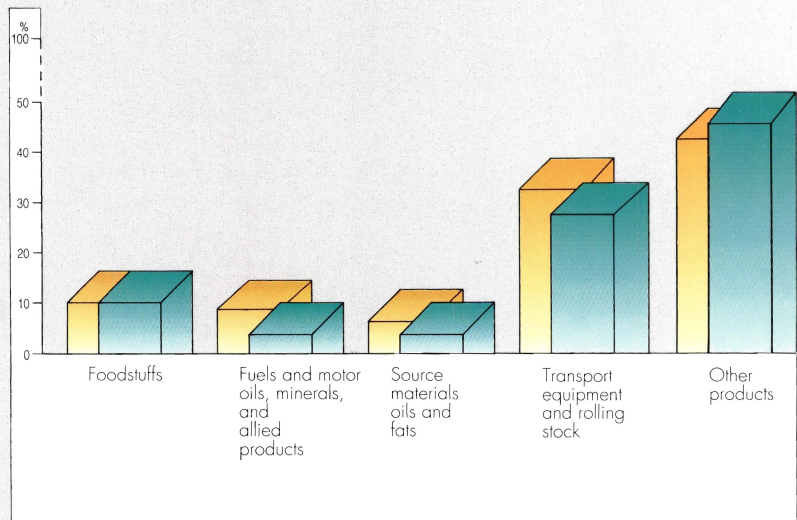
The impact of economic and monetary union (EMU)

The rapid progress made in preparing the single market encouraged Delors to push ahead with his second initiative – economic and monetary union (EMU). This was supported by Member States who realized that the economic gains derived from the single market could be greatly enhanced by the creation of an economic and monetary union and, ultimately, a single currency.

Pattern of trade of the European Community

(in % in 1989, by category of product)

	Imports	Exports
Foodstuffs	10.1	10
Fuels and motor oils, minerals, and allied products	8.1	3.3
Source materials, oils and fats	6.5	3.4
Transport equipment and rolling stock	32.5	27.7
Other products	42.8	45.6



The Community has already represented a zone of increasing monetary stability in a world of floating exchange rates since the creation of the European Monetary System (EMS) and a set of fixed exchanges between participating currencies. The Community currency, the ecu, has increasingly been used in international payments and in borrowing and lending operations on international capital markets.

The process to move from EMS to EMU began at the Hanover European Council in June 1988 when Delors was asked to head a committee to produce a blueprint for economic and monetary union. The first stage of a three-stage transition to EMU began in July 1990. Stage two, with the creation of a Community central banking structure, is due to start in 1994.

The international dimension of EMU was set out in an explanatory memorandum to the draft treaty on EMU issued by the European Commission in December 1990. It states that

the dynamic gains will stem from price stability, enhanced economic efficiency, itself conducive to growth, and more ef-

icient management of public finances owing to a reduction in the real burden of interest and in the size of deficits. This should have a positive impact on employment and on the balanced developments of the regions and, finally, should give the Community a greater role to play in the world economy.

The creation of EMU with the ecu as a single currency (or with national currencies irrevocably fixed) will provide a monetary zone for the Community's partners as an alternative to the dollar zone, or a yen zone, if one were to emerge. It would bring a number of advantages.

They would be able to reduce the transaction costs of dealing in different Community currencies when selling goods and services in different national EC markets. They would also be able to hold some of their reserves in ecus to diversify their holdings (as a hedge, for instance against dollar fluctuations).

They could even peg their own currency to the ecu. This would be particularly interesting for countries for whom the Community is a major trading partner.

Such internal reinforcement should not and does not imply that the Community is not open to the outside world. On the contrary, economically and politically the European Community is bound to play a constructive role within an international context.

*Frans Andriessen
Vice-President of the
European Commission*

The Community as a political force

The Member States of the Community decided to add a political dimension to their cooperation in 1969. It should be pointed out that political in this context means foreign policy. The process was launched in 1970 with the so-called Davignon report, which set the framework for European political cooperation (EPC) based on regular meetings of foreign ministers and/or their political directors.

It provides the Twelve with a forum for discussing foreign policy issues on which, as economic partners, they are likely to have a common political interest as well.

This process was outside the Treaty of Rome and as such outside the competence of the Community, although the European Commission was associated with EPC from the outset. Initially this association was limited in nature.

The EPC provisions were subsequently refined and extended over the years and were finally codified in a legal text as part of the Single European Act. The SEA also

provided for the establishment of a small secretariat in Brussels to assist the country holding the EC presidency in preparing and implementing the activities of EPC.

EPC is therefore an intergovernmental activity, quite distinct from the supra-national structures of the Community. In EPC ministers do not adopt directly enforceable legal acts. All decisions are by consensus. The Commission's role in EPC is distinct from that which it plays in the Community framework. There it is the initiator and executor of policy decisions as well as the guardian of the Treaties.

In EPC its role is more dispersed and more discreet. The Commission is nevertheless fully associated at all levels (both official and ministerial) with the internal work of EPC and with political dialogue with third countries through the so-called troika mechanism.¹

The Commission takes part in discussions and generally contributes to EPC its experience and knowledge of what is going on in the Community framework. It shares with the rotating Presidency of the Council of Ministers (which changes every six months) a special responsibility for ensuring consistency between the external policies of the Community and those agreed in EPC. It upholds and exercises the (economic) Community competences in the political cooperation of the Twelve.

