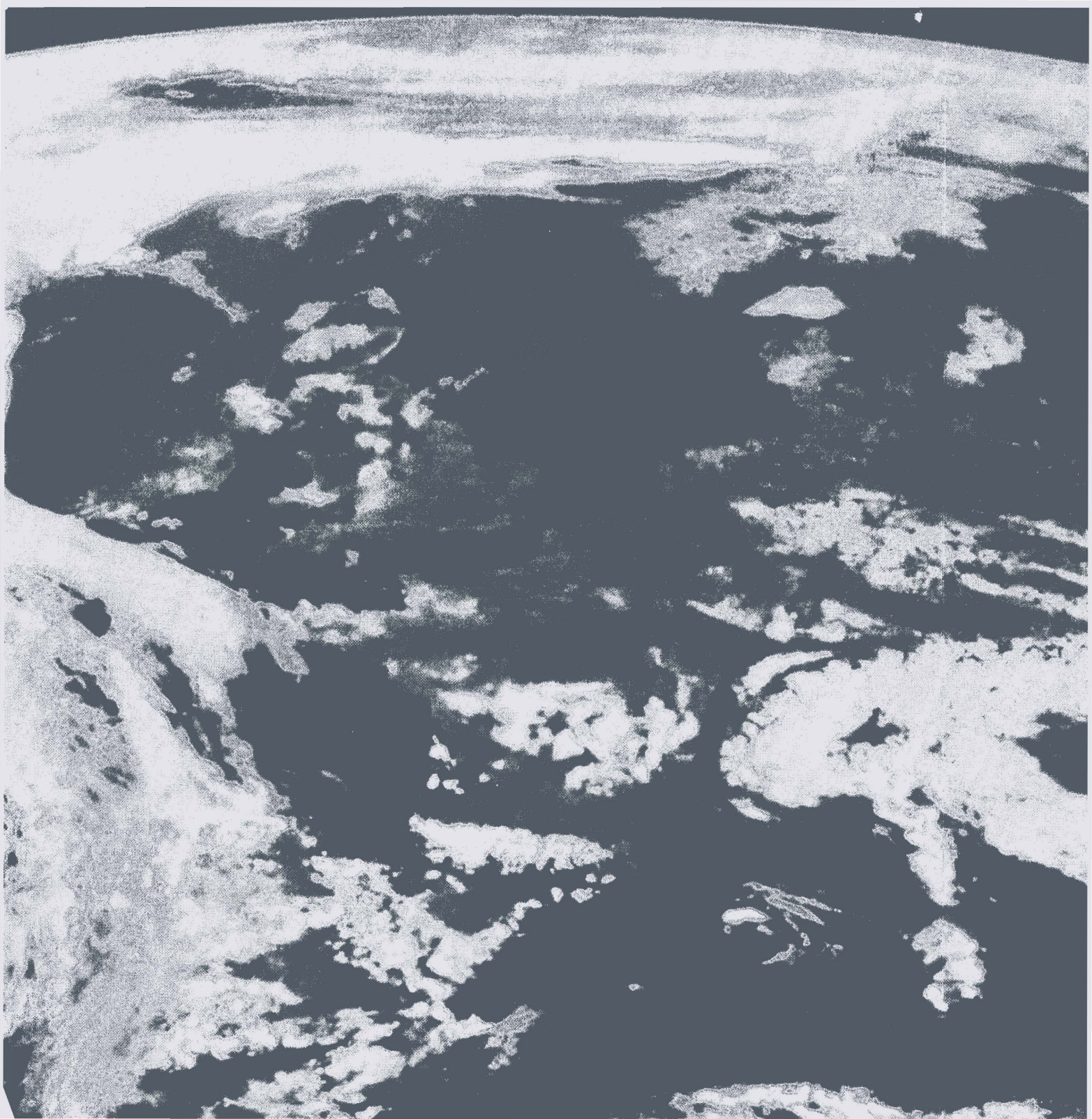
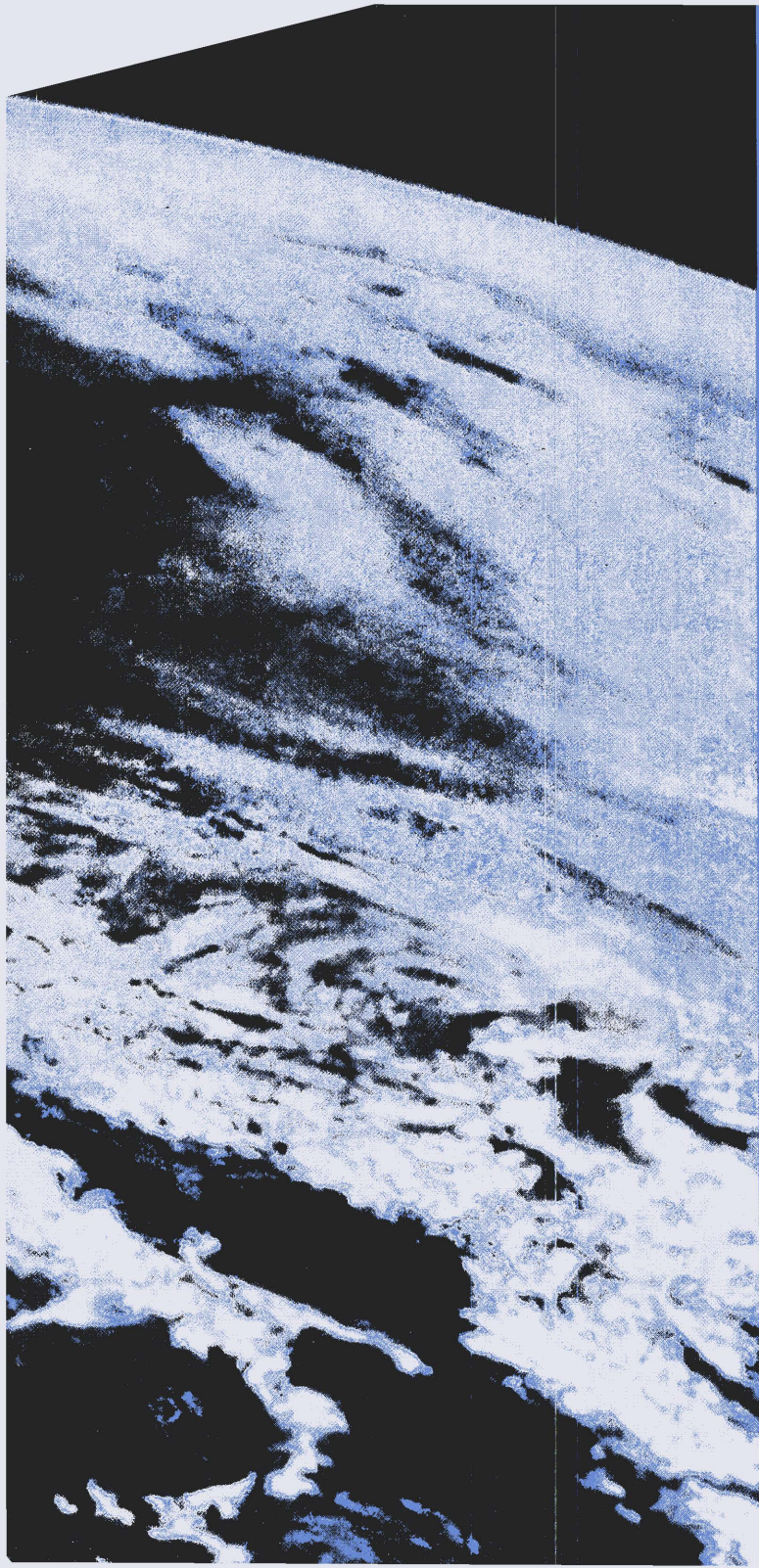


The European Community Today







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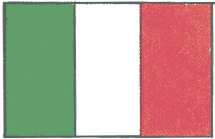
United Kingdom

Capital City: London
Population: 56 million



Ireland

Capital City: Dublin
Population: 4 million



European Community Member Countries

EC Applicant Countries

Portugal

Capital City: Lisbon
Population: 10 million



Spain

Capital City: Madrid
Population: 38 million

Belgium

Capital City: Brussels
Population: 10 million



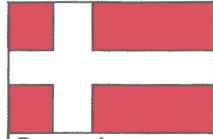
Netherlands

Capital City: Amsterdam
Population: 14 million



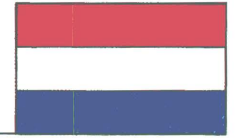
Denmark

Capital City: Copenhagen
Population: 5 million



Federal Republic of Germany

Capital City: Bonn
Population: 62 million

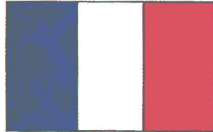


Luxembourg

Capital City: Luxembourg
Population: 1/3 million

France

Capital City: Paris
Population: 54 million



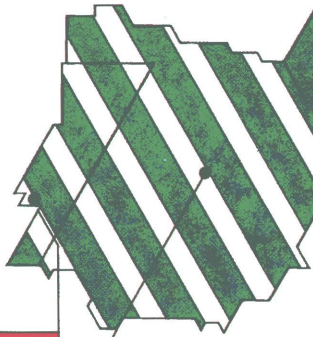
Italy

Capital City: Rome
Population: 57 million



Greece

Capital City: Athens
Population: 10 million



Introduction

In the wake of the Second World War, which had brought economic devastation and grave social and political instability to much of Europe, the need for new forms of cooperation between the countries of Europe became imperative.

