ECONOMIC AND SOCIAL COMMITTEE
OF THE EUROPEAN COMMUNITIES

S T U D Y

THE EEC's EXTERNAL RELATIONS - STOCKTAKING AND CONSISTENCY OF ACTION

Rapporteur : Aldo ROMOLI

Brussels 27-28 January 1982

CORRIGENDA

- Page 37, paragraph 4, end of paragraph to read as follows :

  "... to a number of former French, Italian, Dutch and Belgian colonies. (1)

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  (1) See Annex IV to EEC Treaty."

- Page 46, paragraph 2, line 5, delete the words "Group B".

- Page 66, after paragraph 3, insert a new sub-heading, underlined and worded as follows :

  "Other provisions"

- Page 113, paragraph 1, line 2, delete brackets and amend to read :

  "Customs concessions in respect of fats and oils imported into the Community are even more difficult to justify...."

This Study, presented by the Rapporteur Mr Aldo ROMOLI, was adopted unanimously (with two abstentions) by the Section for External Relations at its meeting on 8 December 1981.

At its Plenary Session on 27 and 28 January 1982, the Economic and Social Committee, under the Chairmanship of Mr Tomás ROSEINGRAVE, decided to forward this Study to the Council and the Commission of the European Communities.

Preface

The Economic and Social Committee's Study is the first time a Community Institution has ever attempted to draw up a conspectus and assessment of the European Community's External Relations, one of the most important aspects of the unfolding venture that began thirty years ago with moves to integrate the societies of Western Europe. The study is of interest from more than one point of view. Firstly it has been drawn up by members of a Community Institution, so it is particularly accurate and reflects the positions of the Community. At the same time, however, the authors of the Study - as observers rather than participants in the action taken by other Community Institutions under Treaty obligations - have used their particular vantage-point to draw a lucid, objective picture of the situation and reach conclusions which - without falling into the trap of either trumpet-blowing or dogmatic scepticism - make it possible for the reader to draw important lessons from the experiences of the past. Last but not least the Study, carried out as it is by representative figures of social and economic life in the ten Member States, will be an important discussion paper for those called upon to conduct the Community's external relations.

The approach adopted by the Study in examining EEC external relations, i.e. a "geographical" approach allied to an analysis of the coherence existing between the Community's external and internal policies, is particularly original and fruitful because it provides a comprehensive picture of the Community's actions and a precise indication of consistencies, inconsistencies and shortcomings.

The fundamental lesson to be drawn from the analysis is that the Community has long been hesitant (and is still perhaps hesitant today) in fully realizing what its role should be in the world vis-à-vis the other industrialized powers, the less-developed countries or state-trading nations. Although the Community has undoubtedly achieved successes in a variety of areas so that it has rapidly come to be considered by its partners as a vital element in maintaining the international political and economic equilibrium, it has not always managed to achieve consistency of action. In short, I would say that the Community has been a positive factor in the development of international relations when it has been clear-sighted and courageous, but has failed when doubts and centrifugal tendencies have prevailed.

The need for courage, however, is of vital importance at a time when the Community is pondering about its future and having to take essential decisions about the further development of existing policies and the implementation of new ones especially in the light of the possible accession of further Mediterranean countries which is bound to give a new dimension to the Community's external relations. In fact the changes which are now taking place within the Community and which will be completed with enlargement, will have important repercussions on the Community's external relations with the industrialized countries and, more particularly, the Mediterranean and other less-developed countries.

As the ESC's Study has quite rightly brought out, internal and external policies are becoming increasingly interdependent, so more and more attention must be paid to their interactions.

Lorenzo NATALI
Vice-President of the Commission
of the European Communities

I N D E X

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INTRODUCTION

The Section for External Relations has prepared this Study on the Community's external relations in order to provide Committee members with a general picture - a survey of events over the past 20 years - of relations between the Community and the rest of the world, and in order to assess to what extent the development of external relations has been consistent both in itself and with the development of the Community's domestic policies.

The Study deals solely with the areas covered by the EEC Treaty, and is divided into chapters. The opening chapters define the position of "external relations" within the Treaty of Rome, and trace the broad lines along which Community action has subsequently developed.

Chapters III, IV and V examine the Community's relations with industrialized, developing and State-trading countries.

Their purpose is to provide a summary of past successes (and failures) in this field, and to identify the unresolved issues to which the Community will have to address itself in the years ahead.

There may be some lack of uniformity in the drafting of the Study, due to the problems of compiling facts and figures on the myriad of agreements which have been signed with third countries : to date no steps have been taken by the Community to publish systematic reports in this field.

The Study Group adopted the procedure of holding discussions on each topic in the light of documents drawn up by Committee officials. Individual study-group members submitted papers, and some meetings were attended by Commission representatives. The Rapporteur then drew up summary reports.

Chapter VI analyses the interaction between the Community's external relations and major domestic policies, covering the whole spectrum from industrial, energy and agricultural policies to regional, social and employment policies.

This new approach enabled progress to be made and allowed verification of the points made in the chapters on geographical areas.

The aim of the Study is not to lay down pointers or recommendations for future policies : it is concerned only to record the facts, as objectively as possible, and to point to any areas of conflict within the scope of the Community's activities.