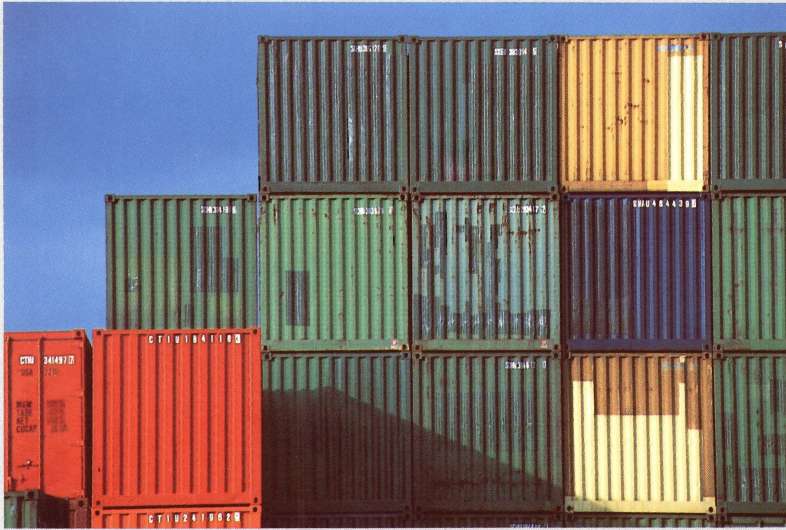
The European Community has the largest home market in the industrial world. It comprises 340 million European consumers with a comparatively high purchasing power.

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¹ In which the Twelve are represented by ministers (or officials) of the Member State currently in the chair of EPC and Council meetings, along with the immediately preceding and immediately succeeding chairmen.



Europe's ports are open to the world. They are highly effective trading instruments thanks to their transshipment facilities and technical equipment.

The rigid separation this appears to imply is, however, often belied in practice. The decisions with international ramifications which the Community is called upon to take in the economic sphere can be just as political as those taken in EPC. Conversely, the decisions of political cooperation sometimes require a Community act (based on a proposal from the Commission) as their instrument of implementation.

Examples of this interaction have included the economic sanctions applied against Argentina during the Falklands crisis and those imposed on Iraq following the invasion of Kuwait in August 1990.

The blurring of the distinction between EPC and Community activity has been accelerated by two factors. One is the desire of many of the Community's trading partners – both developed and developing – to establish a parallel political dialogue with the Community. The other is the frequent absence in international forums such as the UN, the Conference of Security and Co-operation in Europe (CSCE) or the Euro-Arab dialogue of any clear-cut dividing line between economic and political issues.

From a common commercial policy to a common foreign and security policy

Despite the gradual and cautious way the Twelve have expanded their foreign policy cooperation over the years, the idea of a unified foreign policy or even of a common defence policy is as old as the Community itself. The idea of a European Defence Community (EDC) preceded even that of the European Economic Community itself.

The EDC was mooted in 1954, just two years after the creation of the first Community, the European Coal and Steel Community, and four years before the EEC. But opposition to the surrender of national sovereignty proved too strong and plans for the European Defence Community were discarded after they were rejected by the French National Assembly, although hopes of achieving the coordination of foreign policy lingered until they were dropped, with the Fouchet Plan, in 1962.

Now ideas for a common foreign and security policy are firmly back on the Community agenda. They are one of the key elements in the negotiations over political union. The other element focuses on measures for reforming the institutional

The imperative is unchanged. We still need to demonstrate that the Community speaks with one voice, that it is an actor rather than a spectator on the contemporary stage.

*Jacques Delors,
investiture speech,
European Parliament,
17 January 1989*

framework of the Community and attributing present and new areas of competence.

It is inevitable that the Community, with the degree of internal and external commercial, economic and monetary cohesion it is acquiring, develops a corresponding international political dimension. A global foreign policy is a necessary adjunct to global trading and economic interests.

Security questions are also up for reconsideration as a result of the shift in the balance of forces in Europe following the unification of Germany and the return to democracy of the countries of Eastern Europe.

The structures of a common foreign policy and a common security policy are not yet clear. Neither is the role of the Community institutions, EPC or even of the Western European Union (WEU), the European defence organization to which nine of the 12 Member States belong. The scope of political union too remains to be defined.

It is also a token of the Community's maturity that it is now tackling the issues – EMU and political union – that most affect the principle of sovereignty that it has been unable to handle hitherto.

The varied dimensions of the EC's external relations

One of the basic aims of the Community, set out already in the Rome Treaty, is to *contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers.*

This principle, contained in Article 110 of the Treaty, is at the basis of the Community's relations with its trading partners throughout the world. As the world's biggest trading power the Community has built up over the years a complex network of multilateral, regional and bilateral trading relationships. Many of these agreements, particularly with the developing countries, cover financial and technical cooperation, as well as trade.

Specific relationships have developed because of geographic proximity (agreements with the EFTA countries, the nations of Eastern Europe and the Mediterranean region), through former colonial ties (the Lomé Convention) or because of similar levels of economic development (the United States, Japan and the other OECD countries).

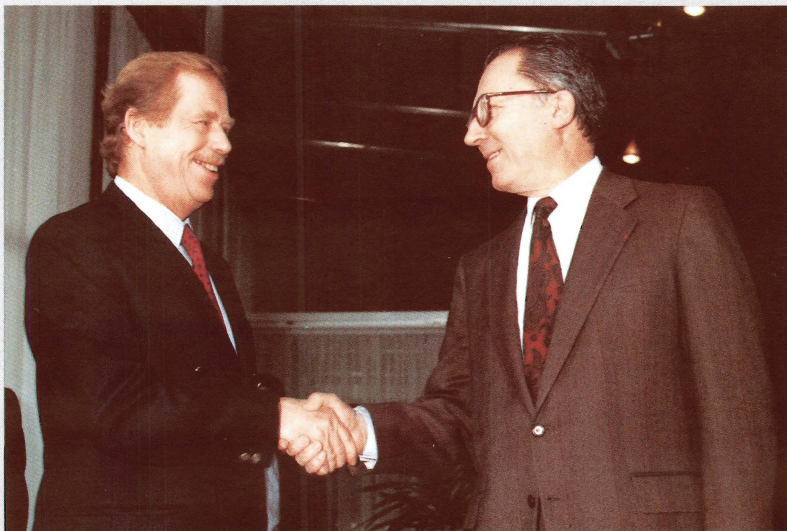
Multilateralism via GATT and the OECD

Its dependence on an open world trading system has made the Community an enthusiastic supporter of the multilateral trading principles of the General Agreement on Tariffs and Trade (GATT). It is in GATT that the Community has its highest profile.

