

# European Communities

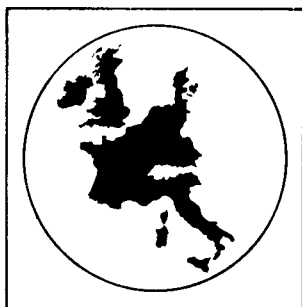
**Delegation of the Commission  
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Information Service

## Newsletter

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## EC/Spain

### **Negotiations Open with Spain Twelfth Prospective EC Member**

Formalities have been completed for starting negotiations on Spain's future membership in the European Community. Preparatory work for substantive negotiations will now continue in the Committee of Permanent Representatives, with help from the Commission.

The Commission laid the basis for negotiations in the Opinion it prepared on Spain's application, and delivered to the Council of Ministers at the end of November. In preparing it, the Commission kept in close contact with the nine Community governments and with Spain. The document, therefore, indicates the thinking that will guide future negotiations.

The Commission recognizes that Spanish entry into the Community is of utmost political importance. At the same time, it takes a realistic view of the very considerable economic and social problems involved. "Success", according to the Opinion, "implies that Spain's economy should be integrated with the economy of the Community without intolerable strains on either side—with Spain being able to bridge progressively the gap separating it from the Community—and that, when the process of integration is complete, the Community should emerge strengthened. . . ."

The hope is that full integration can be accomplished in ten years. During the transitional period many difficulties will have to be overcome, especially in coordinating Spain's major industrial and agricultural production with that of the Community.

A few of the problems among the many to be faced are those which result from:

- the large proportion of Spanish farm products common to the entire Mediterranean region. Competition on the Community market will be severe and will increase if high Community prices lead Spain to raise its production of fruits, vegetables, olive oil and wine.
- the size of Spain's fishing fleet. This is two-thirds as large as the combined fleets of the nine member countries. Because countries have recently extended their fishing zones 200 miles out to sea, Spain will have to cut down on its fishing and work with the Community to reorganize the industry.
- the structure of much of Spanish industry. This is, to a large extent, made up of small, low-productivity firms which will not be able to compete effectively on the Community market.
- the growth of industries which turn out goods already in over-supply in the Community. Cutting down or controlling growth of steel, textiles, shipbuilding and other industries will be necessary.
- government policies on tariffs. The average Spanish tariff against Community industrial exports is 12.7%. Community levies against Spanish exports average only 3.75%.
- labor costs. These are lower in Spain than in the Community, giving Spanish firms a competitive advantage.
- the employment situation. In Spain 8% of the labor force is now unemployed, in the Community 5.6%. The population boom of the late 1950s in Spain will continue to be responsible for a large proportion of their unemployed. Reforming industry and cutting the fishing fleet will add to the numbers. The Community policy of equal treatment for men and women may well lead more Spanish women to seek work. This possible increase in unemployment can create serious problems, not only for Spain, but for the nine Community countries as well. They would be hard put to absorb larger numbers of Spain's unemployed. Free movement for workers within the Community could add to the pressures of emigration from Spain.
- great disparities among the regions of Spain. The Community's present inadequate program for regional development will be complicated by having to deal, as well, with the least-developed regions of Spain.

The Commission report offers a series of specific facts and suggested possibilities that negotiators will find helpful when attacking these and other problems connected with customs, agriculture and fishing, industry and energy, social and regional affairs, external relations, banking and insurance, transport, competition, taxation, and the Community budget.

This preliminary work of the Commission should help to fulfill its aim of getting accession negotiations started before long and of seeing that they are conducted with determination to find the most satisfactory solutions to the outstanding problems.

In a statement at the formal opening of negotiations between the EC and Spain, in Brussels on February 5, the French Foreign Minister, M. Jean Francois-Poncet, speaking in his capacity as President-in-Office of the Community, said: "Spain—and

one cannot truly speak of Europe without including Spain—has undergone fundamental change; the process of democratisation has led to the restoration of a pluralist democracy and of fundamental rights.

“The enlargement of the Communities that we wish to achieve together will give this undertaking of European integration a new dimension and new prospects. At present we can but glimpse what the future holds for us.

“We must ensure that we work towards a Europe which retains its power of attraction vis-a-vis the public in all our countries not only from the economic standpoint but also in its human, social and cultural aspects.