However, readers will find that the concern to give a faithful summary of discussions has in some cases led to inclusion of substantive assessments and opinions, and of pointers as to possible courses of action. Such elements have been left in the text, on the ground that they make for a deeper insight into problems of a complex nature.

In its final section, the Study faces the history and causes of the most blatant examples of incoherence in Community policy.

There are two deliberate omissions. The first of these is the specific question of international monetary and financial relations, which does much to shape relations between the Community and third countries. The Study merely touches upon this subject, which in view of its complexity is a matter for more specialized authorities.

The second omission is the question of links between the Community's external policy and that of individual Member States. Once again, to include a discussion of such a thorny issue would have required meticulous research and data which was not readily available, and this would probably have further delayed the already long gestation of the Study.

The problem is briefly mentioned at several point s, particularly in the final part of the Study, which outlines possible reasons for short-comings in the Community's external- relations policy.

The Section feels that this subject is fundamental to an understanding of many aspects, weaknesses and constraints of the Community's external policy. It therefore considers that the Economic and Social Committee should, if possible, undertake a specific examination of the issue.

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CHAPTER I

EXTERNAL RELATIONS IN THE TREATY OF ROME

Article 2 of the Treaty of Rome lays down that the Community's task is to promote a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.

According to the Treaty this goal is to be achieved by setting up a common market and progressively approximating the economic policies of Member States.

Article 3 lists inter alia the following measures to be taken to achieve these objectives :

- establishment of a common customs tariff;
- establishment of a common commercial policy;
- association of the overseas countries and territories.

The prime objective of a Customs Union was achieved at the end of the transitional period with the establishment of a common customs tariff and the abolition of internal customs duties and of other constraints and restrictions on trade between the Member States.

The development of a common commercial policy was confined during the transitional period to coordination by the Member States of their trade relations with non-member countries and adjustment of tariff agreements and liberalization procedures for external trade, in accordance with the procedures laid down in Treaty Articles 110 and 111.

During the same period, the Community Institutions also took up their responsibilities as regards participation in the work of international economic organizations (in accordance with Treaty Articles 116, 229 (UN, GATT), 230 (Council of Europe) and 231 (OECD)).

Article 113 was implemented as from 1970; this provides for the introduction of a common commercial policy based on uniform principles and affording a basis for measures in many fields : tariff; standardization of measures liberalizing external trade, export policy and measures to protect trade such as those taken in case of dumping or subsidies; conclusion of agreements with non-member countries.

Under Article 238 the Community also concluded with several third States or unions of States agreements establishing an association involving reciprocal rights and obligations, common action and special procedures.

The last decade has seen a further proliferation of mixed agreements of extremely varied content, some being of a new type not envisaged by the authors of the Treaty.

The Community has in fact found it necessary to adopt a constantly changing interpretation of the whole concept of commercial policy, because of the growing external pressures, particularly (but not exclusively) from the developing countries.

Progressing from purely tariff, and then commercial agreements, the Community accordingly turned its attention to the requirements of greater economic collaboration and cooperation in the development of the poorest countries, and the need to contribute to stable international economic development, through institutionalized negotiations and consultations with non-member countries, and bilateral and multilateral agreements which are not solely economic but which also are indirectly political or relate to specific fields (environment, health, scientific and cultural cooperation, etc).

Doubts about whether such agreements went beyond the Treaty were resolved by a ruling, handed down by the Court of Justice in 1971 and subsequently underpinned by other Court rulings, which made it clear that any external implications of matters regulated by domestic Community rules fall within the purview of the Community Institutions.

In other words, any fields and matters for which the Community lays down rules are potentially areas for Community external measures. The sole constraint is that such external measures must be necessary in order to further a Treaty objective.

The Member States have voluntarily accepted this gradual widening of the Community's remit by ad hoc Council decisions and not a qualified majority, (though unanimity, was required for these).

In practice, therefore, the Community has anticipated the solution laid down in Article 235, which states that "If action by the Community should prove necessary to attain ... one of the objectives of the Community and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the Assembly, take the appropriate measures".

The Paris Summit Conference of Heads of State or of Government, held in 1972, called for the direct use of Article 235 for action programmes unanimously agreed by the Member States.

One of the new objectives, namely gradual (albeit longterm) progress towards political union of the Member States, undoubtedly constitutes a fundamental change in the whole approach to the external relations of the Community.

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CHAPTER II

THE GENERAL DIRECTION AND THE DEVELOPMENT OF THE EEC's EXTERNAL POLICY

The difficulties encountered by the Community in its attempts to move towards political integration and to formulate a common external policy in the conventional sense, are well known.

However, twenty years after its foundation, the Community now plays a leading role on the international scene. It is the major international trading bloc; it has laid down independent guidelines for economic (and not just commercial) policy and above all for cooperation; it has achieved significant results in relations with individual countries in all continents; it enjoys growing prestige in international organizations.

These achievements are the result of an "economic diplomacy" which has had direct and indirect consequences at the political and other levels and has strengthened the position of the Community institutions both within the Community and at world level.

To arrive at these achievements the Community followed a number of guidelines, some of them derived from general provisions of the Treaty and others evolved slowly in the Council. In the Counci it became increasingly obvious that measures taken vis-à-vis the rest of the world had to be compatible and mutually consistent.

