



European Communities

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European Elections

For the first time since the European Community was established 21 years ago, its citizens are going to the polls specifically to elect the members of the European Parliament.

Until now the European Parliament has been composed of 198 members nominated from their nine national parliaments. This system imposed difficult burdens on members serving two parliaments—one prominent British delegation leader died from strain—and had little relevance for the voters.

Between June 7 and June 10, taking account of traditional voting days among the nine countries, 175 million people will be eligible to vote directly for an enlarged parliament of 410 seats. It should be the biggest poll in the Western world. Many of the successful candidates will not be members of their national parliaments. Some have decided to quit national politics for the European stage; others are starting out by standing for the European Parliament.

The significance is that for the first time the institutions of the European Community will come under democratic surveillance by a Parliament directly responsive to the people who voted it into being.

Gradual Progress

The Community is growing—slowly in the eyes of those preoccupied with daily problems and frustrations, but quite rapidly in historical terms—into a confederal structure. Whether or not it develops into a fully federal United States of Europe remains a matter of deep controversy.

Whatever the ultimate goal, the Community is founded on four important institutions. There is the Commission, a supranational executive civil service, which proposes legislation and guards that legislation when it becomes Community law. There is the Council of Ministers of the Nine member states which enacts legislation. In between these institutions is the Parliament which plays mainly a consultative role between proposal and disposal. And in the background sits the European Court of Justice, which arbitrates disputes and interprets Community law. Community law as such, takes precedence over national law.

Hitherto the Parliament has had very little power. It has the draconian right to fire the executive Commission which it has never used. It has limited powers to insist on increasing certain types of spending such as regional development in poor areas and social policy in the field of labor.

But as the date for direct elections approached over the past few years, the European Parliament has gathered to itself increasing influence. Its proposed modifications to legislation proposed by the Commission have very largely been written into—or out of—the final drafts. Increasingly it uses its right to question the Commission and the Council of Ministers on any aspect of Community law in the nine countries, and on failures to carry out more speedily and effectively measures aimed at closer European unity. It can initiate debates, which is precisely why the Commission is now studying the long term implications of a European defence policy. Earlier this year the existing European Parliament won its first major confrontation with the governments over the annual budget.

Big Names

The bigger, directly elected Parliament is expected to be even bolder in exercising its influence. It may seek, in the teeth of opposition from some governments and national parliaments, to acquire more powers. Many new members will certainly want the Parliament to increase substantially the currently \$18 billion Community budget especially for spending in poor regions of high unemployment.

The most interesting feature of this institution is that the members do not sit in national blocks but in European-wide party blocks.

Thus the Christian Democrats from seven of the nine countries have formed a single block. The French Gaullists and the Irish Fianna Fail form a European alliance. Socialists will make a nine-nation block.

Some big names are in the lists. Former German Chancellor Willy Brandt heads the German socialists. In France, the leaders of the Gaullist, Socialist and Communist parties Jacques Chirac, François Mitterrand and George Marchais are all candidates. In Britain, former Labor Secretary Barbara Castle leads the British socialists.

For the European Community of 260 million people, which controls 40 per cent of the world's trade and one-third of the world's money supply, these elections are a watershed. For the United States, the strengthening of democracy and unity in Europe is a cheering development in this complex and too often reactionary world.

EC Commission President Roy Jenkins addressed the current Parliament to mark its final session before direct elections. "I join with the President of the Council," he said, "in paying tribute to this Parliament on an occasion marked with regret as we say farewell to many members of this house who have served Parliament and the cause of Europe with distinction in many cases over many years but also an occasion for pride and confidence in the future as we stand on the threshold of direct elections

"I would designate this Parliament the honourable title of the Long Parliament. Like the Long Parliament of 17th Century British history, you have survived over 20 years, replenishing your membership, gathering strength, enhancing your reputation and, through your work and dedication, you have helped to build the democratic road of Europe. That road has not always been smooth but the collective resolution and determination of this Parliament has succeeded in overcoming the obstacles and given a sustained support to the democratic process of the Community. The Community is firmly rooted in the principles of representative democracy. Countries which did not honour such principles could not become members. Spain and Portugal, immediately on their return to democracy applied for membership. Indeed, it is essential that these principles of representative democracy should be enshrined in the Community institutions as well as in the Member States.