Since its entry into force in 1948, the GATT has become the principal instrument governing the conduct of world trade. It is both a code of rules and a forum in which negotiations and other trade discussions take place. It plays an increasingly important role in the settlement of trade disputes between its signatories.

The Community has a special position in GATT. It is the Member States and not the Community as such which are contracting parties to the GATT agreement. But the Community is signatory to a number of international agreements concluded under the auspices of GATT.

Because the Treaty of Rome gives the Community exclusive competence in the



Czechoslovak President Vaclav Havel came in March 1991 to argue the case for his country before the European Commission and the European Parliament. Like other countries in East and Central Europe, Czechoslovakia wants to be associated with the European Community in order to be able to join as soon as possible.

external trade matters of Member States, it has established itself as a *de facto* contracting party, with the Commission as the sole negotiator and spokesman on behalf of its members.

This development has been facilitated by the pragmatic, non-ideological nature of the GATT's work. The articles of the GATT, and the various international agreements drawn up under its aegis, form the legal basis for the Community's own trade policy instruments and action, as in the field of tariffs, the application of safeguard measures, anti-dumping actions and the like. GATT also spearheads special initiatives to open markets as in its public procurement code.

The Community's contribution to GATT has been substantial and often decisive. It has been a key player in the successive rounds of negotiations, held at regular intervals to liberalize more world trade. It was a prime mover in the promotion of the Uruguay Round of talks begun in 1986 which brought agriculture and trade in services within the scope of GATT negotiations for the first time.

As with GATT, the Community has a special status within the Organization for Economic Cooperation and Development

(OECD). The Community is not strictly speaking a member of the organization but the Commission regularly speaks on behalf of the Community on issues of Community competence or where the Member States had agreed a common position.

The work of the OECD covers a wide field of macro- and microeconomic issues as well as monetary and financial matters and increasingly since the 1970s on energy questions. The Commission is fully represented in such discussions.

The OECD has also increased its involvement in commercial questions, playing a determining role in the field of export credits. All Community countries accept the so-called OECD consensus on export credits which since 1978 has provided the framework for keeping export credit subsidies under control and has been instrumental in bringing interest rates on credits closer to actual market conditions.

The OECD has also been instrumental in pushing forward discussions by members on issues like trade in services and high-technology products, often in advance of these issues being pursued in more formal binding negotiations in the broader GATT framework.

The EC and the United Nations

The Community is an observer at the United Nations and in its various agencies and specialized institutions such as Unctad, the UN Economic Commission for Europe, Unesco and Unido. The Community delegation is dual; it consists of representatives from the European Commission and from the Member State that holds the rotating presidency of the Council of Ministers.

This duality reflects, of course, the twin nature – political and economic – of international relations. In addition, much of the work of the United Nations, even in the economic matters, falls into the grey area between the responsibility of the Community and that of the Member States. The duality actually facilitates the handling of questions lying on the margin between international economic policy and foreign policy. On the latter, the Member States often adopt common positions worked out in the context of European Political Cooperation (EPC) and delivered to the UN by the Member States holding the EC presidency.

For an organization like the Community, with exclusive competence to act in certain areas of economic policy, the attribution of observer status is not without its difficulties, implying as it does the absence of the right to vote and the inability to present or amend proposals. Difficulties of a similar nature have also arisen as regards the Community's participation in the wide range of multilateral agreements and conventions drawn up under UN auspices. These cover such matters as international trade in primary commodities, the Law of the Sea and the environment.

Despite these problems, the Community is now party to over 50 such international agreements, where in each instance it is the only non-State entity to participate. Recent examples are the Vienna Convention and the Montreal Protocol on the protection of the ozone layer.

Bilateral relations: a global network of partnerships

The Community has a complex set of relations with its partners, be they industrialized nations or the developing countries of the Third World.

Virtually all the developing countries, with a few notable exceptions, have concluded bilateral agreements with the Community, providing in some cases for trade preferences and financial assistance, in others for economic cooperation of a more general nature.

A close dialogue is maintained with all the Community's major developed trading partners, principally in the form of regular institutionalized consultation at ministerial or other high level between the Commission and the authorities of the country concerned. The President of the Commission attends the regular Western Economic Summits as does the head of government of the Member State which holds the rotating EC presidency even when his country is not one of the summit seven.

The Community's contractual relations with its more immediate neighbours in Europe have witnessed several important developments in recent years. The imminence of the post-1992 single market has pushed EFTA countries collectively to seek closer links with the Community. A new generation of agreements is being negotiated with the recently democratized countries of Central and Eastern Europe. A number of countries have applied for membership: Turkey, Austria, Cyprus and Malta.

Relations with industrialized partners

The Community's most intensive relations are with its major industrialized powers outside Europe, particularly the United States and Japan. This reflects the size of the three economies and their importance in world trade, but it is also a token of the democratic traditions and commitment to the market economy which they share. The Community has the same type of relationships with other economically advanced countries such as Canada, Australia and New Zealand.