At the Hague Summit of 1969 the representatives of the national governments decided in future to have regular exchanges of information and periodical consultations. These meetings have become institutionalized.

Following the Paris Summit of 1972 it was decided that the objectives of the Community's external activities and of political cooperation in pursuit of European Union would be examined and fixed at regular discussions between the heads of State or of Government meeting as the European Council.

This pragmatic but politically oriented approach sparked off a phase of intense Community activity on the international front, which was further heightened by the accession of the United Kingdom with its manifold traditional international ties.

The guidelines for this development were in particular :

- Preservation of world peace (reaffirmed at The Hague in 1969; 1975 declarations by the European Council on the need to pursue détente; declaration by the Council on the United Nations in 1975);

- Safeguarding freedom in Europe : declaration on the role of the EEC and the free peoples of the European nations, Bonn 1961; declaration on accession to the European Convention for the Protection of Human Rights and Fundamental Freedoms, Luxembourg 1977;

- Principle that the Community is open to all European nations that share its ideals and objectives of representative democracy and respect for human rights; declaration on the "European identity", Copenhagen 1973;

- Identification and defence of the essential common interests of the nine Member States, having regard to their national diversity (The Hague declaration, 1969);

- Solidarity with developing countries : (a) Community declaration of its "determination ... to increase its effort in aid and technical assistance to the least favoured peoples" (Paris, 1972) with the clearly stated political intention of intensifying the dialogue with the Third World and (b) the declaration identifying interdependence as motivating force for development aid (Luxembourg 1981);

- Support for a free trade approach to trade in manufactures and to international economic relations in general: This approach has led the Community to play an active part in specialist international organizations such as GATT;

- Affirmation of the need to create better terms of international competition based on reciprocity and fairness. This guideline was developed in Community action in GATT, especially in the Tokyo Round negotiations;

- Identification and affirmation of the need for the Community to have its own specific policies in various sectors not solely on the customs union and agriculture but also on transport, commodity supplies, energy and other sectors specified by the Council;

- <u>Recognition of the need for the Community to protect its domestic economy</u> as a result of the deepening economic crisis in the world over the last few years, as well as various economic onslaughts from abroad, though the aim would be to restore the conditions for a return to maximum freedom of international trade as soon as possible.

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CHAPTER III

THE COMMUNITY'S RELATIONS WITH INDUSTRIALIZED COUNTRIES

3.0 INTRODUCTION

The policy governing the Community's relations with the industrialized nations is essentially a trading policy geared to the expansion of free trade in an open world market.

The principle operating instrument for achieving and maintaining this objective is GATT, to which all the OECD countries and a large proportion of the developing countries are parties.

In the case of the EFTA countries, the Community has seen fit to make an agreement establishing a genuine free trade area. It has also proved desirable to enter into agreements with other industrialized countries outside Europe (Canada, Australia and New Zealand) in order to regulate specific aspects of relations between them and the Community.

World trade is unquestionably the mainspring of much of the Community's activity and growth.

Figures showing the volume of trade between the Community and the rest of the world are appended in summary form. These indicate that trade with the industrialized countries (excluding trade between Member States) is on a scale far in excess of that of trade with the other areas.

However, if reference is made to historic figures for trade between the Community and the industrialized countries, it is apparent that there has been a relative decline in the Community's position in recent years.

It was accordingly felt appropriate to start this review of the Community's external relations with some reference to the industrialized nations, which will play a vital part in the Community's future - and not merely on the economic front.

3.1. RELATIONS WITH EFTA

EFTA (The European Free Trade Association) celebrated its twentieth anniversary in June 1980. It now has six full members (Iceland, Norway, Sweden, Austria, Switzerland and Portugal) and one associate member (Finland). The UK and Denmark left in late 1972 to join the EEC on 1 January 1973.

The seven countries have a total population of about 40 million and are a significant force in world trade and the world economy. In 1979 their total exports were worth 98,300 million dollars and their imports 110,400 million dollars (*). The EEC is by far the most important of EFTA's trading partners taking 51% of the latter's exports and supplying 55.6% of its imports.

When Denmark, Ireland and the United Kingdom joined the EEC, free-trade agreements were negotiated between individual EFTA countries on the one hand and the EEC/ECSC on the other. These agreements culminated in the formation of an industrial free-trade area covering the sixteen nations of the two blocs with their three hundred million inhabitants.

(*) With 2,750 dollars' worth of goods imported for each inhabitant, EFTA is the world's leading economic bloc in terms of per capita trade.

Cooperation between EFTA countries and the EEC has thus become a keystone of European interdependence. In its relations with EFTA the European Community has been guided by two basic principles : firstly, it is open to all countries wishing to play a part in European integration, secondly, free and expanded trade and economic relations on the basis of reciprocity and fair competition.

This has ensured fundamental consistency between concrete action and the Community's long-term objectives.

The sharp increase in trade between EFTA and the EEC is the clearest sign of cooperation between the two blocs (*).

The two parties have endeavoured to remove tariff barriers, quantitative restrictions and non-tariff barriers. Of course not all these tasks have been completed and there are still problems in specific fields such as two-way trade in sensitive products (including agricultural produce), the drawing-up of rules of origin, cooperation in the difficult field of fisheries, etc.