The ideal of a united Europe has been suggested in one form or other for centuries, but in the past it had been achieved only by force. It took the far-sightedness of eminent statesmen such as Winston Churchill to envisage a peaceful voluntary unification of Europe. It was in 1946 that Churchill made his now famous speech at Zurich urging the establishment of a "council of Europe."

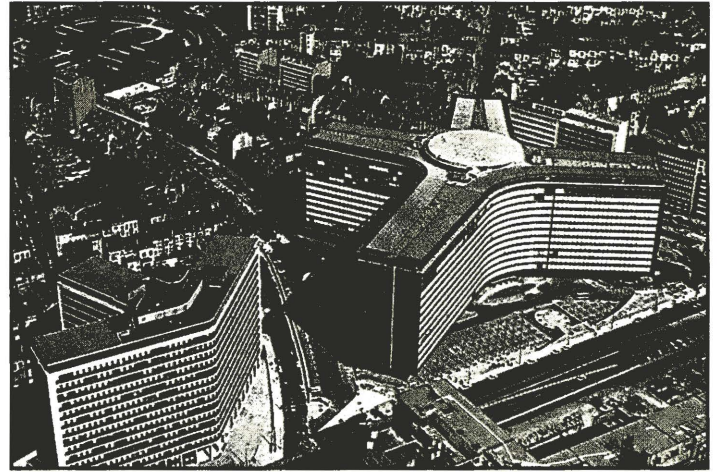
His ambition came to fruition when on May 9, 1950, Robert Schuman, the then Foreign Minister of France, called upon the peoples of Europe to combine their efforts and ban the danger of future wars by means of economic integration. It is this day that is commemorated as the birth of the first of the three European Communities. From Schuman's declaration emerged the European Coal and Steel Community (ECSC) of 1951, which pooled the coal and steel production of six countries and proved to be the first step on the road to European integration. The founding fathers were resolved to substitute for age-old rivalries the merging of their essential interests; to create, by establishing an economic community, the basis for a broader and deeper bond among peoples long divided by fierce conflicts; and to lay the foundations for institutions

which will give direction to a destiny henceforward shared.

Today the European Community consists of ten member countries and negotiations are well under way for the entry of two more nations. The Community has a combined population of 270 million and accounts for about a fifth of world trade, excluding its internal trade, making the EC the largest trading entity in the world. Because of its high dependence on trade, it is very much in the Community's interests to keep world trade open and to maintain a close working relationship with third countries.

But the Community is much more than a trading entity. It is a political creation and an institutional framework for the construction of a united Europe. The objectives of the European Community remain to safeguard peace and ensure freedom, uphold democracy and strike an economic and social balance. Slowly but surely common European policies, programs, laws and regulations are replacing those of the Member States. The degree of voluntary cooperation among the Ten is unsurpassed in human history.

This booklet is intended to give the reader an overview of the European Community, the role it plays in the world today and an appreciation of the relationship the Community has with Australia.



European Commission HQ Brussels, showing also the Council of Ministers building on the left

What is the European Community?



Robert Schuman

The establishment of the European Community was an attempt to come to terms with the disastrous aftermath of the Second World War. In particular, the hope of its founders that it would make war between Member States not only inconceivable but also materially impossible has become a reality.

The Schuman plan called for a limited but decisive step toward real, voluntary but institutionalised unity in Europe. His proposal was to pool the coal and steel industries of France and the Federal Republic of Germany in an organisation open to all European democracies. The aims of the plan were to reconcile European countries which had formerly been at war, and to make possible an eventual federation of Europe.

Six countries, Belgium, France, the Federal Republic of Germany, Luxembourg, Italy and the Netherlands signed the Treaty of Paris in 1951 to form the first of the three European Communities, **The European Coal and Steel Community (ECSC)**. It was so successful that trade in these products increased by 129% in the first five years.

This success encouraged the Six to apply the same approach to the entire European economy. Negotiations culminated in the signing of the two treaties in Rome in 1957, creating **The European Economic Community (EEC)** and, to further the use of nuclear energy for peaceful purposes in Europe, **The European Atomic Energy Community (Euratom)**.

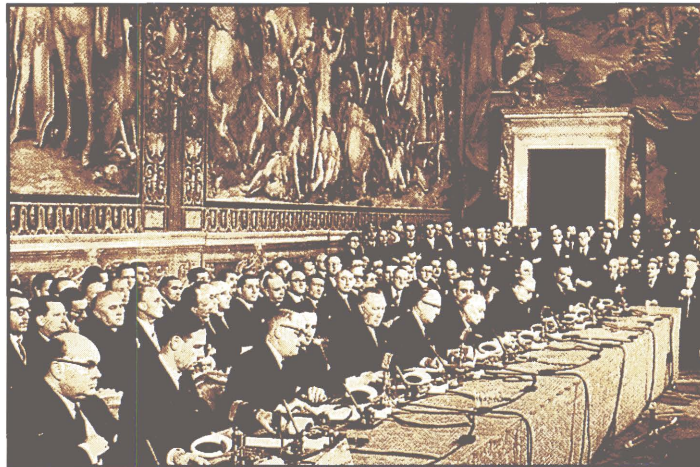
Customs union

The immediate objectives of the **EEC** were the establishment of a customs union, with free movement of goods, persons, services and capital between Member States. The Treaty did not stop at this, however, as it also provided for a number of common policies on matters such as agriculture, external trade, transport and competition, the harmonisation of legislation as well as social policy, thus encompassing virtually all areas of economic and social life.

By 1968 the customs union had been completed, eighteen months ahead of the timetable proposed in the **EEC** Treaty. In 1973, the first enlargement of the Community came about with the accession of Denmark, Ireland and the United Kingdom. In 1981, the Nine became Ten with the accession of Greece. Current negotiations are well advanced for Spain and Portugal to take up Community membership in the near future.

Euratom sought to combine the resources of the original Six in the peaceful development of atomic energy and to ensure that Europe's future energy needs were met.

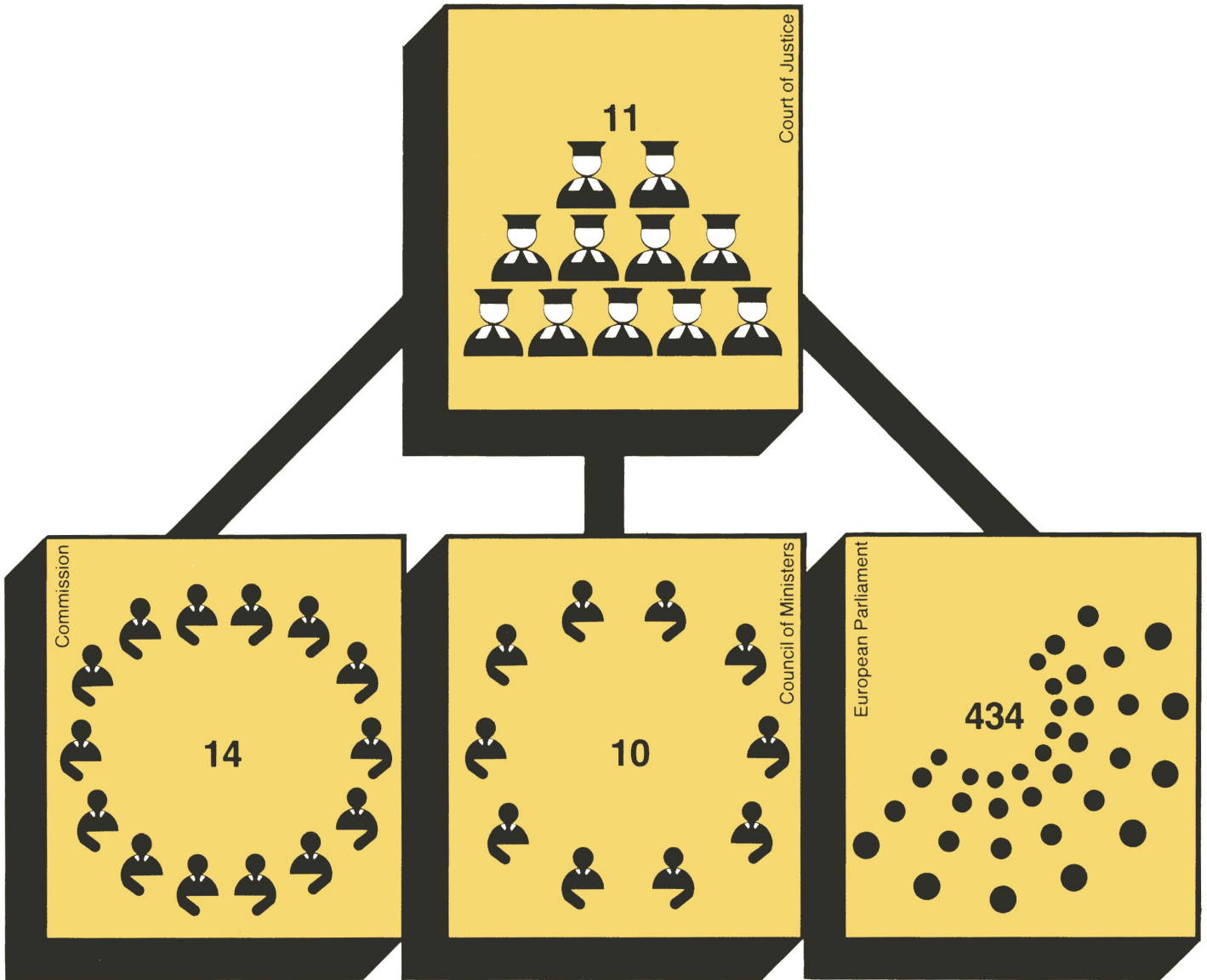
The three Communities (**ECSC**, **EEC** or "Common Market" and **EURATOM**), whose executives were merged in 1967 to form a single Council and a single Commission, together make up what is now known as the European Community (**EC**).