Their common interests do not prevent trade disputes flaring up periodically but these have never been allowed to undermine the basic relationships.

The Community meets regularly with its principal partners in several institutions: the OECD, the annual Western Economic Summits of the Group of Seven (The USA, Japan, Canada, Germany, United Kingdom, France and Italy plus the EC representatives from the Commission and Council presidency). Trade ministers from the quadrilateral group of the USA, Japan, Canada and the Commission have periodic meetings.

The United States of America

For historical and strategic reasons as well as shared political values, relations between the United States and the Community have always been close and cordial. The US Government and people have been committed supporters of European integration since the inception of the Community. In addition, the USA is linked to nearly all the EC Member States through their common membership of the Atlantic Alliance.

The solidity of this relationship has enabled it to withstand the impact of the various transatlantic trade disputes that have broken out over the years. These started with the 'chicken war' of the 1960s (over the effects on US poultry exports of the introduction of variable EC import levies) and have continued more recently with disputes about US limitations on imports of EC

steel, about Community restrictions on imports of American meat containing hormones and about subsidies paid by both sides to their aircraft industries. Others will no doubt occur in the future.

In dealing with their bilateral disputes, both sides have shown a determination to contain them and to find mutually acceptable pragmatic solutions whenever possible. It is not surprising that two major trading powers who are competitors as well as partners should find themselves in disagreement from time to time. But the importance of their economic and commercial ties, plus the underlying political relationship, have been judged too important to allow disputes to get out of hand.

In the wake of changes in East-West relations resulting from the return to democracy in Central and Eastern Europe and the unification of Germany, the US Secretary of State James Baker proposed new institutional links between the US and the Community in December 1989. This took concrete form in November the following year with the adoption of a declaration on EC-US relations.

The key paragraph of the declaration states that

to achieve their common goals, the European Community and its Member States and the United States of America will inform and consult each other on important matters of common interest, both political and economic, with a view to bringing their positions as close as possible without prejudice to their respective independence. In appropriate international bodies, in particular, they will seek close cooperation.

The declaration also sets out the framework for these consultations which take place at five levels:

1. Twice-yearly summit meetings between an EC team (made up of the head of government of the country holding the Presidency of the EC Council of Ministers and the Commission President) and the President of the United States;
2. Twice-yearly consultations between EC foreign ministers, plus the Commission, and the US Secretary of State;
3. *Ad hoc* consultations between the foreign minister of the country holding the EC presidency or the troika and the US Secretary of State;
4. Twice-yearly consultations between the Commission and the US government at cabinet level;
5. Briefings by the country holding the EC presidency to US representatives on European political cooperation (EPC) meetings at ministerial level.

A similar declaration was agreed between the Community and Canada in November 1990. This builds on the relationship established by the 1976 framework agreement on commercial and economic cooperation and enhances the present structures for dialogue and consultation.

Eureka Slide

Japan

The Community's ties with Japan have not yet developed to the extent of the Atlantic relationship. For one thing, Japan and Community members are not linked by any formal security treaty. For another, it is only in recent years that bilateral economic relations have acquired their present dimension, reflecting Japan's relatively late emergence as one of the world's economic superpowers.

The intensification of the Community's relations with Japan is leading to them being gradually formalized, with regular consultation procedures at various levels already in place. Trade tensions and trade disputes form a more constant feature of EC-Japan bilateral relations than between the Community and the USA.

The Community's trade relations with Japan have tended to be dominated by the structural consequences of what Europeans have considered to be Japan's incomplete integration into the multilateral trading system. It has reaped considerable economic benefit from the access to world



markets which the system makes available. But its domestic market has not generally offered comparable opportunities to Japan's trading partners.

The problems lie at three levels. The first is caused by the various technical and administrative barriers to imports. The second stems from the structures and attitudes

The European Community market, one of the most solvent in the world, is very accessible to products made elsewhere.

which prevail in the Japanese economic system – in production as well as distribution. The third brake on market access is to be found in prevalent Japanese national habits and attitudes.

Limited access to the Japanese market for outside suppliers has helped create substantial current account surpluses not only with the Community but with the United States and even with its highly competitive Asian and Far Eastern rivals and neighbours. The pressures this situation has generated and the temptation to try to resolve them by unilateral measures against Japanese exports have posed a serious threat to the wider multilateral trading system.

The Community's policy towards Japan consists of three principle elements.

1. It has sought a greater opening-up of the Japanese market, particularly for manufactured goods and processed foodstuffs but also for banking and financial services. To increase export possibilities, it has encouraged the Japanese authorities to boost internal demand, to carry out the necessary structural reforms and to remove sector by sector certain identifiable obstacles to market access.

2. The Commission has monitored closely Japanese exports to the Community in certain sensitive areas, so as to be able to respond rapidly in case of market disturbance.

3. The Community has been trying to foster a higher level of cooperation with Japan, particularly in areas such as science and technology, but also in the industrial field. It has also welcomed Japanese direct investments in Europe whereby firms manufacture locally instead of only exporting finished goods from Japan. The aim is twofold: to bring about a closer multilateral integration of Japanese industry, and to develop a close and more broadly-based bilateral relationship. A dialogue on foreign policy matters has also been established.

EFTA and Eastern Europe

Relations between the Community and its neighbours in EFTA and Central and Eastern Europe represent one of the most dynamic aspects of the Community's external policy. The twin impact of the 1992 single market programme and the return to democracy and free markets by centrally planned economies is bringing about new levels of economic integration.