European free trade is therefore a reality despite the existence of "Community preference", which means that the EEC is an entity with member countries having mutual obligations and rights that cannot be extended to non-member countries.

EFTA countries have had to accept this situation, which puts them on a rather different footing from that of the EEC Member States, and they have been flexible and pragmatic in adapting their relations. In some cases EFTA countries' policies have moved spontaneously towards those adopted by the Community.

(*) See tables in Appendix.

The most striking example of this is to be seen in monetary matters where some EFTA countries have voluntarily geared their exchange-rate policies to the European Monetary System. This has led to a marked degree, to stabilized exchange parities throughout most of Europe.

A certain amount of spontaneous coordination between EFTA countries and the EEC is also taking place in external trade policy. The two blocs, for example, share a common concern about Japanese exports. Existing cooperation agreements have thus been acquiring greater scope and importance with the passage of time.

The enlargement of the Community through the accession of Greece, and the future accession of Spain and Portugal, offers EFTA countries new possibilities of trade relations. Thus the free-trade agreement signed between EFTA and Spain in 1980 is similar (partly even in content) to the agreement signed previously between Spain and the Community. As a result of the adjustments made to free-trade agreements in connection with Greece's accession the EFTA countries enjoy facilities which would probably have been hard to obtain otherwise.

Furthermore, the "second enlargement" of the Community could directly affect EFTA countries insofar as the Community will need to find a new balance between Mediterranean Europe and the central and northern regions of Europe.

The interdependence of EFTA and the Community is becoming more and more pronounced. Increasingly close ties are being forged consistent with the specific situation and interests of the individual partner countries and the Community. This development is of vital importance to the future of Europe. Systematic consultations, as well as (sometimes informal and non-institutionalized) meetings and analyses of -

mutual problems, have been of great importance in this respect. There have, for example, been regular contacts between the Economic and Social Committee and EFTA's Consultative Committee since 1975.

3.2. RELATIONS WITH THE UNITED STATES

In importance and size, the USA represents the world's leading market, rich in raw materials and with advanced technologies at its disposal. It is a country remarkable in its tenacity, its ability to get things done, its capacity for overcoming adversity and its receptiveness to trends in competitiveness.

The Community is the USA's leading trade partner (as regards both imports and exports) but above all it is linked to that country by a mutual solidarity founded on deep affinities of culture, history, traditions and social and political values - a community of interests that forms the corner-stone on which the progress and indeed the whole future of the Western World is based.

Nevertheless, economic relations between the two areas have continued to generate difficulties and complex problems. One revealing symptom is the Community's growing trade deficit vis-à-vis the USA : $9,300 million in 1979, $25,000 million in 1980, and prospects of a further deterioration .

Economic competition between the USA and the Community is intensifying both on their respective home markets and on third country markets. In the past there have not been any real bilateral commercial negotiations or agreements between the EEC and the USA (as there have been between the EEC and other third countries). Relations between the Community Institutions and the USA have remained within the sphere of regular ongoing consultations, institutional contacts (Western economic summits, contacts between the Commission and the US authorities, meetings between the European Parliament and the Congress) and multilateral discussions and negotiations within the framework of the OECD, GATT and other international economic organizations (IMF, UNCTAD, specialist agencies, etc.).

To get at the root of the matter it is necessary to establish whether economic relations between the Community and the USA, which are characterized by points of convergence but also by areas of friction and crises, are determined in the main by structural factors that can be regarded as "natural" (i.e. based on the greater efficiency or competitiveness of one of the parties), or whether "artificial", anomalous advantages are operating, involving direct and indirect protectionist distortions.

We should focus our attention on this second aspect in order to assess the effectiveness and coherence of the Community's policies towards its American trade partner.

It is a well known fact that, as regards technology, efficiency and productivity in many high-technology sectors and in farming, the USA has been the world leader in the past and will remain so for a long time to come. This has not, however, prevented the USA from engaging in direct and indirect forms of protectionism against foreign competition, thanks among other factors to the zeal of a capable and efficient Administration.

The new GATT arrangements (*) that came into force at the beginning of 1980 have curbed some of the less-justifiable protectionist practices of the US Administration (abolition of the American Selling Price system, customs valuation rules, introduction of the principle whereby material injury has to be proved, rules governing the application of anti-dumping measures and countervailing duties in the case of subsidies, and other rules).

But there are still areas subject to distortions and artificial conditions which have considerably helped US exports to the European market.

A few examples will clarify the situation :

- maintenance of a system of administered prices for natural gas produced in the USA (price levels kept considerably below corresponding international prices). This greatly reduces the production costs, relative to their Community competitors, of US sectors that are large consumers of hydrocarbon feedstocks (petrochemicals, fibres, fertilizers, etc.) and of US energy-consuming sectors. Recently, up to January 1981, the situation was even worse in that the prices of domestic crude oil were also regulated. The new Reagan Administration is, however, aiming for gradual abolition of such controls on domestic energy prices;

(*) Both the United States and the European Community worked very hard to ensure the success of the Tokyo Round negotiations.

- persistence of oligopolistic advantages in some sectors (e.g. minerals, phosphate fertilizers) in relation to conditions on the international market, sometimes combined with dumping and the pushing of exports;

- notwithstanding the Tokyo Round tariff cuts (which will not, however, become fully effective until 1988), persistence of considerable differences between EEC and US tariffs for certain products (up to 25% for certain kinds of textiles);

- strong direct and indirect government support for research and innovation, of which extensive use is made in the USA by many advanced technology sectors.