Above: Jean Monnet: One of the founding fathers of the European Community

Below: The six founding members of the European Community sign the Treaty of Rome on 25 March 1957.

Institutions



The basic aims of the Community are to establish an even closer union among the peoples of the Member States, to maintain peace, create prosperity and make European society more just and humane. The Community also enables Europeans to play a bigger role, by acting together, than they could do individually on the world scene.

To achieve these aims, the authors of the Treaties created institutions which would have legislative, executive and judicial powers in areas defined by the Treaties. The EC founding States conferred on these institutions some of the sovereign powers they had traditionally exercised at the national level. The fact that the Community institutions have a legal status and extensive powers specified by the Treaties distinguishes the European Community from traditional international organisations.

Today's institutional structure is as follows:

The **Commission** is currently made up of 14 Commissioners appointed jointly by the national governments (two each from France, Federal Republic of Germany, Italy and the United Kingdom; one each from Belgium, Denmark, Greece, Ireland, Luxembourg and the Netherlands). In the Community interest, the Commissioners act independently of the ten national governments and are answerable only to the European Parliament. The Commission seeks to promote the interests of the EC as a whole and is empowered to:

- submit proposals for EC action to the Council of Ministers and implement the latter's decisions
- mediate at meetings of the Council, sometimes amending its own proposals to help reach a compromise acceptable to all Member States
- administer various EC activities, for example, the common agricultural policy, industrial policy, coal and steel, energy, as well as regional and social policies
- act as guardian of the Community's Treaties, if necessary taking legal action against firms or member governments that have failed to comply with EC rulings, and
- represent the Community in negotiations involving trade with non-member countries and other sectors such as energy and fisheries where the Member States have agreed to act together, and in development aid.

The **Council of Ministers** is the Community's principal policy decision-making body. It is composed of ministers from each of the Member States. Which particular minister attends depends upon the subject under discussion (eg, foreign affairs, finance, agriculture, transport, education, energy, etc).

Ministers represent and defend the interests of their own country, while seeking to reach agreements that help attain the Community's goals. Decisions by the Council of Ministers must be based on Commission proposals and generally become EC legislation. Ministers hold their sessions in Brussels and Luxembourg. The Presidency of the Council rotates among Member States every six months.

EC Foreign Ministers and the Commission also meet regularly outside the formal Treaty framework in **European Political Cooperation** with the purpose of coordinating foreign policies. At first the Commission had only a tentative connection in areas related to Community activities. It now takes part in all political cooperation meetings and is actively involved at all levels.

A Committee of Permanent Representatives (COREPER), consisting of the Member States' Ambassadors accredited to the EC in Brussels, prepares the Council's work.

The **European Parliament** scrutinises proposed Community laws through its fifteen specialised committees and acts as the EC's public forum, debating issues of public importance and questioning the Commission and Council. It also supervises the Commission and has the power, although it has never exercised it, to dismiss it by a motion of censure.

The European Parliament has the power to reject the Community budget (it has done so twice), or call for, and in some cases, insist on changes in the budget. The Parliament is also vested with the responsibility of ensuring that the budget it passes is actually put into effect.

The Parliament meets in Strasbourg and Luxembourg, where its secretariat is located. Its 434 members, directly elected in 1979 for the first time, sit together as party groups, and not according to nationality. The second direct elections were held in June 1984.

The **EC Court of Justice**, based in Luxembourg, comprises eleven judges and five Advocates-General chosen by the ten governments. It interprets Community law (when requested to do so by national courts) and ensures that the law is observed in the application of the EC treaties. Decisions of the Court take precedence over decisions of national courts in matters of Community law; its rulings are binding on member countries, on Community institutions and on individuals.

The **Court of Auditors**, based in Luxembourg, comprises 10 members who supervise Community expenditure.

The **Economic and Social Committee** is a 156-member consultative body in Brussels representing labour, employers, agricultural and consumer organisations which advises the Community executive institutions on EEC and Euratom matters.

The **European Council**, the Summit meeting of the ten Heads of State or Government and the EC Commission President, provides the main political guidance, although it remains outside the institutions provided for by the Paris and Rome Treaties. Since 1974, they confer three times a year to take strategic decisions on the broad direction of Community policy, to review major EC issues and to provide the EC with a continuing political impulse.

The institutions of the Community have seven working languages: English, Danish, Dutch, French, German, Greek and Italian.

Community law

The founding fathers went further than simply setting up these institutions. Based on the Paris and Rome Treaties they also laid the foundations of a Community based on a system of law, with a new, autonomous and uniform body of law separate from and transcending national law, binding in its entirety and directly applicable in all Member States, making Community law a unique legal system in the world.

The Court of Justice, based from the outset in Luxembourg, was to handle the task of ensuring that the law was observed in the interpretation and application of the Treaties. Initially, the Court's main task was to secure the attainment of the Customs Union. This involved the removal of internal tariff barriers, and measures having equivalent effect, between the Member States and the introduction of common rules with regard to non-member countries. The gradual introduction of common rules on agriculture, transport, freedom of establishment, freedom to provide services and freedom of competition between undertakings led subsequently to an increasing number of actions. The Court also took a number of decisions on social affairs, affecting the direct interests of Community citizens in such fundamental areas as freedom of movement of workers and social security rights of migrant workers.

Community budget

The Commission submits the draft Community budget to the Council of Ministers and the Parliament, the 1985 preliminary figure being 28,104 million ECU (\$A25,856 million). About two-thirds of the budget is spent on the agricultural sector, while the remainder covers operating costs (5%), regional and social sectors (10% and 6% respectively), research, energy, industry and transport policies (5%) and development cooperation (4%).

The budget is financed from the Community's "own resources", comprising agricultural levies, customs duties, and currently, up to 1% of Value Added Tax (VAT).

The future financing of the Community has recently been the subject of vigorous debate as Community expenditure loomed closer and closer to its ceiling. By early 1984 the Commission was advocating that the VAT contribution should be increased to 2% if the Community budget was to remain viable.

In the past few years considerable strain has been put on the budget through the growing demands of the agricultural sector. There are also pressing needs in the social and regional sectors to meet the highest unemployment rate since the Great Depression, particularly among the young, and equally in sectors such as research and new technology. Furthermore, the enlargement of the Community with the imminent entry of Spain and Portugal will require additional funds. It is mainly for these reasons that the European Council at its Stuttgart meeting in June 1983

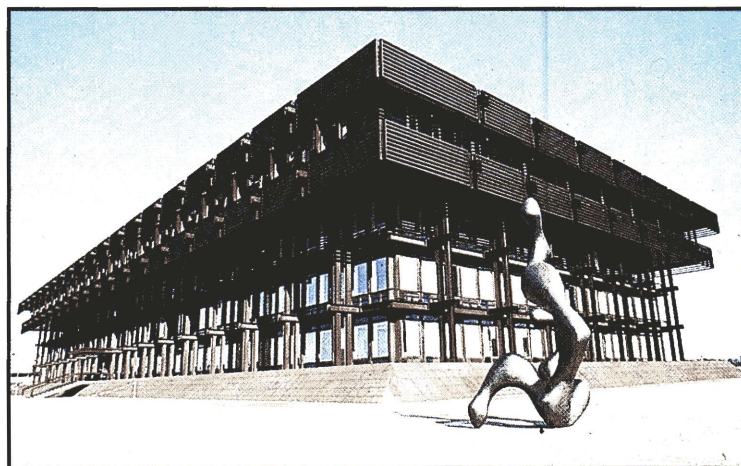
finally agreed to long-time Commission proposals to review the Common Agricultural Policy, culminating in major reforms being implemented in March 1984. (See section on Agriculture, page 11).

This harnessing of agricultural spending helped the Ten to

agree, at their Summit meeting at Fontainebleau in June 1984, to increase the Community's own resources to 1.4% (VAT) by the beginning of 1986, with a provision to increase this to 1.6% (VAT) after 1988, if this is mutually agreed.



The European Parliament held its first direct elections in 1979.



The Court of Justice in Luxembourg.

Building a stronger economy and a better way of life

The creation of a common market

The EC has already made great progress towards economic integration. Three of the four basic "freedoms" of a true common market, ie, the free movement across national frontiers within the EC of goods, services and people, are now well entrenched while progress is being made to facilitate the fourth "freedom", the free movement of capital.

The creation of the customs union in which manufactured goods could move freely has meant:

- the removal of customs duties and other barriers to trade between Member States
- the replacement of national tariffs with a single common tariff on imports from non-member countries and the development of a common commercial policy towards them, and
- the harmonisation of customs regulations so that duties on imported goods from third countries are assessed in the same way within the Community.