Taken together, the EFTA countries are the Community's biggest export market. They take more than a quarter of what the EC sells abroad, more than the United States and Japan combined. In return the Community accounts for more than half of all EFTA exports.

The Community and the EFTA countries¹ have maintained special preferential relations since the early 1970s when two founder members of EFTA, the United Kingdom and Denmark, joined the Community. To avoid re-erecting tariff barriers between these two and their former EFTA partners, Free Trade Agreements were concluded between the Community and each of the EFTA countries in 1972/73.

These created the largest free trade area in the industrialized world – a market of 375 million people, covering virtually the whole of Western Europe.

The Free Trade Agreements all have similar structures:

(i) the total abolition of customs duties and quantitative restrictions on trade in industrial goods manufactured or substantially processed in the Community or the EFTA countries;

(ii) rules on State aid and industrial competition;

(iii) a limited number of mutual concessions in the agriculture and fisheries sector;

(iv) bilateral joint committees, meeting regularly, to administer the agreements.

¹ Austria, Finland, Iceland, Norway, Sweden and Switzerland (the provisions of the EFTA Convention also apply to Liechtenstein which has a customs union with Switzerland).

Over the years, a considerable degree of economic integration between the Community and EFTA countries has taken place in the form of direct investment, joint ventures and technical cooperation. The geographic proximity of the EFTA countries gives rise to numerous other areas of common interest, such as transport and the environment.

In 1984, the Community and the EFTA countries adopted the so-called Luxembourg Declaration in which they decided to intensify their cooperation within and beyond the Free Trade Agreements to create a European economic space. Then came in the following year the Community's vast plan to complete its own internal market by 1992.

This reinforced the interest of the EFTA countries in getting closer to the Community so as not to lose access to the post-1992 single market. By this time, a third EFTA country, Portugal, had joined the Community. In 1989, a fourth – Austria – applied for membership.

In 1989, the Commission president Jacques Delors made an innovative proposal for a third way for EC/EFTA relations between the existing free-trade cooperation framework and full EC membership. This built on the notion of the European economic space (EES) which became the European Economic Area (EEA). Negotiations to create the EEA were launched in June 1990.

The idea was for a global agreement between the Community and all the EFTA countries together that would extend as far as possible the single market principles and policies to the whole of the EEA. Thus there would be free movement of goods, services, capital and persons on the basis of EC legislation plus cooperation to reduce regional and social disparities. A set of common rules for surveillance, enforcement and dispute settlement would be created.

At the same time, both sides would retain full autonomy as regards their internal decision-taking procedures. A procedure was also to be created enabling EFTA countries to be consulted on upcoming internal EC legislation that could affect them in the EEA context. The negotiations

between the two sides were due to be completed at mid-1991.

Eastern Europe

The dramatic events in one country of Eastern and Central Europe after another in 1989 changed the political and economic map of Europe. Germany was united, presenting the Community with the need to create a crash programme to incorporate the territory of what had been the German Democratic Republic.

The other countries of the region opted for democracy and the free market. Each of them sought closer ties with the Community, often declaring their ultimate goal as full Community membership.

But the radical changes of 1989, surprising when they came in the suddenness and in their scope, had been preceded by signs of change, albeit a gradual one.

The first signs of a more open and flexible attitude towards the Community on the part of members of the Comecon¹ came when Hungary and Czechoslovakia approached the Community with requests for wider trade links beyond the scope of very limited sectoral agreements that had hitherto been negotiated.

With the accession to power of Mikhail Gorbachev the pace of cooperation accelerated. The signing of a Joint Declaration between the Community and Comecon in June 1988 can be considered a breakthrough in relations between the Community and its neighbours to the East. This set up official relations between the EC and Comecon and opened the way for trade and cooperation agreements with each of the East European countries.

Agreements between all the East European countries and the Soviet Union were negotiated between 1988 and 1990. These negotiations were already in train when the virtually bloodless revolutions took place in Eastern Europe.

¹ Comecon is the acronym for the Council for Mutual Economic Assistance (CMEA), which comprised the Soviet Union and the former State-trading countries of Eastern Europe plus Mongolia, Vietnam and Cuba.

It would be disastrous for world peace if the East-West conflict were replaced by a new North-South confrontation.

This risk, which a few months ago appeared rather theoretical, has been reawoken by the Gulf crisis. Through its geographic position, traditional links and policy initiatives, the Community is particularly well placed to defuse North-South tensions.

*Frans Andriessen
Vice-President of the
European Commission*

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The vast market of the Community is open to the fruit and vegetables, wine and olive oil from countries around the Mediterranean basin.

Since then, the agreements between the Community on the one side and Hungary, Czechoslovakia, Poland, Bulgaria, Romania and Yugoslavia on the other are in the process of being updated and upgraded. The Community has devised for these countries a new type of association agreement or European agreements. In the meantime, *ad hoc* arrangements were made to extend the Community's generalized system of preferences to the countries of Eastern Europe and to advance the dates for the abolition of import quotas.

The European agreements provide for free trade but also include economic and technical cooperation, financial assistance and the creation of a political dialogue. In moving towards the objective of free trade, the Community will reduce its tariff and other import barriers more rapidly than partner countries. Associated countries will open their markets for Community goods according to a flexible timetable which reflects their specific situation.

The Community has paid particular attention to the specificity (treating each according to its particular situation) of its partners in East and Central Europe. This is why negotiations on the first European agreements took place with Hungary, Czechoslovakia and Poland – the three countries of the region furthest advanced in the reform process.

In addition to its bilateral efforts on behalf of Central and Eastern Europe, the Community participates actively in multilateral aid programmes. At the 1989 Western Economic Summit in Paris, the Commission was given the task of coordinating assistance from the 24 OECD countries, the G-24, to Poland and Hungary in what became known as the Phare¹ programme.