- maintenance of the Buy American Act, (which guarantees preference for US products in government purchasing), consumer protection legislation and rules, complicated provisions relating to quality standards, and regulations concerning health and safety, toxicology, the environment, etc. All of these factors form real non-tariff barriers to imports into the USA;

- indirect aids for US exports through tax reliefs and tax deferment under the DISC (Domestic International Sales Corporation) provisions, which are of doubtful legality under GATT rules;

- government support, subsidies and assistance for US agriculture, which already has an extremely large production capacity combined with high productivity, making it very competitive on all world markets.

The USA has been equally critical of the Community. It must not be forgotten that the United States has always been highly critical of the Common Agricultural Policy on grounds of principle although it has introduced its own intervention, aid and support schemes which have produced results similar to those of the CAP (*).

US dissatisfaction is not restricted to the CAP but extends to the increasingly advantageous export credit arrangements, offering exporters special interest rates below those of corresponding US facilities.

The further increase of Community steel exports to the USA in 1980 is a further source of vexation. The main causes of this increase are held to be dumping by the Community and, in particular, manufacturing subsidies.

All these artificial advantages enjoyed by US producers are of course compounded by the natural advantages peculiar to the US economy, e.g. a huge domestic market which favours economies of scale, rising industrial and agricultural productivity and, in some cases, lower factor costs (e.g. the lower cost of labour and borrowing in the years preceding the Reagan Administration's new economic policy).

(*) The Community seems to be adopting rather incomprehensible policies and practices with regard to imports of some US agricultural products - imports which are very competitive with certain Community products supported under the CAP (e.g. imports of oil-seed for margarine conflicting with support for the production of butter and olive oil in the Community, or imports of cereal substitutes conflicting with support for cereals grown in the Community, etc. These are problems which will be discussed in a later chapter).

Given that the US products are so competitive, EEC exports into the USA do not seem to have established a secure and lasting foothold in certain markets, subject as they are to dumping investigations and procedures, and allegations that they receive government support not admissible under GATT rules.

Account should also be taken of the procedural difficulties and the cost to European operators of taking legal action in the USA to defend their interests.

On the other hand, the Community market (with the exception of agricultural products) is much more open to, and penetrable by, foreign competition than the US market. In some instances, the level of penetration by US products (for example, synthetic fibres, textiles, fertilizers), is giving rise to serious concern in the Community. The Community authorities give a literal a posteriori and defensive interpretation to the GATT rules and confine themselves in the main to defence against dumping.

As has already been stated, the US Administration shows greater flexibility and greater dynamism and inventiveness in its actions; it does not hesitate to make use of all the possibilities offered by the international agreements in force (e.g. temporary duties, surveillance measures, etc.), and does not rule out pragmatic and effective pressure calls for inter-governmental consultations and other forms of action aimed basically at (a) curbing third countries' freedom to export and (b) imposing on them forms of voluntary restraint and direct and indirect export quotas.

Other problems in the not always peaceful relations between the Community and the USA lie in the monetary and financial spheres, in competition (and in some cases co-operation) with regard to supplies of energy and raw materials, and in the relationships and actual or potential conflicts with other third countries (countries with centrally planned economies, developing countries, OPEC countries), especially Japan.

The attitude of the USA - like that of the Community - to Japan, is conditioned by close ties of interdependence that can give rise to indirect reactions by one party as a consequence of the acts of the other party.

As a final, positive remark, it can be said that the practice of regular consultations between the Commission and the US Administration on more general problems (economic situation, energy, application of GATT rules, etc.) and of ad hoc consultations on the more acute problems that may arise from time to time (motor industry, steel, textiles, synthetic fibres, petrochemicals, etc.) has made possible a deeper understanding of the respective problems and positions and has facilitated the search for the most appropriate solutions furthering common interests.

It is to be hoped that the practice of periodic consultations in specific problems will in future be consolidated and expanded so that the artificial distortions, obstacles to competition and non-tariff barriers still existing between the two parties can be progressively abolished.

3.3. RELATIONS WITH CANADA

The Community has been very active in connection with its relations with Canada, and has concluded agreements with that country. An outline agreement on trade and economic cooperation, initialled in 1976, provides for the establishment of joint consultation committees which are to hold six-monthly meetings on matters of major interest to the two parties. Bilateral agreements have set up bodies to regulate relations concerning fisheries and the environment.

The outcome has not been satisfactory in all respects. Trade between the Community and Canada has not increased as much as expected, and talks on stepping up economic, industrial and financial cooperation are judged in some quarters to have been somewhat disappointing. The Community has remained in deficit in its trade with Canada, indeed the deficit has increased from 1.500 million ECUs in 1970 to 2,700 million ECUs in 1980.

The main reason for this is the dirigist approach of the Canadian authorities, who have adopted a policy of heavy investment in the public sector, various controls for the productive sector and investment, and incentives for disadvantaged regions.

In the field of foreign trade, this approach has led to protectionism for domestic Canadian produce, with import quotas and restrictions and resort - sometimes for ulterior motives - to GATT safeguard clauses.