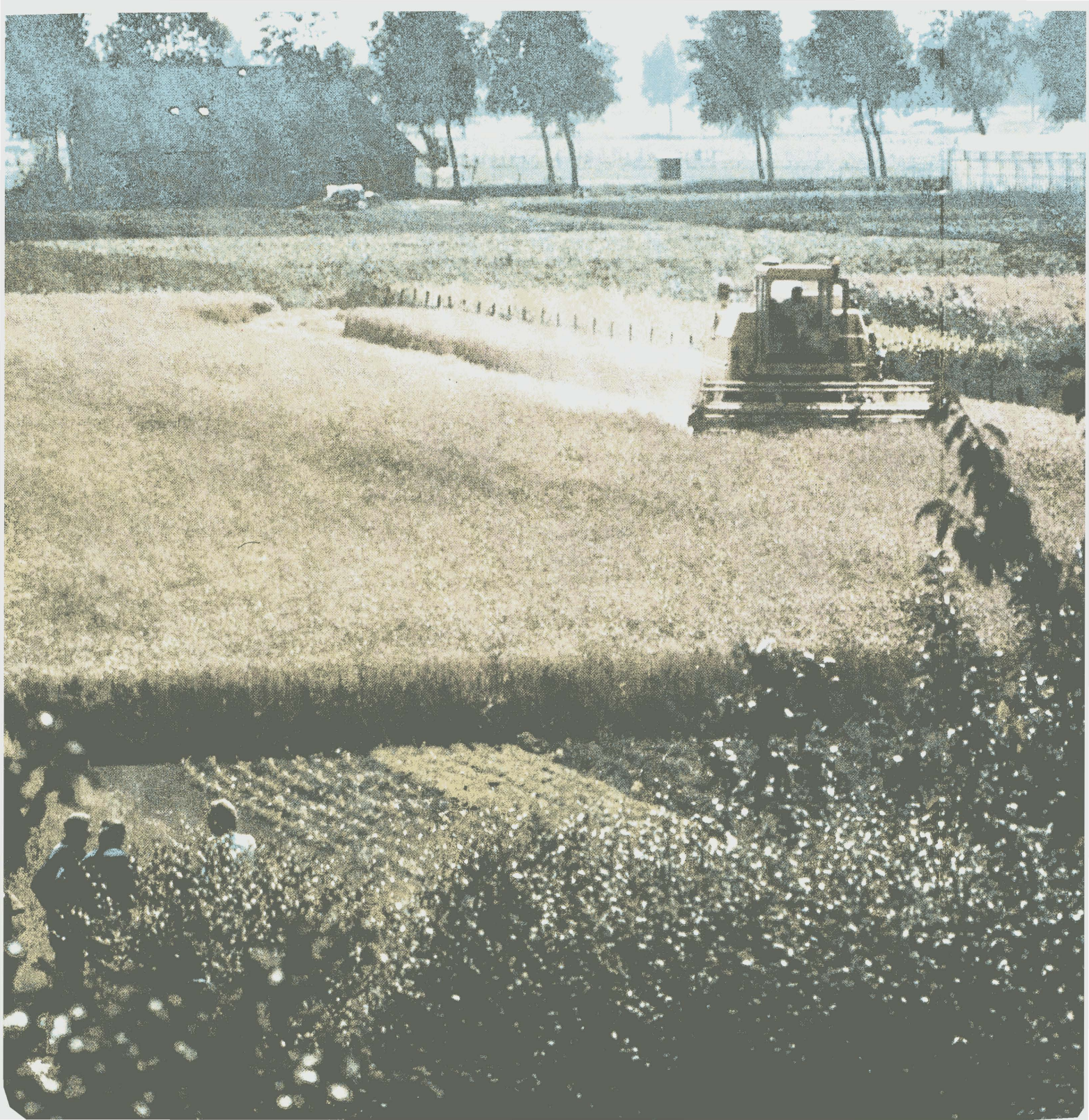
That the customs union was an outstanding success can be gauged by the fact that between 1958, when the EEC was set up, and 1972, the year before the first enlargement, trade among the six original States increased tenfold. Over the same period GDP increased in real terms by 90%.

Free movement of labour

At a personal level, a citizen of one Member State of the Community who goes to live and work in a second Member State, enjoying the same economic rights as its nationals, is exercising a new freedom, a new personal right. In economic and social terms, freedom of movement is conducive to the proper functioning of the Common Market in that it affords every individual the opportunity to pursue his or her occupation anywhere in the Community.

This freedom of choice is a major factor making for greater dynamism in economic life. In addition, mobility of labour can bring about improvements in the employment situation and it can be a contributory factor in harmonising conditions of pay.

While clear-cut forms of discrimination have been eliminated, a wide variety of obstacles still exist. The many stipulations laid down by Member States regarding the training of employed and self-employed workers, customs and practices in industry and commerce, even if not discriminatory in themselves, can impede the free movement of persons, if only because they differ from one country to another. The Community will still need to devote much time, patience and political will to abolish such obstacles.



The Ten are gradually coordinating their economic policies: shaping EC programs for agriculture, industry, energy, transport and technology, and aligning laws on taxation, health and safety standards, insurance, company structure as well as in other economic sectors. Policies have been developed to ensure free competition between firms in providing goods and services, whether in the public or private sector, guaranteeing a wider choice for consumers, helping to keep prices down and providing a stimulus to technological and economic innovation.

European Monetary System

Having made considerable progress towards achieving a Common Market, the EC is also seeking to coordinate economic and fiscal policies among the Ten. A European Monetary System (EMS) was introduced in 1979 to promote closer monetary cooperation among the Member States. The EMS provides for the creation of a system of fixed but adjustable exchange rates between member currencies; the creation of a European Currency Unit (ECU) based on a "basket" of Community currencies; the pooling of one-fifth of Member States' reserves, and the provision of credit facilities. The EMS is intended to help reduce fluctuations in their currencies and promote economic growth and monetary stability.

The Commission is intent on promoting the international role of the ECU, a key element in European monetary integration. Private use of the ECU has increased significantly in the last two years, the ECU having established itself as one of the major means for denominating, invoicing and settling transactions for investment. From a unit of account, it is thus gradually developing into a unit that increasingly performs the different functions of a currency. The Commission is convinced that the development of the ECU into a real currency would be a very effective means of not only strengthening monetary ties within the Community but that it may also pave the way for the creation of a new world monetary order which would align currencies such as the \$US, the Yen and the ECU.

Agriculture

The agricultural sector was no doubt the most important area to preoccupy the founding fathers of the Treaty of the EEC. The Six introduced the Common Agricultural Policy (CAP) in 1962 with the basic aims of ensuring the security of food supplies at stable and reasonable prices to the consumer, of making farming more efficient by boosting productivity, and of bringing the farmer's income more into line with the other sectors.

Since its inception the agricultural sector has been one of the most successful areas of integration of the EEC, and for many years was the Community's mainstay, contributing to keep it together over the many crises that it faced. The CAP succeeded in ensuring the security of food supplies. Production and efficiency were increased so that today the Community is the world's largest food producer and is now largely self-sufficient in food, although it still remains the world's largest importer of agricultural products.

However, conditions have changed radically since the formulation of the CAP in 1962. Production surpluses, somewhat aided by the price support schemes, have increased supplies to third markets and, as a consequence, trade relations with other food exporting countries, eg, United States, Australia, New Zealand, have at times been strained. But the most important effect has been felt within the EC itself because of the growing burden the agricultural sector is placing on the Community's budget.

At the European Council Summit meeting in Stuttgart in June 1983, it became clear that decisions on the future of the CAP, the financing of the enlarged Community, and the development of new policies could no longer be postponed, but would have to be tackled comprehensively. In July 1983, the Commission submitted a new, overall set of proposals for the rationalisation of the CAP, based to a large extent on its first recommendations of October 1981. The Council finally took the necessary decisions in time for the beginning of the new farm marketing year, April 1, 1984.

These measures included the extension of guarantee thresholds (under which guaranteed prices or subsidies are reduced or producers financially penalised if production exceeds a reasonable level) to cover all products where there are surpluses or where they are likely to occur, the control of milk production through quotas, removal of monetary compensatory amounts (ie, removal of those import taxes and export subsidies originally introduced to offset currency fluctuations and which have distorted the common market in farm products within the Community), lower guaranteed prices in real terms for products, a rationalisation and reduction of direct aids and premiums, and a rationalisation of certain imports in particularly sensitive markets such as in butter and beef.

The process of adapting the CAP to the changed economic circumstances is by no means complete. A continued vigilance towards prices needs to be maintained and the situation on the internal and world markets

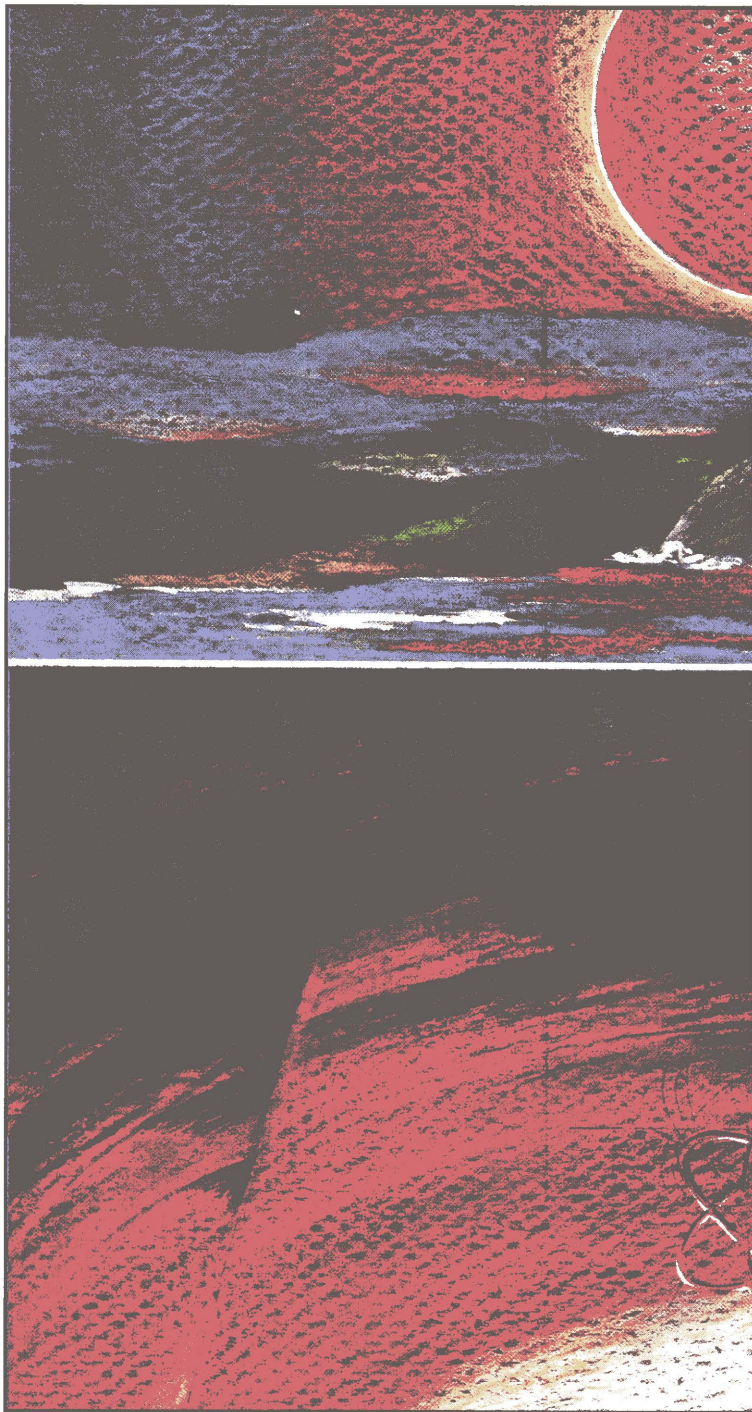
must be taken into account as well as the need to respect the budget disciplines which the European Council has decided to introduce. All these factors will raise difficult questions, for agriculture in Europe is more than simply an economic activity. It has a social aspect for the Community, and it would be unacceptable to force people off the land to swell the ranks of the unemployed when the Community has already 12 million jobless.