“As you know, two other European countries have also applied to join the Community: Greece, with which negotiations have almost been completed, and Portugal, with which we began negotiations last October.”

## EC/UNCTAD

### Preparing UNCTAD V

Before the United Nations Conference on Trade and Development (UNCTAD) meets in full session in May, significant progress should be made in negotiations on the Common Fund and on commodity agreements. This is the stand the Commission of the European Community took in its proposal of January 24th to the Council of Ministers.

Because no real progress resulted from the 4th session in Nairobi in 1976, nor from the North-South dialogue of 1976-77, the Commission feels that any further delay will seriously harm relations between the developing and industrialized countries. It wants the Community to act as a body to push for results in negotiations prior to the meeting in Manila in May.

Meetings in December brought the industrialized and developing countries closer together on the structure of the Common Fund. This fund is designed to stabilize world commodity markets, largely by creating buffer stocks. The developing countries agreed that a proportion of the fund can come from individual commodity organizations. The industrialized countries agreed that a proportion can come from capital loans, guaranteed by member governments. Exact proportions have not yet been agreed on. Also still to be settled is the scope of a second account to be used for diversification and research, and the amount to be con-

tributed to the fund by all of the countries involved.

In its proposal the Commission suggests that it should be possible to reach agreement on the essentials of the Common Fund during the negotiating session scheduled for March in Geneva. On commodity agreements it urges the Community to adopt common positions for negotiating on cocoa, jute, sisal, sugar and olive oil. On the debt of developing countries it asks the Council of Ministers to reach definitive agreement at its March session. Not expecting a final decision on a code of conduct for the transfer of technology at the Geneva meeting February 26-March 9, it recommends that UNCTAD V limit itself to reporting on the progress made so far and to requesting that negotiations be speeded up.

If progress can be made in advance and confrontation avoided, UNCTAD will be able to contribute to setting the policy which the General Assembly will adopt in 1980 for the next decade. It will be able to look at ways of furthering a better international division of labor, of financing economic expansion, of expanding world trade. It can take up the future struggle against restriction on world economic growth and on improvement of the living conditions of people of the third world. In the Commission's opinion it will be able to fulfill its proper role as a guiding force rather than a forum for negotiations.

### Generalized Preferences

A new plan for the tariff preferences which the European Community will apply to products from developing countries in 1979 was approved by the Council of Ministers late in December. Questions left unsettled earlier in the year have been dealt with meanwhile by the Committee of Permanent Representatives—ambassadors from the nine member countries. Its decisions will make it easier for the Ministers to come to final approval soon on detailed arrangements.

Solutions put forward by the Permanent Representatives include:

- making gradual the shift from the use of the old unit of account (UA) to the new European unit of account (EUA). The UA was based exclusively on the 1970 dollar. EUA is based on a basket of European currencies in their current values. If duty-free quotas on manufactured goods imported into the EC were calculated wholly on the basis of the EUA, those quotas would be very considerably increased for

countries with weak currencies. To allow for a reasonable increase the addition to their quotas will be limited to 5% of the difference between calculations based on the UA and calculations based on the EUA. An additional 5% will apply in 1980.

- allowing a 5% increase from 1978 in duty-free textile quotas for the first six months of 1978. Romania, though excepted from this provision, is expected to be included in a new textile agreement still to be worked out.
- exempting the least-developed countries from duties on manufactured goods and agricultural products, including raw coffee and raisins.
- adapting the preference scheme for Yugoslavia to fit the proposed new EC/Yugoslavia trade agreement.
- requesting the European Commission to submit proposals for possible future tariff concessions to Bulgaria.
- reducing duties from 1978 levels on some agricultural products and adding some new products to the list of those eligible.

## Jenkins in China

The President of the EC Commission, Mr. Roy Jenkins, has just paid an official visit to China from February 21 to March 1. This follows a visit to China last Fall by Vice-President Wilhelm Haferkamp, who is responsible for external relations.

On the eve of President Jenkin's departure for China, the Commission's spokesman recalled that rather than seeking specific negotiations, his visit would mark the political importance of a continuing development in the improvement and enlargement of relations on both sides.