The Community's own contribution to Phare is considerable. It contributed ECU 500 million in 1990. The total for 1991 is ECU 795 million with ECU 1 billion earmarked for 1992. The Commission has continued its coordination task as the scope and geographic coverage of the Phare programme has extended to the rest of Central and Eastern Europe.

The G-24 was also instrumental in promoting the creation of the European Bank for Reconstruction and Development (EBRD). The Community and its Member States hold a majority of the shares. This has enabled them to choose the location of the EBRD (London) and nominate its first President (Jacques Attali, former adviser to President François Mitterrand of France).



Eureka Slide

¹ Phare: Poland and Hungary – Assistance with restructuring the economy.

The Mediterranean countries

The Community's other neighbours – to the south in the Mediterranean basin – were among the first to establish special economic and trade relations with the Community. For its part, the Community has accepted from the outset that it has, *inter alia* out of enlightened self-interest, a particular responsibility for the social (and thus political) stability of the Mediterranean region. It should therefore contribute to the region's economic and social development. This responsibility has been heightened in the wake of the war in the Gulf region.

The countries of the Mediterranean are of considerable economic significance for the Community, constituting as a group one of its largest trading partners. Close historic and cultural ties linked these countries to certain EC Member States: France with Morocco, Algeria, Tunisia, Lebanon and Syria; Italy with Tunisia; Britain with Cyprus, Egypt, Israel and Malta.

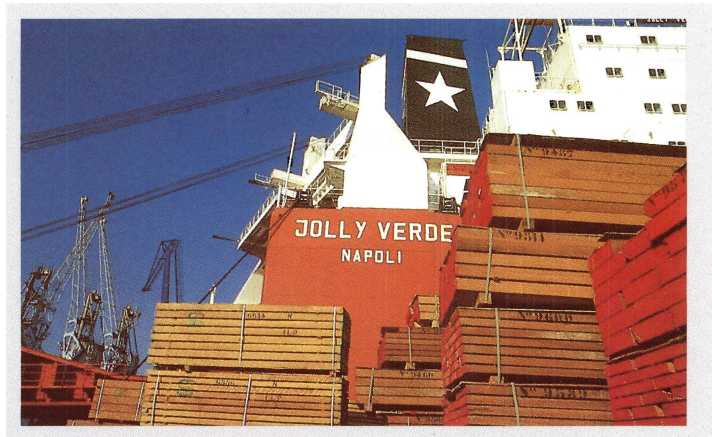
Today, the Community is linked with almost all the Mediterranean countries by a network of 12 separate cooperation or association agreements. Only Albania and Libya have no such links. The agreements which date from the 1960s and early 1970s are part of what has been termed the EC's global Mediterranean policy.

The association agreements with Turkey, Cyprus and Malta are designed to lead to the progressive establishment of customs unions with the Community. The agreement with Turkey goes a step further, envisaging Turkey's ultimate full membership of the Community.

Indeed in April 1987, Turkey formally submitted an application to join the Community. The Commission, which must deliver an opinion on each application for membership before entry negotiations can begin, took the view that the Community should not consider new membership applications until the completion of the single market in 1993. Notwithstanding, Cyprus and Malta applied to join the EC in 1990.

The Maghreb countries (Algeria, Morocco and Tunisia) and the Mashreq (Egypt, Jordan, Syria and Lebanon) together with

Israel and Yugoslavia are linked to the Community through cooperation agreements covering trade, industrial cooperation and technical and financial assistance. The agreement with Israel provides for free trade in industrial products.



Eureko Slide

Although varied in the scope of their wider political provisions, all the EC's Mediterranean agreements have certain common elements. Each provides for unlimited duty-free access for industrial products originating in the country in question. The agreements also provide for individual concessions of various sorts for their major agricultural exports, including fruit and vegetables, wines and olive oil. Turkey, Cyprus, Malta and Israel grant some reciprocal concessions to Community exports. In addition to these trade concessions, the Community provides financial aid to the Mediterranean countries in the form of direct grants and of loans from the European Investment Bank (EIB).

The accession of Spain and Portugal in 1986 has had important ramifications for the Community's Mediterranean policy. To an even greater extent than in the past, the Community is the major economic power in the region. It will thus have to bear a correspondingly greater share of responsibility for regional economic stability and well-being.

This implies creating even closer trade and economic inter-relationships between the Community and its neighbours around the Mediterranean. Despite competition from

Tropical timber, imported into the Community via the port of Naples.

products from Spain and Portugal, the Community has committed itself to try to maintain traditional trade flows for agricultural goods from the Mediterranean countries to the Community.

More recently, the Community has established a programme of direct assistance to Palestinians living in the Occupied Territories which includes financial aid and arrangements to facilitate direct exports from there to Community markets.

The Community offers preferential access to its markets to the 69 countries in Africa, the Caribbean and the Pacific who are signatories to the Lomé Convention. Ninety-nine per cent of their produce enters the Community entirely tariff-free.

The Lomé Convention

The Lomé Convention is the largest single aid programme in the world. It is one of the principal instruments of the Community's policy on overseas development. The Lomé Convention has set up a special relationship between the Community and 69 countries in Africa, the Caribbean and the Pacific area, the so-called ACP group.

This group includes the whole of sub-Saharan Africa (except South Africa) now that Namibia has joined. The Caribbean component was recently strengthened with the participation of Haiti and the neighbouring Dominican Republic. Nearly all ACP countries have close, long-standing associations with one or other of the EC Member States. The signatories of the Lomé Convention include the majority of the world's poorest countries.