Industry

The Community is one of the world's most powerful industrial units, a position it attained during its early years when its structure, size and cohesion enabled it to benefit fully from the favourable economic climate that then prevailed. In 1983, the industrial sector employed about 35% of the Community workforce, compared to 7% in the agricultural sector and 58% in the service sector.

However, the recent economic recession has unearthed some serious problems, giving rise to an unemployment level within the Community of around 11%, with more than a third of them being people under the age of 25. Although some of the problems facing industry today are cyclical and could be solved with an upturn in the world economy, the more serious ones are of a structural nature and require long-term solutions. Too many jobs in the Community depend on traditional industries such as steel, shipbuilding and textiles, which are in decline not only in the Community but in the other industrialised countries as well.

To ensure effective industrial redeployment, investment must be revived in new technologies which can raise productivity, competitiveness, and therefore sales, leading — in a second stage — to more jobs. Investment must also be made in those activities which immediately create new jobs and which accord with Community priorities: environmental protection, improved links between member countries, and particularly energy and research whose progress, in many cases, determines the progress which can be achieved elsewhere.





Energy

The European Community is particularly vulnerable in the energy sector. Half of its energy supplies come from the outside and Europe remains the world's largest oil importer. While oil prices continued to rise in the 1970s, energy investments — the key to Europe's energy problem — came into question due to the uncertainties of price, taxation, technological risks, profitability and public reactions. Energy investment by Community countries over the last decade amounted to only 2.2% of GDP compared to around 3.5% in Japan and 4% in the United States.

The Community is gradually developing a common energy policy. Its main aim is to reduce its dependence on imports, particularly of oil. It is trying to achieve this largely by developing its own alternative resources, although complete independence is not possible. Conservation, oil sharing and research in coal, solar, hydro, geothermal and nuclear power are all part of the Community's energy program. Nuclear capacity in the Community has more than doubled since 1973. The Community has a joint undertaking for nuclear fusion, which scientists believe can provide large quantities of pollution-free energy in the next century. Research is also being carried out on fast-breeder reactors.

In the development of a Community policy toward nuclear energy, safety and ecological issues are considered and "open debates" have been held so that all concerned may voice their views in a rational and informed way. Euratom safeguards exist to ensure that nuclear materials are not diverted for non-peaceful purposes, or diverted from their intended uses as declared by the users. The Commission must satisfy itself that, in the territories of Member States, the provisions relating to supply and any particular safeguarding obligations assumed by the Community under an agreement concluded with a third State or an international organisation, are complied with. Under the Treaty, the Commission is invested with special powers to investigate and, if necessary, enforce the safeguards.

Regional development

The Community's regional policy has three principal lines of action. Firstly, it aims to introduce a regional dimension into the other Community policies by assessing and taking into account the effects that these policies are likely to have at the regional level. Secondly, it is active in coordinating national regional policies and finally, it has a large range of instruments for giving financial support to regional development work in the Community's poorer regions.

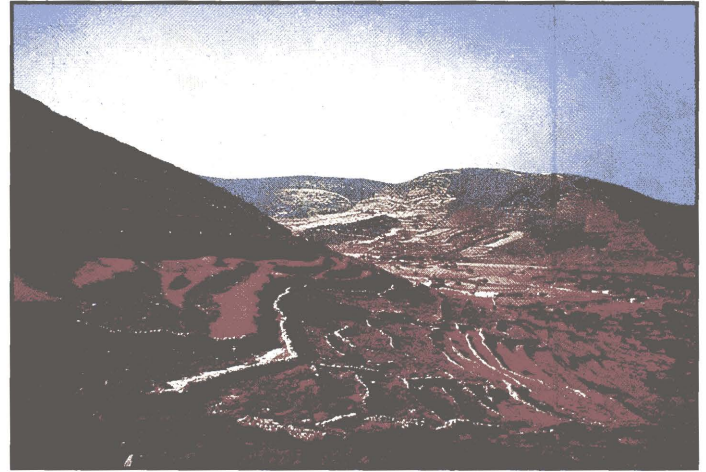
Created in 1975, the European Regional Development Fund is the only Community instrument whose sole objective is to help the development of the less-favoured regions. The Fund's main purpose is to support national regional development work. For the most part, the Fund's resources are shared between Member States according to a system of national quotas, which aims to guarantee that the largest shares of the Fund are directed towards the countries with the most acute regional problems.

The Community has several other financial instruments at its disposal to help solve regional problems by way of grants and loans through the European Coal and Steel Community, the European Investment Bank, a new Community intervention instrument known as the NCI or "Ortoli facility", interest rebates through the framework of the European Monetary System, the Social Fund and the Guidance Section of the European Agricultural Fund.

Social policy

By means of a Social Fund and other instruments, the Community is committed to help improve living and working conditions in the Member States. It has developed policies to expand and improve the standards of certain classes of workers, for example, women, immigrants, the handicapped and unemployed. The Community has common programs to promote the interests of consumers and to protect the environment. Efforts are also being made for the mutual recognition of qualifications in education.

Created in 1972, the Social Fund contributes to vocational training, retraining and settlement of workers. Although its means and range of possible action have expanded markedly over the years, a re-examination in 1982 has adapted it better to needs created by the development of Community policy and the evolution of the employment situation, as well as to simplify and improve its working. The Social Fund has significantly increased its involvement in the cost of employing young people in industry by financing recruitment premiums, shorter working hours, teaching workshops leading to the establishment of small and medium-sized firms, cooperatives and so forth.



Above: Development of less favoured regions is a prime task of the European Regional Development Fund.

Below: The Social Fund is a means for job creation and the redistribution of wealth.

The Community in the World

As the world's largest trading unit, accounting for about 40% of total world trade (including the Community's internal trade, or 22% if this is excluded), and as a leading economic partner for most countries, the European Community is a major entity on the world scene whose scope increasingly extends beyond trade and economic questions.

Today more than 120 countries have negotiated agreements and no fewer than 126 countries maintain diplomatic relations with the Community. It has observer status in the United Nations as well as in some of its specialised organisations where the Ten often take up a common position. It has links with other international organisations, such as the OECD and the Council of Europe. It participates in the Western "summits" alongside the United States, Canada,

Japan and certain Member States, and in numerous international conferences on trade (GATT), development (UNCTAD, UNIDO, North-South Dialogue) and East-West cooperation in Europe. It has signed agreements with many countries, not only on trade, but also on research, nuclear energy, the environment and fisheries.

The European Community conducts a dialogue with each of its major economic partners and contributes to the development of the Third World through its own aid programs and also through the coordination of Member State policies. The member countries retain full sovereignty over foreign policy matters but have agreed to consult one another in the framework of European Political Cooperation. As such they coordinate their policies on specific issues such as the Middle East, Afghanistan, Indochina, Poland and Central America.

European Free Trade Association (EFTA)

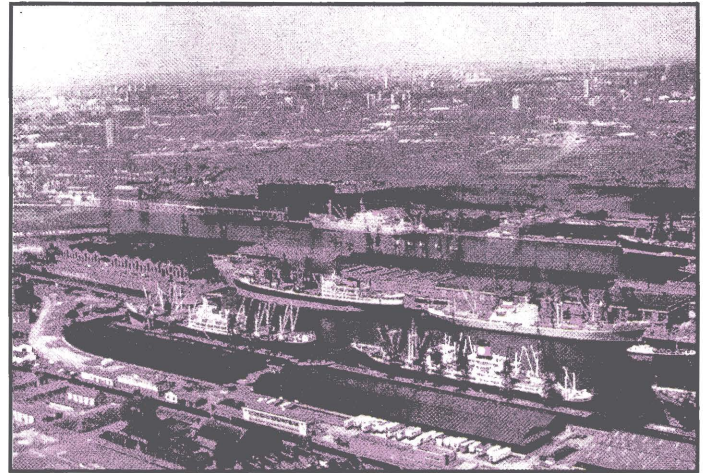
In 1973, following the entry into the Community of Ireland and two member countries of EFTA, Denmark and the UK, the Community formed a free trade zone with EFTA countries (Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland) embracing some 312 million consumers. By the beginning of 1984, the EC and its EFTA partners have abolished — with few small and temporary exceptions — all tariff barriers and quantitative restrictions in their mutual trade in industrial products. Certain reciprocal concessions have also been agreed to in the agricultural sector.