The European Community wishes to increase trade with China in the same way China wishes to increase trade with the West.

The spokesman recalled that the EC-China commercial agreement of April, 1978, is based on equilibrium and reciprocity. On one side it implies a Community undertaking to seek greater liberalisation towards imports from China, and on the other hand, it forseees a greater Chinese welcome for imports from the EC.

Meanwhile, exploratory talks between the Commission and China on an EC-China textile agreement have finished and formal negotiations are expected to start soon.

The Commission is also examining the prospect of including China among those countries enjoying EC generalised preferences

## State of the Community

### Annual Message from President Jenkins

*Extracts from the Programme Speech by President Jenkins Addressing the European Parliament in Luxembourg, 13 February 1979:*

"This occasion marks the opening of a more momentous year of change for the Community than it has seen for some time. The priorities are:

- to strengthen the internal organisation and cohesion of the Community and ensure its continued development,
- to enlarge the Community to include those European democracies able and qualified to join,
- and to ensure that the Community as such makes its contribution to the management of the world economy.

### External Policies

"I would like to mark two events which are particularly significant for the Community. First our relationship with the United States. Second the trade agreement with China concluded last April. Nevertheless, as a Community we still face difficulties and dilemmas in our relations with both developed and developing countries. These have been underlined in the multilateral trade negotiations and the negotiations for a successor to the Lomé Convention. We have to ensure that the trading system which we are constructing contains its own checks and balances. The phenomenon, for example, of the highly competitive low cost producer is only an extreme manifestation of a wider problem of adjustment to which protection cannot ultimately be the answer. Over the past year the Community has found it necessary to take a number of measures to safeguard employment in certain industries which suffer acutely from overcapacity and excess labor.

"These measures will only be acceptable to our trading partners if they are accompanied by active and responsible policies to adapt our economies. The Commission is conscious of the need to shift the emphasis to the promotion of growth sectors as well as to the promotion of the longer-term framework within which industrial change can take place. This also concerns us in our negotiations for a new convention with the ACP countries. It would make little sense to offer generous aid and trading benefits to these countries if we refused to prepare ourselves to accept an increasing volume of their products."

## Failure to Agree on Cereals

Following the breakdown of the world negotiations on cereals in Geneva, the EC issued the following press statement:

"After so much time and effort had been invested in negotiations, the Community deeply regrets that it was not possible to conclude them successfully. A solidly-based and well-structured agreement, according to the lines which were emerging from the conference, would have greatly contributed to the stability of world trade and the security of world food supplies, which everyone wants.

"The Community does not blame anyone for the breakdown. Each participant at the negotiations is free to judge according to his own interests and to evaluate the weight of the concessions he could make in order to reach an agreement.

"The reality is that there was too big a gap between the appreciations of different groups of participants on the very necessity to reach agreement.

"With interests at the same time as an importer and an exporter, and having on the other hand direct links with a certain number of developing countries, the Community was ready to adopt a middle position in the negotiations; it remained always ready to make a new effort, if a consensus in this sense existed.

"The preliminary condition for any new initiative would be the appearance of a will to compromise more noticeable than in recent days, and in particular concerning the major question of prices. It was obvious that only by assuring sufficiently the interests of the producer countries and the particular conditions satisfactory to the developing countries that one could have hoped to surmount the differences.

"In spite of the efforts made, notably by the Community, it is no longer possible to deny that this essential condition was not fulfilled."

### EC Aid for UNWRA

The European Community has extended its Convention with the United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNWRA). This means a contribution by the Community of \$6,744,000 in cash and an equal amount in food and commodities at world market prices to cover retroactive-ly the years 1977 and 1978.

The Community Convention with UNWRA and UNWRA's latest mandate from the UN General Assembly were both due to end in July 1978. In December 1977 the UN mandate was prolonged to 1981. Now a new Convention with the Community is being completed.

UNWRA depends entirely on voluntary contributions. Fighting in Lebanon has disrupted some of its activities in recent years and has aggravated the financial difficulties UNWRA has had since its establishment in 1949.