The terms of the Lomé Convention are negotiated by the two parties and are updated at regular intervals. The first Lomé Convention – itself the successor of a more limited arrangement – came into force in



1975. It provides for rights and obligations on both sides.

The current Lomé Convention, the fourth, will run for 10 years (1990-2000), twice the duration of its three predecessors, thus giving greater stability to EC-ACP relations. It provides for ECU 12 billion of aid in the form of grants, soft loans and interest-rate subsidies, over the first five-year period. This represents an increase over Lomé III of some 20% in real terms.

A number of major innovations have also been introduced. The Stabex programme¹ has been expanded, with more funds available and new rules enabling a country in need of assistance to join the system automatically. The Sysmin system has been extended to cover gold and uranium.

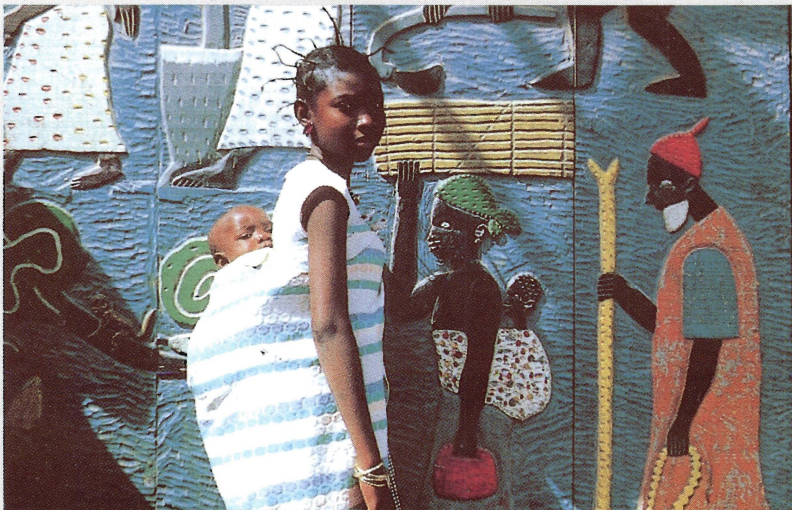
Aid terms have been improved in an effort to reduce ACP indebtedness. All EC aid is now non-repayable except for risk capital and EIB loans. A ban on the import and export of hazardous waste and radio-

active waste between the Community and ACP countries has been agreed.

Under the trade provisions of the Lomé Convention, the Community grants, without requirements of reciprocity, preferential access for ACP exports to EC markets, whereby 99% of ACP products come in free of customs duty or equivalent taxes. Community exports to ACP markets enjoy most-favoured nation (MFN) treatment.

In addition to trade and aid, Lomé is built on a third pillar, that of cooperation, which makes it one of the most distinctive contributions to North-South relations. The political neutrality of Lomé enables development cooperation to take place between the Community and ACP governments of every political hue. The Convention provides for a considerable degree of power-sharing and joint decision-taking concerning projects and programmes financed by the Community. It also lays down procedures for a continuous dialogue between the EC and ACP governments designed to render the instruments of cooperation as effective as possible.

¹ Stabex is the export earning stabilization scheme which covers 48 agricultural products exported by the ACP countries. It provides a vital degree of stability through compensatory transfers designed to offset shortfalls in export earnings. A parallel system, called Sysmin, covers key mineral exports of the ACP countries and aims at safeguarding mining production.



The Lomé Convention stands for the most important cooperation and aid programme in the world. The photograph shows young people of Senegal who expect a lot from Europe.

The developing countries of Asia and Latin America

The Community's relations with the developing countries of Asia and Latin America are less structured than those with the ACP countries or the Community's Mediterranean neighbours. Bilateral relations take the form of cooperation agreements between the Community and the individual country in question.

These agreements are limited in scope. They do not provide for preferential access to EC markets for exports from Asian and Latin American nations. Nor do they contain provisions for financial aid from the Community to the partner country.

However, both Asian and Latin American States are eligible for preferential treatment under the Community's Generalized System of Preferences (GSP) for exports from developing countries and to financial aid under special provisions in the EC budget.

The purpose of the GSP is to assist developing countries to diversify their economies, notably through industrialization and to develop export outlets for the industrialized products they produce. The Community system, which dates from 1971 now covers nearly 130 independent countries and more than 20 dependent territories.

The scheme is set in line with internationally agreed objectives and provides for duty-free entry for all otherwise dutiable manufactured and semi-manufactured products,

including textiles. Import ceilings apply in certain circumstances. Preferences, usually in the form of tariff reductions, are also offered on 360 agricultural products.

Over the years, the Community has refined its GSP structure. It has geared its preferential access to prevent more competitive Third World suppliers from eliminating their rivals. This is known as the principle of differentiation. The Community has also progressively liberalized access under the GSP for the world's least developed countries, who now number about 40. They are exempt from virtually all preferential ceilings.

The developing countries of Latin America and Asia have benefited from aid from the EC budget since 1976. The amount made available for financial and technical assistance in the form of grants was ECU 20 million. The annual amount available is now ECU 300 million.

This goes to the poorest countries to help improve the living conditions of the most needy sections of the population. Priority is given to rural development schemes and in particular to the improvement of food supplies.

The countries of Latin America and Asia, along with the ACP nations, are eligible for the EC food aid programme worth about ECU 500 million a year. Food aid is either given directly by the Community or through non-governmental organizations working to help local populations. The Community has funds to provide emergency aid in the event of natural disasters or political upheaval. It also finances programmes for refugees.

To promote long-term economic development, the Community finances programmes aimed at promoting joint ventures between European and Third World economic operators. Schemes have been developed in the fields of energy, science and technology, trade promotion and human resources development. Risk capital is also available for cooperation between EC and local firms in the developing countries.