Relations with other developed countries

The Community has extensive relations with the United States, Canada, Japan, Australia and New Zealand. High-level consultations are regularly held between these trading partners.

The Community has a considerable trading deficit with both the United States and Japan, although for very different reasons. The combined deficit for the Community in trade with these two countries accounted for 64% of its total deficit in 1982.

American confidence in the increasing political role of the European Community and recognition of its economic



Good port facilities are vital to the Community's trade.

power has been underlined in recent years through the US support of participation of Commission Presidents in Western economic summits. High-level consultations between the Commission and US administration officials are held twice yearly. At these meetings, bilateral and multilateral economic and commercial relations as well as energy, investment, industrial policy, environmental questions, relations with developing countries and the supply of raw materials are discussed. The United States and the Community have agreements covering the supply of nuclear fuels and the exchange of scientific information.

In 1976 the Community concluded an outline agreement for commercial and economic cooperation with Canada. It was the first time the Community had committed itself, on a non-preferential contractual basis, to economic and commercial cooperation with one of its major industrialised partners.

The Community is trying to reduce its massive trade deficit with Japan as well as extend consultations to cover industrial matters. High-level consultations with Japan started in 1973 and are held twice yearly. Both sides are committed to developing cooperation in the industrial, scientific and technological sectors.

Agricultural trade

Owing to its agricultural exports, the Community is occasionally accused of deploying an aggressive export policy in an attempt to drive other producing countries off the world market. This criticism is directed principally at the export refunds which the Community grants to producers and which could be regarded as subsidies. However, subsidies or other corresponding measures to support agriculture exist in a wide variety of forms in the world's other main producer countries, many of these aids being much more obscure than the Community's export refunds.

The big international trading agreements — especially GATT — allow such subsidies provided that they are not abused in the form of aggressive, superseding competition. However, the proportions of world trade accounted for by the main agricultural producing countries have remained surprisingly stable in the last ten years. The proportion of world agricultural exports accounted for by the (enlarged) European Community increased slightly between 1973 and 1980 from 9.5 to 11%; the share of the United States, one of the main critics of the Community's agricultural exports, fell just as slightly, from 19.8 to 19%.

This variation can hardly be regarded as a sign of superseding competition. It is not an aim of the common agricultural policy to oust others from the world market, but rather to provide European farmers with a reasonable share of world trade and its growth.

It is also worth noting that the Community remains by far a net importer of agricultural products. It is a fact that for many years the major agricultural producer countries have been among the Community's principal suppliers and their agricultural trade balances show considerable surpluses in trade with the Community.

The Mediterranean and Near East

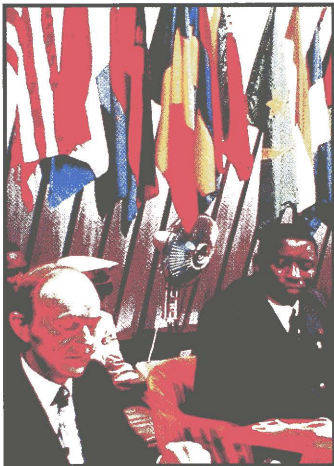
The Community has developed a special relationship with all countries in the Mediterranean Basin. Historical, economic and political factors largely explain this trend. Eight countries (Algeria, Morocco, Tunisia, Egypt, Israel, Jordan, Lebanon and Syria) signed commercial, industrial, technical and financial cooperation agreements with the Community in 1976 and 1977 covering, in particular, free access to the Community market for their industrial products, customs preferences for some of their agricultural produce, financial aid (grants, loans from the European Investment Bank) which should exceed 1000 million ECU between 1981 and 1986.

Beyond specific links with a number of Arab countries, an important development is that the Community as a whole is engaged in the Euro-Arab Dialogue which started in 1975 and covers such themes as economic and technical cooperation, agricultural development, cultural and social exchanges. The Community has concluded association agreements with Turkey, Cyprus and Malta, and is also in the process of establishing a custom union with the latter two. A Cooperation Agreement has been concluded with Yugoslavia for an unlimited period. The Agreement aims to promote trade as well as labour, scientific and technical cooperation.

East European countries

Relations between the Community and the East European state-trading countries (Comecon) have been hampered by the unwillingness of the latter to recognise the political, economic and legal realities on which the Community is based. Apart from Romania, there was no response to the Community's proposal, in 1974, for the opening up of trade negotiations. Periodic meetings have been held with Comecon representatives to try and establish a working relationship, but progress has been slow and only resulted in a number of limited agreements in agricultural, textiles and steel trade. A number of bilateral agreements have been reached with some of the Comecon group, eg, Hungary, Poland and Bulgaria.

The Lomé Convention is an important instrument of the EC's development policy.



The Community and the Third World

The "oil crisis" and the recent difficult economic conditions brought out certain basic facts about the relationship between the Third World and industrialised countries. As a result, the keyword in cooperation policy with the developing countries is now interdependence. Today the industrialised countries, especially the European Community, depend on the developing countries for supplies in raw materials and also as an increasingly important market for industrialised products. The Community, in fact, imports more than half of its energy and 90% of its raw materials from developing countries. The Third World is also the Community's main customer, already taking more than one-third of its exports, while the continued development of the Third World would create potentially valuable new markets for European goods.

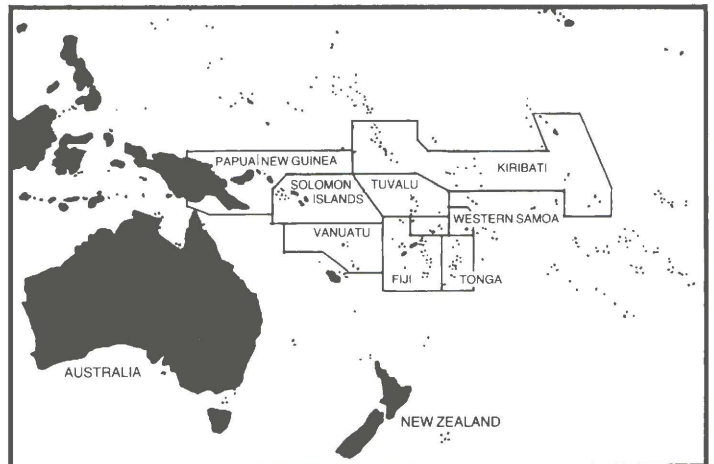
Thus the Community takes part in all international negotiations of UNCTAD which aim to establish a new balance between rich and poor in the world economic order. In 1971, the Community became the first world industrial power to promote industrial advances in the Third World through customs concessions. Under the system of generalised tariff preferences (GSP), all developing countries export industrial goods to the Community customs free. Duties have been abolished or reduced on more than 300 processed foodstuffs. Quotas are fixed for some products but the least developed countries are exempted. The Community also assists through "food aid" and "emergency aid" measures.

Under the Lomé Convention virtually all products originating from more than 60 developing countries in Africa, the Caribbean and the Pacific (ACP) receive free access to the Community market. The convention guarantees the ACP countries stable export earnings from

their agricultural products (STABEX) and also for certain mining products (SYSMIN), thus shielding them against fluctuations in world market prices; it provides for industrial and financial cooperation; and it operates through joint institutions in which all parties have their say in the management of the agreements.

With regard to the ACP States in the South Pacific (Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu and Western Samoa), the Community is seeking to exchange information and ideas with Australia and New Zealand to enhance effective development aid to this area and in particular to coordinate regional development projects to alleviate the substantial transport and communication problems of these island States.

The ACP Pacific States: an area for potential joint ventures between the EC and Australia.



Asia

The Community has, with very few exceptions, active relationships with all countries of Asia in both trade and economic cooperation and it extends technical and financial assistance and, when necessary, food aid to most of these countries. Between 1974 and 1976 the Community concluded non-preferential cooperation agreements with the principal countries of the Indian sub-continent: Bangladesh, India, Pakistan and Sri Lanka.

In 1975, the Chinese Government established diplomatic relations with the EC and in 1978 signed a trade agreement with the Community. Indications are that political and economic relations between China and the EC are increasing in importance.

ASEAN

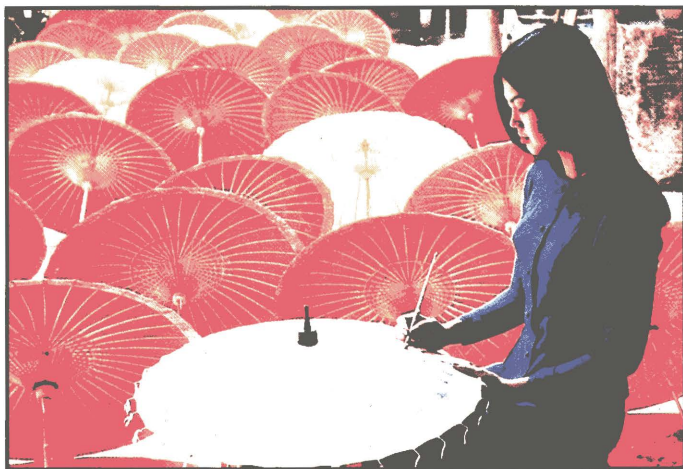
In recent years the Community has shown a great deal of interest in Asia and the Pacific, and, naturally, a lot of this interest has manifested itself in the ASEAN group of nations: Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand. The attractiveness to the EC of the ASEAN group is obvious. ASEAN is a regional grouping of some 270 million consumers, roughly the size of the EC, and hence represents a logical economic partner. In 1980, an economic and commercial cooperation agreement was signed with ASEAN. As a group, ASEAN is the largest beneficiary under the EC's Generalised System of Preferences (GSP). The growing importance of the EC in this region is reflected by the ratio of ASEAN manufactured exports to Europe, which has risen from 25% in 1973, to 41% in 1983. In fact, the EC imports two-thirds more manufactured goods from ASEAN than does the United States, and nearly four times as much as Japan.