These matters have been raised in the joint cooperation Committees; the Community has put forward complaints, but long-term solutions have not been found.

Canada, for its part, has counter-attacked by saying that CAP is protectionist (though CAP does not discriminate against it).

Oil double-pricing is one disquieting feature of Canadian protectionist tendencies. This system subsidizes oil imports heavily and gives local consumer industries access to oil at half international prices. The resultant competition distortion is of particular concern to the USA (who have only recently decided to scrap their double-pricing arrangements for hydrocarbons), but could also have a negative impact on the Community in the future.

Notwithstanding these difficulties, there is scope for cooperation between the Community and Canada, given the marked complementarity of the two economies. Political will on both sides, however, would be needed.

Canada is very rich in raw materials, energy and agricultural and forestry resources. It has shown that it is willing to accept investment from the Community (provided such investment is subject to controls) and that it is open to advanced forms of cooperation in the productive sector.

The Community will have to determine to what extent the present system of economic relations can be substantially improved so that the EEC can rely on Canada for future supplies of raw materials and increased economic cooperation. Basically, this means forsaking the short-term view, which is confined to the protection of transient interests.

A longer-term approach on the part of the Community, and greater readiness to exploit the scope for cooperation, could, moreover, give Canada more balanced economic relations with its traditional partners (United States and Japan).

3.4. RELATIONS WITH AUSTRALIA

The Australian continent is exceptionally rich in mining and agricultural resources and there is every prospect of rapid and widespread economic growth. These factors, combined with historical and cultural ties and social and political similarities, should have resulted in particularly close relations between Australia and the European Community.

Yet relations between the two areas have never been easy in the past and there have been instances of open controversy in international forums, as well as cases of trade restriction and blatant protectionism on both sides.

From the inception of the Common Agricultural Policy, there has been friction between the EEC and Australia (and New Zealand) over trade. This friction was exacerbated by the United Kingdom's accession to the Community. Australia has suffered substantial economic loss despite all the efforts of the mother country - traditionally also the largest market for its farm produce - to protect Australian interests when it joined the EEC.

Until the last few years the Community's attitude to Australia (and vice versa) has not been very conciliatory. The EEC has consistently countered Australian accusations of protectionism in the agricultural sector with charges of industrial protectionism (very high Australian import duties on Community manufactures) and of a reluctance to accept traditional Community exports (cars, footwear, textiles, clothing, etc.).

Notwithstanding this rather unfavourable climate of relations between the two areas, the Community comes second only to the United States as exporter to Australia.

EEC exports to Australia in 1980 totalled about 3,000 million ECU and were focussed on machinery, transport systems, chemicals, etc.) EEC imports from Australia consisted primarily of raw materials and semi-finished products (wool, coal, hides, minerals, etc.).

In addition, Community firms have invested heavily and placed large orders in Australia, especially in the mining and high-technology sectors. This shows the vast scope for industrial and commercial cooperation with that country.

Australia is a major source of raw materials. Not only does it possess 17% of the uranium reserves of the non-Communist world but it has also huge coal deposits (current exports go mainly to Japan) and substantial reserves of iron ore, titanium, and bauxite (by the end of the 80's it will be the largest aluminium producer in the western world).

In view of the difficulties the EEC is experiencing in obtaining raw materials and energy, the Community's policy to date could perhaps be more longsighted as it has hardly been conducive to establishing a close-knit relationship with Australia in the various economic spheres.

Recently, however, there have been signs of an improvement in relations between the Community Institutions and the Australian Government. A step forward was taken in 1979 when it was decided to hold regular consultations between the Australian authorities and the EEC Commission. Informal contacts were also established between the European Parliament and the Australian Parliament.

In April 1981 the Commission finally opened an official mission to Australia in Canberra, so that contacts with the Australian Government could be put on a permanent footing and a constructive dialogue opened up between the two sides.

In discussing this matter, the Section expressed the view that the whole complex of relations between the Community and Australia should be re-thought and re-modelled in new, more positive terms than in the past.

Points of discord and conflict should, in particular, be eliminated as soon as possible, since some of them appear to be of relatively marginal importance.

It is significant that trade in agricultural products has been the sole source of conflict between the two sides. The stream of remonstrances and vociferous complaints from Australia in fact stems from the EEC's alleged failure to honour its commitments on limited beef and veal imports under the GATT agreements and above all from the indirect damage caused to Australian exports by cut-price sales of EEC farm surpluses (particularly beef, veal and sugar) to Australia's natural markets in South- East Asia, the Middle East and the Far East.

The latest seed of discord is the EEC's decision, in May 1980, to incorporate sheepmeat into the CAP. Since then tension has been eased by the voluntary restraint agreement concluded under the umbrella of GATT in October 1980, and a cut-back in the levy on Australian sheepmeat from 20% to 10%.

The changes to the sugar export regime made in the Spring of 1981 should also help to improve relations with Australia.

With goodwill on both sides, it ought to be possible to find reasonable, swift solutions to all these problems and areas of conflict.

While the Community's policy towards Australia has quite plainly lacked consistency in the past, how consistent it is in the future will obviously be judged by how successfully the complementary and collaborative aspects of EEC/Australian links, are developed not only in trade and industry but also in broader terms.