### EC-Israel

Israel is concerned that its citrus fruits and other farm exports may not be able to compete on the European Community market when the present organization of nine expands to twelve. Three future members—Greece, Spain and Portugal—are, like Israel, Mediterranean countries. They produce many of the same products. Israel's worry is that the increased self-sufficiency of the Community in those products, after enlargement, will lead to protectionist pressures and threaten an even greater imbalance in EC/Israel trade than exists now. Israel has been buying more from the Community than it sells since 1976.

This concern was the main subject of discussion at the first ministerial meeting of the EC/Israel Cooperation Council recently. The Council was set up a year earlier when additional protocols to the original agreements came into force. West German Foreign Minister Hans-Dietrich Genscher, president of the EC Council of Ministers during the last half of 1978, and Israeli Foreign Minister Moshe Dayan headed their respective delegations.

Mr. Dayan estimated that the Israeli trade deficit with the Community would top \$1 billion in 1978. He asked that the Community reduce its tariff on Israeli oranges to the level enjoyed by other countries outside the Community. On its side, the Community pointed out that Israel had more than tripled its exports to the EC between 1970 and 1977. Claude Cheysson, Commissioner for Development, mentioned the growing proportion of industrial products in Israeli exports to the Community.

The result of the meeting was that the Community agreed to consider Israel's request for tariff reductions on citrus fruits. It also agreed to open consultations with Israel on farm trade when

negotiations with the three applicant countries are in progress. Both sides agreed to examine ways to achieve better harmony in their trade relations.

## **EC—Turkey Re-Vamping Pact**

The EC Commission has sent a package of proposals to the governing Council of Ministers aimed at alleviating the economic plight of Turkey. The proposals are made within the context of the Association Agreement between the EC and Turkey. The Council of Foreign Ministers will deal with the package in March. It has already had a discussion on relations with Turkey when it was agreed to coordinate all financial action with work carried out by other international organisations (such as IMF and OECD) and bilaterally by the nine Member States.

The President of the Commission, Mr. Roy Jenkins, raised the problem of Turkey's economy when he met President Carter on December 14; the question was also raised at the Guadeloupe summit meeting in January. The Commission's proposals are thus a first step within the context of an exercise in international solidarity to help Turkey overcome its grave economic and financial difficulties. The Commission proposes that the EC should help in the field of trade, medium term financing of investments and coordination of Member States' efforts with other international organisations. The Community's support

will be aimed at marking a concrete political will to conserve and develop the Association links at a time not only when Turkey needs to redress her economy but also when the conclusion of negotiations for Greek membership of the EC will leave Turkey the only country linked by association aimed at eventual full EC membership.

### **Specifically the Commission's proposals are:**

1. The suspension for five years, with a possible extension for another two years,

## **SINO-VIETNAMESE CONFLICT**

### **EC Communiqué**

The French President-in-Office of the European Community, Foreign Minister Jean Francois-Poncet, issued the following communiqué on the Chinese invasion of Vietnam's northern border territory:

"The nine member states of the Community consider that the situation developing in South-east Asia may have serious consequences on international relations. They wish to express their concern over this situation and deplore the mounting tensions in this region. They sincerely hope for the establishment of an order ensuring the independence, territorial integrity and freedom of choice of each of the states concerned, Cambodia and Vietnam in particular."

of current provisions requiring Turkey to reduce her import duties on Community exports and align these duties towards the EC's common commercial tariff regulations for non-member countries, and to eliminate quotas and adopt a different trade policy towards developing countries. The Commission is asking the Council to be authorised to negotiate an agreement to this effect.

2. Subject to ratification by the Turkish Parliament, the third financial protocol of the Association Agreement would come into force providing \$353.7 million from now until October 31, 1981, of which 70% (\$251 million) would be in special loans (for 40 years with a 10-year grace period at 2.5%). The Commission also proposes negotiating a fourth financial protocol to take over from 1981, to provide substantially more than the third protocol while retaining the 70% proportion of special loans. This new protocol would also provide for a special cooperation fund, financed from the EC budget, for subsidies for development in the fields of industry, energy, trade promotion, professional training, forward investments and technical assistance, and educational, health and infrastructure projects.

3. The special cooperation fund would also provide occupational training for Turks working within the EEC so that they can help fulfill Turkey's needs for qualified labour when they return home. The Commission does not believe it is possible at the moment to go beyond an existing agreement on the free movement of Turkish workers after 1980.

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