The Community also accounts for 30% of ASEAN's total exports in textiles compared with 18% to the United States and only 4.3% to Japan. In 1978, an EC-ASEAN Conference was held at foreign minister level, which marked the beginning of a regular dialogue at the political level. There have been regular exchanges of visits by the President-in-Office of the EC Council and EC Commissioners with their ASEAN colleagues. Parliamentary links between the two parties have also developed with the general evolution of their relations.

Latin America

The Community has non-preferential trade agreements with Argentina and Uruguay, and an economic and commercial cooperation agreement with Mexico; a similar cooperation agreement has been signed in 1983 with the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela). In 1981, Brazil signed a Framework Agreement with the EC on trade and economic cooperation. All Latin American countries are beneficiaries under the GSP, while several of them also benefit from Community food aid and financing of agricultural development projects.

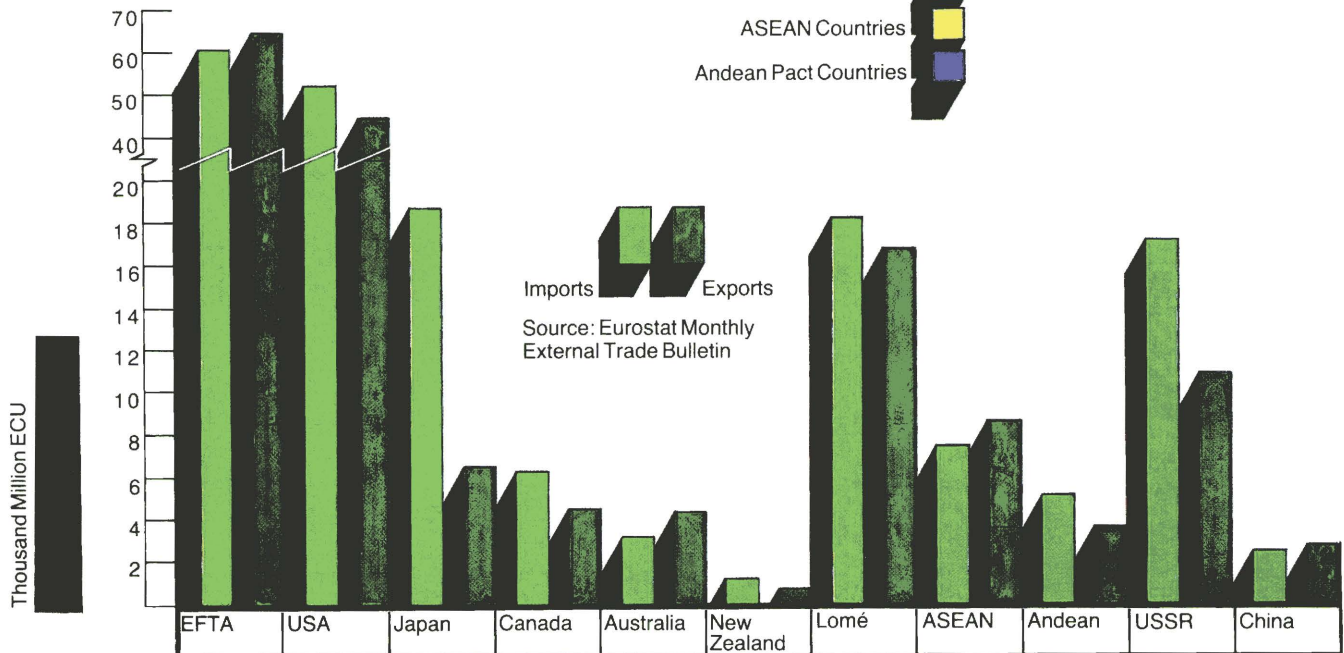
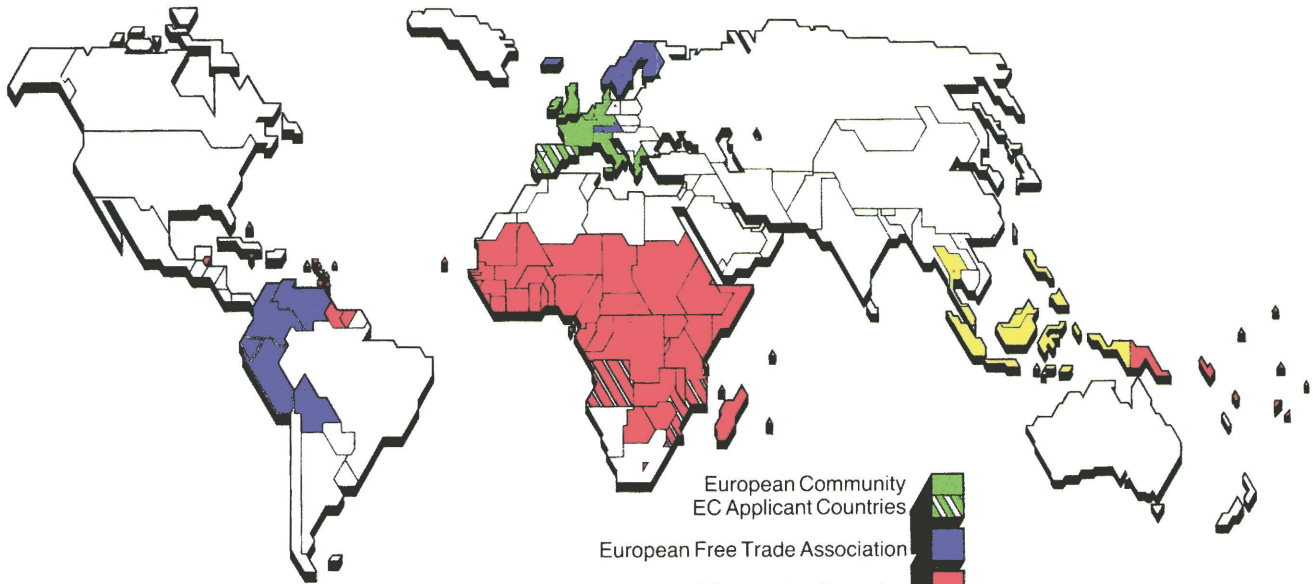
In 1983, 41% of ASEAN's manufactured exports went to the EC.



All Latin American countries are beneficiaries under the GSP.



The European Community's World Trade 1982-83



The European Community and Australia

Formal relations between the European Community and Australia date back to 1960, when Australia opened a diplomatic mission to the EC. Australia's relations with Europe, however, are rooted in the historic origins of its first settlement and subsequent European migration, in the common traditions of parliamentary democracy, and in shared cultural and social values.

Today, the European Community and Australia are natural political and economic partners. There is increasing recognition in Europe of the growing importance of Australia as an ally, particularly in its sphere of influence in Asia and the South Pacific, her importance as a major supplier of raw materials or semi-processed minerals, and energy. On the other hand, Australia has supported the idea of European integration and sees the Community as a supplier of technology, transport equipment, skilled labour, services and as a major source of foreign investment.

Regular ministerial consultations between the European Commission and Australia were inaugurated in 1976, covering a wide range of bilateral and multilateral issues. The pace of these high level exchanges has quickened. Australian Prime Ministers have twice visited the Commission, in 1974 and 1977, while Cabinet Ministers, particularly delegations and officials from Australia, and members of the European Commission, their officials and members of the European Parliament have strengthened this dialogue in Brussels as well as in Australia. In 1980, it was decided that Ministerial consultations should be held annually, alternating between Brussels and Canberra, and in 1982, the President of the European Commission paid an official visit to Australia, the first of its kind. Australia and the European Community are also partners in various multilateral forums such as GATT, OECD, etc.

Trade relations

Trade questions have figured prominently at meetings between the two partners. Britain's entry into the Community in 1973 and the subsequent phasing out of the Commonwealth preferential trade system undoubtedly affected Australia, which lost its traditional export market for certain agricultural products such as butter, cheese, sugar and beef. In fact, Australia's exports to the EC fell from 20% of total exports to 15% in the first half of the 1970s. However, with its vast mineral resources, Australia was able to diversify its export products and find new markets, particularly in Asia and the Pacific region. Australia and the EC are still very important trading partners as Australian exports to the Community were maintained at around this level of 15% in the latter half of the 1970s. In absolute terms, however, its exports to the Community, wool, coal, metallic ores, non-ferrous metals and agricultural products, have more than tripled since Britain joined the EC. Australian exports to the EC represented 14% of total exports in 1982/83, compared with 12% the previous year. The Community, with 270 million consumers and relatively low tariffs, stands out as a potential highly profitable market for efficient Australian manufacturing.