"The treaties establishing the European Communities laid a solid foundation for a truly democratic control of Community activities by proposing that the Parliament should be directly elected. It has taken a long time to honour that commitment, over 20 years.

"But direct elections to the United States Senate took 136 years to bring about. By that comparison we have not done badly. It can be a source of satisfaction to every member of this

house that it was you who paved the way for this historic development. Members of this house have been the pioneers. Direct elections will be the tangible result of your achievements, the crowning of your efforts."

EC—ENERGY **Talks with Producers**

The European Community intends to begin discussions with the oil-producing countries at expert level to explore each side's position and demonstrate the effects of supply policy on economic conditions. This was stated by EC Commission member responsible for energy, Guido Brunner, when he opened an annual conference of German mining staff at Gelsenkirchen in May.

He said the discussions would be conducted in a spirit of mutual respect for each side's independence in forming opinions and making decision. Brunner was confident that in this way, stabilisation of developments in the world energy markets could be achieved.

He said that by announcing its readiness for an energy-saving policy the EC was also demonstrating to the oil producing countries its willingness to contribute to an easing of the supply situation, and he gave figures illustrating the EC's past and future measures.

The EC, said Brunner, had been actively pursuing a policy of saving energy for six years and this had made it possible to achieve a steady 7-8% decrease in consumption and to reduce dependence on energy imports from 63% to 56%. The Community had, moreover, adopted additional measures in March to save a further 5% on oil, this corresponded to a cut of 25 million tonnes against the originally estimated level of consumption. As a result, the EC's oil bill would be reduced by \$3 billion. These measures had already led to a saving in consumption of 18.5 million tonnes.

EC—JAPAN **High-Level Consultations**

Sir Roy Denman briefed the press recently on the results of the high-level

consultations in Tokyo earlier in May. On the macro-economic side, Japan's global trade surplus is now falling but the bilateral surplus with the EC has started rising again (up 32 percent in the first quarter of 1979 on the corresponding period of 1978 according to Japanese statistics). As a result, the EC's deficit, which amounted to \$6.4 billion in 1978, is likely to be over \$8 billion in 1979. In a multi-lateral trading system there is no law against bilateral deficits, but in the Japanese case, a growing deficit is combined with the concentration of Japanese exports in certain vulnerable sectors and numerous restrictions against EC exports to Japan.

The encouraging news was that for the first time in two years Sir Roy could report "significant progress" towards the planned phasing out of the barriers to trade arising out of Japanese testing procedures in different sectors (pharmaceuticals, chemicals, agro-chemicals, electrical and gas appliances, sanitary fittings, medical equipment and tractors). The Japanese have given firm assurances, though discussions are continuing so no details are yet available. One example quoted was tractors: the Japanese have undertaken to reduce the current period for testing from 18 to 12 months, and accepted an ultimate target of 6 months. While welcoming this "real and significant progress", Sir Roy emphasised that substantial problems remain, particularly for footwear (EC exports comprise only one per cent of the Japanese market) and processed agricultural products. In reply to questions, Sir Roy indicated that even if all sectoral barriers to EC exports were removed, this could not be expected to solve the problem of the bilateral deficit which would require structural changes in the Japanese economy (away from export-led growth, greater reliance on imports of manufactured goods.)

Sir Roy refused to be drawn on whether the progress made in the consultations had made retaliatory measures less likely. He merely said that the Commission and Council would have to consider whether to invoke Gatt procedures, taking into account a series of factors including the progress made bilaterally, the new standards' code, the remaining quantitative restrictions on both sides, and so on.

EC—Refugees

At the request of the Office of the United Nations High Commissioner for Refugees the Commission has decided to contribute the sum of \$40,000 towards the cost of organizing the Panafrican Conference on Refugees, which is being sponsored principally by the Organization of African Unity and the United Nations Economic Commission for Africa.

The Commission is participating in the work of the Conference as a token of the Community's intention to continue its action to help refugees in Africa.