This should also be an attractive proposition for Australia, which will be able to sustain a fruitful relationship with Europe, and so avoid having to look solely to the United States and Japan.

3.5. RELATIONS WITH NEW ZEALAND

Like Australia, New Zealand has certain social, cultural and political affinities with Europe, partly due to its links with and membership of the British Commonwealth.

New Zealand's economy is based on the production of a limited range of goods (wool, sheepmeat and butter). In the past the bulk of these were exported to Europe, and so agricultural policy is of crucial importance to New Zealand.

Given this situation, the European Community still has certain responsibilities in regard to New Zealand's economic future. It will be very difficult for New Zealand to achieve - within a reasonable period of time - the objective of diversifying its exports into alternative markets. Access to the EEC market will still be crucial for some considerable time to come.

This fact has been recognized in the consultations and contacts between the European Community and the New Zealand Government, but this has not prevented conflicts of interest arising as the result of certain decisions taken by the Community pursuant to the Common Agricultural Policy.

Each year, specific quotas have been laid down for Community imports of sheepmeat and dairy products from New Zealand. The resultant problems have only been overcome through the goodwill shown on both sides. However, despite the difficult economic situation over the last few years, New Zealand exports to the EEC have continually increased in value and the country has been running a trade surplus with the Community (excluding invisibles and services).

However, New Zealand's worries have not entirely disappeared (partly because the country is going through a rather serious economic crisis) and in some cases its expectations have not been wholly fulfilled. This is a typical example of how the Community's aim of "consistency" in its dealings is severely tested in trying to reconcile conflicting objectives.

It is quite clear (and the European Parliament said as much in no uncertain terms in a 1979 report) that the two sides will have to make every effort to explore all real possible opportunities for strengthening and deepening the links between them.

The mining, energy (coal, natural gas, hydroelectricity), industrial and service sectors in New Zealand still are in a barely embryonic state and could be given a significant boost through appropriate co-operation links with industry, technology and management in the EC Member States.

New Zealand's aim is to diversify its economy by stimulating and diversifying those branches of agriculture, mining and industry which can hold their own on world markets. And there is no doubt that the European Community is in a position to make a positive and major contribution to the efforts which New Zealand will have to make in this area in the near future.

3.6. RELATIONS WITH JAPAN (*)

Within a few years of the European Community being founded, discussions began on ways of finding common ground with Japan in order to regulate mutual trade which was being distorted by wide differences in the respective economic systems.

In the 1960's the Community unsuccessfully pressed for the negotiation of a full-scale trade agreement with Japan.

Japan, however, was busy drawing up its own proposals for orderly marketing and orderly exporting, on the basis of unilateral voluntary regulation of Japanese exports and international-level agreements between industrial producers from various branches of the economy. Japan was worried by the tendency of importing countries to impose unilateral curbs. The United States took this step in 1971, and the EEC might well have followed suit.

(*) The Economic and Social Committee adopted an own-initiative Opinion in July 1981 on Economic and Commercial Relations between the European Community and Japan. The Opinion analyses the reasons for differences in competitiveness between the two areas and lays down guidelines for a coherent Community policy.

None of the proposed solutions yielded concrete results and Japan pushed on with its policy of centrally-directed exports. The results are known to all of us. The energy crisis of 1973 and the subsequent Tokyo Round of GATT negotiations then absorbed the attention and initiating capacity of the two parties.

The Community's trade deficit with Japan has been growing steadily worse since 1973.

in thousand million ECU

Year	EEC Imports	EEC Exports	Difference in Value
1970	1.65	1.38	- 0.27
1972	2.65	1.49	- 1.16
1974	4.38	2.77	- 1.60
1976	6.40	2.72	- 3.70
1977	7.67	3.09	- 4.58
1978	8.73	3.73	- 5.00
1979	9.79	4.63	- 5.16
1980	12.46	4.57	- 7.89

Source: EUROSTAT

In the first quarter of 1981 the deficit recorded a further deterioration, jumping 46% compared with the corresponding period of 1980.

The situation is rapidly becoming intolerable for the Community economy, and especially for a number of key sectors.

It has been pointed out that certain features peculiar to Japan give it an advantage over the other industrialized countries. These include the low level of public expenditure on social security, defence, and aid for developing countries (though there has been an increase in recent years).

But the real strong point of Japanese policy is its consistent and strict adherence to a number of key principles - high level of competitiveness and productivity, tight organization of the domestic market, industrial and trade strategy geared to clear-cut, planned objectives.

The Community presents a much less consistent picture. The level of competitiveness is inadequate and varies sharply between the Member States, the Community market is very open to the rest of the world, and there is no real industrial and trade strategy designed to further common objectives.

The crucial factor in trade between the EEC and Japan is the way Japanese exporters have concentrated on a handful of sectors where they are helped by the high quality and advanced technology of their products and their extremely effective marketing methods, backed by an advantageous financing system. The major Japanese penetration of a number of sectors has plunged many competing Community firms into a serious crisis, even to the point of jeopardizing their continued existence.

Concurrently, EEC exports to Japan have been sluggish. They have not been expanding nearly as rapidly as the exports of other industrialized countries, such as the United States.

The deterioration in the EEC's export/import ratio in its trade with Japan has occurred at a time when Japan has a substantial current-account deficit and when its trade account with the USA is moving closer to equilibrium.