The Community, for its part, has long expressed its concern about the high level of protection of certain Australian manufacturing industries such as motor vehicles, textiles and footwear. Over the last decade, the Community's share of the Australian imports market has fallen from more than one-third to about one-fifth with the United States, Japan, and more recently, other Asian countries

The Airbus: High-flying European technology



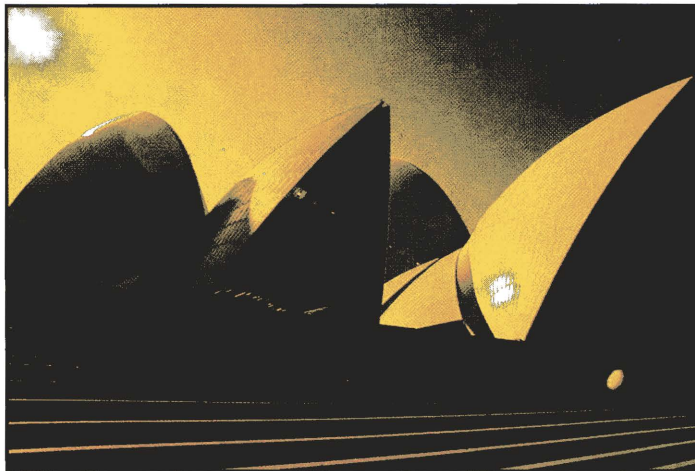
benefiting from the diversion of trade. In 1982/83, the EC supplied Australia with 20% of its imports, (in terms of value), particularly machinery, chemicals and transport equipment. This compared with the United States 22% and Japan 21%.

In 1979, agreement was reached on some of the outstanding issues in the framework of the GATT Multilateral Trade Negotiations. Australian beef, buffalo meat and cheese were given improved access to the European market. For its part, Australia granted the Community concessions on a number of industrial and agricultural products.

In September 1980, agreement was also reached on an arrangement for annual self-limitation by Australia of sheepmeat exports to the Community. This was fixed at 17 500 tonnes as of January 1, 1981, in exchange for a reduction of the Community's tariff duty. Official talks were held in Brussels in 1983 to review these arrangements, along with a whole range of political and economic issues. Ministerial consultations between the two partners were

held in March 1984 at which it was agreed that experts from both sides would meet regularly to discuss both bilateral trade questions not only in agricultural products, but also in science and technology matters, minerals, manufacturing and service areas. These talks would concentrate on the market outlook and on the impact of development of domestic policies on international trade. They will examine areas of common interest, the improvement of market access and the promotion of joint ventures as well as the scope for cooperation to avoid distortions on the world market in supply and price for commodities important to both sides.

The Sydney Opera House designed by Danish architect Jørn Utzon.



Minerals and energy

Between 1975/76 and 1981/82, exports of Australian minerals and energy increased by 55% to a value of \$A1259 million. Such interdependence is sure to continue growing as the Community, with its relative paucity of raw materials, is interested in securing diversified long-term stable supplies. The EC, on the other hand, provides Australia with technology and investment. Australia already exports to the Ten substantial quantities of coal, iron ore and base metals, both processed and unprocessed. Potentially the world's largest supplier of uranium, Australia, in 1981, signed a 30-year agreement with Euratom, creating the basis for the further diversification of the Community's energy supplies.

Investment

Overseas investors have long been attracted to Australia because of its development in the minerals, oil, gas and manufacturing industries. Coupled with this have been the added advantages of a stable democratic government, prudent government investment policies and Australia's position in South East Asia and the Pacific. Figures for 1982/83 show that the European Community supplied 48% of net foreign direct investment in Australia, compared with 29% from Japan and 23% from the United States. The Community's investment, in the main, has been in mining development, manufacturing, and finance and insurance.

Future outlook

While certain problems will continue to exist, indications are that the deep bond long established between the two partners will hold fast. Both the European Community and Australia have recently expressed the view that relations between the two have reached a new phase. Both are now looking to an improved mutual understanding to settle trade difficulties and to broaden and increase the dialogue between respective parliamentary delegations, ministers, officials, by exchanging information and ideas in matters relating to foreign affairs, development aid in Asia and the South Pacific as well as in the traditional human and cultural areas.

The EC Delegation in Australia

The permanent Delegation of the Commission of the European Communities has been in operation in Canberra since April 1981 and was officially opened in February 1982 by the President of the European Commission, Gaston Thorn, in the presence of the representatives of the Australian Government, headed by the Prime Minister. The Head of the Delegation is the official representative of the EC Commission to the Australian Government.

The Delegation as a diplomatic Mission is responsible in Australia for the conduct of

official relations between the European Community and Australia. It keeps the Commission informed of significant political, economic and other developments in Australia. In all matters pertaining to the Community, the Delegation works closely with the diplomatic Missions of the Member States, particularly with the one holding the Presidency of the European Council of Ministers. It is a natural point of contact between Australian authorities, political, economic and cultural groupings as well as individuals and the Community.

The Press and Information Service within the Delegation has the role of explaining to all

Australians the institutional structure of the Community, the background of European integration and Community life, and the policies of the EC. It publishes a regular newsletter and other material written especially for the Australian public, and distributes a variety of free publications about the Community. Various films and audio-visuals and exhibition material are available on loan. In addition, it maintains a library and reference service which holds official publications, documents and Community legislation from the various EC institutions. The Press and Information Service coordinates the activities of the European depository libraries located at

State Libraries, and European Documentation Centres located in various universities in Australia.

The Delegation organises various conferences, seminars and other events held in the context of Australia's relations with the Community. Delegation officials also speak at various forums.

The Delegation does not deal with specific trade information issues, which have traditionally been handled by the particular Member State embassies, consulates or trade commissioners.



The EC Delegation in Australia is located in Canberra.



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Publications

1. Published by the Press and Information Service, EC Delegation, Canberra.

- "EC News" — Monthly newsletter covering current Community events.
- "EC Agriculture" — Occasional newsletter covering speeches, reports and major decisions in the area of Community agriculture.
- "EC Background" — Occasional Information Note on current topics.

2. Published by the Institutions of the European Community (a select list).

- "European Documentation" — Series covering a wide range of Community policies.
- "European File" — Series of concise reports. Recent issues cover such subjects as "The European Community and new technologies", "The European Community in the World", "An industrial strategy for Europe" and "Equal Rights for Women".
- "Europe Information" — Series dealing with the Community's external relations.
- "Europe is Yours" — Map and basic statistics of the Community.
- "About Europe" — Pamphlet covering Europe's past, present and future at a glance.
- "Steps to European Unity" — A chronology of the Community.
- "The European Community as a Publisher" — Catalogue listing major publications available for purchase or free of charge.
- "The European Parliament" — Pamphlet covering the European Parliament's powers, responsibilities and organisation.
- "Working Together" — Pamphlet covering the institutions and inter-institutional relationships of the Community.
- European Documentation Centres (EDC) and Depository Libraries (DEP) in Australia:

EDC's

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University of Sydney
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Appendix

“Australian Exports — Value and Percentages” (\$Am)

(Selected Trading Partners)

	1980/81		1981/82		1982/83	
	Value	%	Value	%	Value	%
EC 10	2367	12.3	2354	12.0	3116	14.0
Japan	5224	27.2	5386	27.5	6007	27.1
USA	2163	11.3	2154	10.0	2242	10.1
ASEAN	1615	8.4	1668	8.5	1923	8.7
New Zealand	916	4.8	1040	5.3	1162	5.2
Others	6915	36.0	6984	36.7	7755	34.9
Total Exports	19200	—	19586	—	22205	—

EC Imports from Australia (cif) (\$Am)

	1978/79	1979/80	1980/81	1981/82	1982/83
Agricultural Products	204.8	226.0	220.8	193.6	212.8
Agricultural Raw Materials	678.3	744.3	682.4	644.8	654.7
Minerals & Energy	967.9	1452.8	1227.1	1258.5	1894.1
Manufactured Products	127.6	166.2	134.6	206.3	328.2
Other Items	34.2	83.7	102.1	50.8	31.8
Total	2012.8	2673.0	2367.0	2354.0	3121.6

Capital Investment in Australia (\$Am)

	1978/79	1979/80	1980/81	1981/82	1982/83
EC					
Direct	846	504	908	788	759
Portfolio	77	913	1627	2432	2521
Total	923	1417	2535	3220	3280
USA					
Direct	573	668	891	288	361
Portfolio	144	102	516	2098	1013
Total	717	770	1407	2386	1374
Japan					
Direct	66	219	321	433	462
Portfolio	209	182	433	746	1763
Total	275	401	754	1179	2225
Others					
Direct	-143	181	314	845	-191
Portfolio	181	260	994	1783	2133
Total	38	441	1308	2628	1942

“Australian Imports — Value and Percentages” (fob) (\$Am)

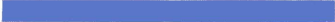
(Selected Trading Partners)

	1980/81		1981/82		1982/83	
	Value	%	Value	%	Value	%
EC 10	3845	20.3	4806	20.9	4383	20.1
Japan	3628	19.1	4527	19.7	4504	20.7
USA	4169	22.0	5249	22.8	4764	21.8
ASEAN	1268	6.7	1516	6.6	1550	7.1
New Zealand	636	3.4	726	3.2	694	3.2
Others	5409	28.5	6179	26.8	5915	27.1
Total Imports	18955	—	23003	—	21810	—

EC Exports to Australia (fob) (\$Am)

	1978/79	1979/80	1980/81	1981/82	1982/83
Agricultural Products	168.5	177.2	173.2	197.9	220.0
Agricultural Raw Materials	35.2	47.9	44.8	61.9	62.5
Minerals & Energy	42.7	39.7	20.6	40.9	35.9
Manufactured Products	3198.8	3431.7	3421.1	4277.4	3817.8
Other Items	79.4	114.1	185.3	228.0	246.6
Total	3524.6	3810.6	3845.0	4806.1	4382.8

Source: Australian Bureau of Statistics.



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