Schemes under way or completed since 1976 have involved a total of \$78 million. They have varied in accordance with the particular needs of the refugees, for example:

- food aid in the form of cereals for dairy products to the value of some \$50 million for refugees from Zimbabwe, Angola, Zaire, Namibia, etc.;
- bursaries and education: under the Lomé Convention \$100,000 in bursaries has been granted to refugee students from Namibia and \$675,000 to the United Nations Institute for Namibia in Lusaka. In addition, \$4.7 million has been allocated for the expansion of the University of Botswana and Swaziland, which is taking in an increasing number of refugee students,
- emergency aid: some of this has gone direct to certain host countries (Botswana—\$95,000; Comoros—\$3,500,000; Congo—\$335,000) for refugee settlement schemes but the bulk of the funds (\$18 million) has been allocated to the Office of the United Nations High Commissioner for Refugees to help refugees in the Horn of Africa and in southern and central Africa.

UNCTAD V Cheysson Defends Community Against Protectionist Charges

Mr. Claude Cheysson, European Commissioner for development, strongly defended the record of the Community against the charges of protectionism leveled at it during the first week of the United Nations Conference on Trade

and Development meeting in Manila.

He graphically spelled out to delegates that for the Community protectionism would be tantamount to suicide.

The Community imported 75 percent of its raw materials and its exports to the Third World accounted for 40 percent of its total exports. This was more than twenty times Community exports to Japan.

Furthermore the Community's GSP was the most extensive in operation allowing US \$7,000 millions worth of goods to enter the Community duty free every year. Over the last five years the Community had registered a 31 percent annual growth of imports from the developing countries: higher than any country in the world.

In addition the Lomé Convention gave duty-free access to its 57 Member States for 99.4 percent of their exports.

Accordingly, "we must jointly declare war on protectionism" said Mr. Cheysson. He recognized nevertheless that certain specific sectoral decisions had led to a certain scepticism as to the Community's good faith.

Mr. Cheysson focussed on textiles. 800,000 jobs in the Community had been lost in this area over the last five years. This was due in the main to productivity gains which were not accompanied by growth in production in the textile industries of the Nine. It was against this background of standstill in production that the Community had absorbed 70 percent of the growth in textile exports from the Third World during the initial years of application of the Multifibre Arrangement, compared to the 15 percent taken by the United States.

The fact that the Community's policies for internal structural adjustment had not made allowance for this growth in imports was a clear demonstration of the essential relationship between the industrial policies of the developing countries and the situation obtained in corresponding sectors at the world level, said Mr. Cheysson. The industrialized countries could not agree that their internal policies be subject to international control: but consultations were vital to make allowance for such foreseeable developments.

Shared interests extended to all spheres of international cooperation. But dealing with problems together did not mean blanket solutions. "Let us

give our food aid to the most hungry, our concessional aid to the least well-off, the best trade facilities to the most disadvantaged in that area and our industrial support to those industries which best develop and generate prosperity. It is not a matter of differentiating between countries. However, the problems do arise in differing terms in order to enable us to make progress—and this point was very clearly recognized by the LDC's meeting at Arusha—and in dealing with the most urgent issues. Let us agree that in each instance priority is to be given to those sectors, industries and countries facing the greatest difficulties," said Mr. Cheysson.

It was time to "come out of the wilderness into a more harmonious landscape. We must work together in one world, a world in which the philosophy of opposition no longer prevails", he said.

UN—Liner Conferences EC Accord on Participation

The EC Council of Ministers has reached agreement on a Council Regulation concerning accession to the United Nations' Convention on a Code of Conduct for Liner Conferences. The Regulation provides for the Member States to ratify the Code Convention, which will thus be brought into force. This constitutes a major contribution to the North-South dialogue. At the same time the Regulation is designed to preserve a commercial approach to Liner conference shipping among developed Western nations.

The Council reached its decision after months of difficult and delicate negotiations on the basis of a proposal which the Commission had made in December 1977. This major step forward in Community shipping policy, with implications for Liner shipping worldwide, came just in time for the UNCTAD V Conference in Manila.