The fruit of European technology and techniques: European cars, which are exported throughout the world.





Latin America

The Community's relations with Latin America have expanded considerably in recent years. The basis for bilateral relationships was laid by the framework cooperation agreements with Mexico, Argentina, Brazil and Uruguay. Although they do not provide for tariff reductions, these agreements do contain various other measures for promoting and diversifying trade.

They have evolved from simple trade cooperation agreements to promote cooperation in fields such as industry, energy, science and technology, the environment, training and the promotion of investments. Like those with Asian countries, the Latin American agreements are overseen by a joint committee of representatives from both parties.

In line with its policy of supporting organizations committed to regional economic integration, the Community signed a non-preferential framework agreement for commercial and economic cooperation with the countries of the Andean Pact.

These are Bolivia, Colombia, Ecuador, Peru and Venezuela. The aim of the agreement was

- to stimulate, diversify and improve trade;
- encourage cooperation between industrialists;
- stimulate scientific and technical cooperation.

Similarly an agreement was concluded in 1985 with the signatories of the General Treaty on Central American Economic Integration (Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador) and with Panama.

The enlargement of the Community to include Spain and Portugal has added an important new dimension to the Community's relations with Latin America. In line with a statement annexed to the Act governing Spanish and Portuguese accession, the EC Council of Ministers adopted a declaration in 1987 calling for the strengthening of relations with Latin America and the establishment of economic and political dialogues.

The results of European research: chemical products about to be exported from a European port.

Asia

Non-preferential cooperation agreements have been concluded with the individual countries of the Indian sub-continent: Sri Lanka (1975), Bangladesh (1976), India (1981, replacing an earlier trade agreement) and Pakistan (1986, also replacing an earlier agreement).

These are broadly similar in nature to those concluded with the Latin American countries. India, Bangladesh and Sri Lanka benefit in addition from special concessions under sectoral agreements for a number of their exports (sugar, jute and cocoa products).

A regional agreement with the member countries of the Association of South-East Asian Nations (Asean)¹ was concluded in 1980, setting a framework for commercial, economic and development cooperation. A regular political dialogue also takes place with Asean. Special emphasis has been placed on the promotion of European investment in the region and joint investment committees have been set up in all Asean countries.

A Cooperation Agreement was signed in June 1988 between the Community and the countries of the Gulf Cooperation Council (GCC), with a view to expanding cooperation in fields such as energy, science and technology. At the same time a political dialogue was established. This agreement is to be replaced by one which will lead to the creation of free trade between the two sides.

¹ Asean was set up in 1967 to promote regional free trade and economic cooperation. Present members are Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Representing the Community abroad

Nearly 150 countries now maintain diplomatic missions in Brussels accredited to the European Community. On its side, the Community has set up its own network of diplomatic missions abroad, currently consisting of more than 90 delegations and offices. The most recent representation is in Moscow, opened in February 1991.

The Community's external offices fall into two categories. There are on the one hand the offices of delegates to the countries belonging to the Lomé Convention who are charged with the execution of technical and financial cooperation between the EC and the ACP States. The second category consists of delegations (or representations) in other third countries or to international organizations.



The Commission's delegation in Canberra, Australia

The Community's diplomatic missions are in name delegations of the Commission of the European Community and not of the European Community as such. This represents the internal institutional structure of the Community whereby the Commission represents the Community on external trade policy matters.

On station, the Commission delegations carry out the same operational functions as normal diplomatic missions. They also cooperate closely with the local embassies of the EC Member States.

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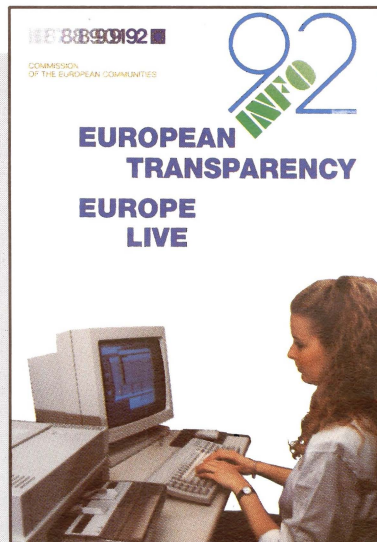
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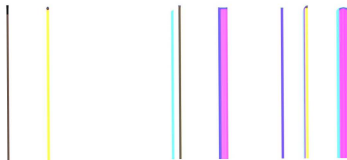
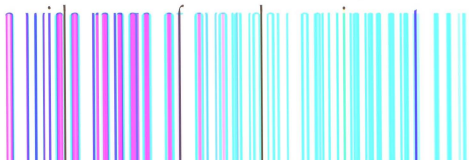
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One fundamental principle lies behind the Community's policies towards the outside: enlightened self-interest. The EC's own economic well-being depends on a liberal, multilateral world economic order as well as on the welfare of its partners, particularly in the Third World. To this principle, can be added a sense of responsibility towards former dependent territories of Member States which has led to special relationships like the Lomé Convention with the African, Caribbean and Pacific (ACP) group of countries.

These principles have been pursued with a mixture of realism, pragmatism and compromise. At the multilateral level, the Community has established a leadership role in the field of global trade liberalizing negotiations with the General Agreement on Tariffs and Trade (GATT) and in North-South relations within the UN framework.

The nature of the Community's external relations at present reflect its position as fundamentally an economic entity. The sheer weight of its economic power and its ability to speak with one voice on behalf of all its members have propelled it into a leadership role on world trade. But, conscious that this role carries political responsibilities too, the Community has developed over the years its foreign policy cooperation.



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