The Code of Conduct

The United Nations Convention on a Code of Conduct for Liner Conferences was adopted five years ago at a diplomatic conference held in Geneva under the auspices of UNCTAD. Ever

since, the Code has been a major subject of controversy in the world of Liner shipping. It propounds rules and principles for the behavior of Liner conferences—provisions on such points as conference membership, cargo-sharing between conference members, shipper-shipowner relationships, freight rates and procedures for resolving disputes.

The developing countries have been pressing hard for the Code to come into force as a new multilateral framework for Liner conference shipping; they would tend to benefit from its provisions on freight rates and particularly from the principle which it enshrines of allocating equal shares of traffic to the fleets of the countries at either end of a Liner route, with a significant share remaining for cross-traders (the famous "40-40-20" principle). Among developed countries widely differing views have been taken of the Code; and so far no developed country has ratified it. As a result, the Code has not yet come into force, since the 34 developing countries which have ratified it do not own collectively a large enough amount of tonnage to meet the entry into force requirement (25% of world Liner tonnage).

The Community solution

The Council Regulation provides for the Member States to ratify the Liner Code Convention, and this will bring the tonnage total well past the limit required for the Convention to enter into force. This means that, in Liner conference trades between the Community and any developing or other non-OECD country which is also a contracting party to the Code, the Code will apply, and the conference shipping lines of the country concerned will have the right to carry the same share of traffic as the Community lines.

At the same time the regulation makes special provision, in the interests of OECD shipping and trade, for preserving a commercial, rather than an arithmetical, approach to cargo sharing within conferences as between OECD shipping lines and in Liner trades between OECD countries. It provides, first, for the shares of cargo falling to Member State lines under the Code in trades between the Community and non-OECD contracting parties to be redistributed on a commercial basis among those lines. Cross-traders from other OECD countries will be free to

join in this process on a basis of reciprocity. Second, it provides for the cargo-sharing provisions of the Code to be disapplied—though without prejudice to the possibilities for developing country cross-traders—in Liner conference trades between Member States and, on a basis of reciprocity, between them and other OECD countries. In these trades certain other provisions of the Code—for example on freight rates—will also be disapplied on the same basis.

These disapplications mean that the Member States will make certain reservations when ratifying the Code, these are annexed to the Regulation.

The Road to a Community solution

Ever since the Code text was adopted in 1974 it has been recognised as an instrument with major implications for Community shipping policy. In the beginning, attitudes to the Code varied very widely as between Member States. Some wanted to ratify the Code as drafted, without reservations; others were thoroughly opposed to it. The Council recognised, however, that the Community ought to reach a common position on the Code if at all possible. After much discussion with Member State experts the Commission proposed in December 1977 a "yes, but" approach under which the Member States would ratify the Code while making special arrangements to preserve a commercial approach to Liner conference shipping as between OECD lines. The Council Regulation follows this basic approach, though some changes have been made, including the total disapplication of parts of the Code in intra-OECD trades.

The Council of Ministers of 20 February 1979 made the essential breakthrough in the Council's discussions, on the basis of a compromise paper tabled by the French Presidency. But before reaching a final decision the Council wished to explain and discuss its approach with a number of other OECD countries. Mr. Richard Burke, Member of the Commission, therefore visited Washington and Tokyo in April for talks with the United States and Japanese Governments, on which he reported to the Council before it reached its final decision.

The Council and the Commission now hope to encourage other OECD countries to adopt equivalent solutions

to that of the Community if they ratify the Code of Conduct.

Significance of the Council's Decision

The Council Regulation has the effect of bringing the Code of Conduct into force and thus meeting a demand which the developing countries have pressed ever since the Code was drafted. This constitutes a major contribution by the Community to meeting the shipping aspirations of developing countries, and it came just before the UNCTAD V Conference in Manila, where shipping questions have a significant place on the agenda.

At the same time the Regulation aims at preserving a commercial approach to Liner shipping in the developed world, so as to help ensure the continued availability of efficient Liner services at reasonable cost in the interests of world trade. The Code seems likely to be ratified finally by a very considerable number of countries, so that it will constitute a multilateral solution to the question of Liner conference organisation world-wide and tend to discourage unilateral and bilateral action by individual countries, which is usually not in the Community's shipping and trading interests.



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of the European Communities
to the United Nations**

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