It has also been pointed out that Japan has to import large quantities of many items, such as food and clothing, which are produced in the Community. There is an export opportunity here for Community producers.

In the face of the worsening situation over the last few years, the EEC Commission has shown a degree of hesitation as to what decision to take (*).

It was not until October 1980 that the Commission drafted a proposal, specifically requested Japan to exercise voluntary restraints to keep its exports to the EEC within acceptable limits and at the same time to open up its domestic market more to EEC products.

The formal discussions which began in early 1981 were a complete failure. Japan showed little interest in serious talks with the Community Institutions which, in its view, did not really represent the varied interests of the Community countries.

(*) As late as 1980 the Commission urged that the Member States should unilaterally, and without negotiations, abandon residual quotas and remove all barriers to Japanese imports. The Commission stated its firm belief that this display of goodwill would be answered by the Japanese with spontaneous restraints on exports.

The weakness of the Community position is mainly attributable to the lack of mutual trust among the Member States. Appeals by the latter for Community solidarity have been belied by their insistence on pursuing purely national and bilateral approaches to their relations with Japan; in some cases they have persisted in the unilateral defence of certain sectors of their domestic markets.

Furthermore, it is inconsistent to attempt to deal with EEC/Japan issues at Community level without having an EEC industrial policy on which to base discussion, with the Japanese, on the terms of - and scope for - reciprocal trade and investment, and reciprocal transfers of technology.

From another angle, the discussions with Japan are of major political importance. Japan cannot continue to offload onto its Western partners the structural deficits it is running on its trade with the oil-producing countries. However, the approach adopted by the USA also has a major impact on the scope for ensuring equilibrium between Japan and the Community. So far, the course adopted by the United States (aimed at obtaining concessions through bilateral negotiations) has not made it any easier to secure such an equilibrium (*).

The issue of opening up the Japanese market more to Community products is a familiar topic which has been discussed at length.

(*) It was recently announced that Japan, the Community and the United States would probably meet to discuss trade problems of common interest.

The Japanese system of non-tariff barriers involves such complex procedures and constraints, and is so time-consuming that many foreign businessmen are deterred from trading with Japan. The Japanese authorities have frequently promised to ease these procedures but without concrete results.

In the view of Community businessmen, one of the reasons why the Japanese market is so impenetrable is that the distribution network is highly fragmented, seems rather inefficient, and is controlled by a handful of large companies closely linked to the production side.

Recently, the Community has also shown an increasing propensity to consider defensive measures based on existing GATT rules (including monitoring clauses to be backed up by more specific action on the tariff, quota and other fronts, in the event of consultations with Japan failing to achieve the desired results.

In this respect, the European Community is following the example of other countries - particularly the United States which has always interpreted GATT rules broadly, i.e. used them not only to promote trade liberalization but also to protect and safeguard internal markets against the disruptive trade practices of third countries.

In conclusion, after a long period of uncertainty and indecision, the Community has still not succeeded in implementing a realistic policy vis-à-vis Japan.

It must dispel the uncertainty that has reigned to date and win recognition as the legitimate, official representative of Member States.

It would, however, be wrong to think that trade relations between the EEC and Japan can rapidly be restored to equilibrium simply by pursuading the Japanese to be less agressive and more cooperative.

The problem is a complex one, and other external and internal aspects have to be taken into consideration.

We must therefore ask what Japanese strategies, and consequently economic relations between the EEC and Japan, are likely to look like in the future.

Some indications can be gleaned from the publications of the MITI(*) which speak of new investment strategies abroad, the development of home-grown Japanese technologies, the rise of new sectors and new-generation industries, and the decline in other mature industries which will be left to the newly industrializing countries. It is clear that a new situation is taking shape and a close watch will have to be kept on it while there is still time.

The basic problem, however, remains that of substantially improving the competitiveness of European industries - something which can be achieved by efforts to innovate, acquire more advanced technologies, improve managerial skills and embark on a more forceful export drive.

(*) Cf. the MITI dossier : "A view of industrial policy for the 1980s", Mondo Economico, 26 July 1980, pages 21-22.

It has been stated, for example, that some of the responsibility for the sluggishness of European exports to Japan is attributable to the fact that European firms have made little or no effort to make their presence felt on the important Japanese market.

The efforts of European firms in terms of resources, manpower, time, and attempts to understand the local culture and language have lagged far behind the efforts of their Japanese counterparts to penetrate European and American markets. The difference in results is therefore not surprising.

It is therefore important that a climate favourable to innovation, research, plant replacement and high productivity be restored as soon as possible. It is likewise important to create a framework for more stable social and industrial relations, the aim being to secure a gradual and constant improvement.

National governments and the Community authorities will have to commit themselves fully to bringing about such conditions and ensuring a far greater degree of consistency in Community action, by harmonizing national policies and setting common goals for industry. A further sine qua non is a dynamic trade policy, with the Community market showing a united front and requiring Japan to comply fully with the principles of reciprocity of trade.

When this process is firmly under way, even Japanese dynamism, which is a cause of so much concern today, will provide an opportunity for the Japanese and EEC economies to work out new forms of cooperation and joint expansion at the local and world level.

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CHAPTER IV

RELATIONS WITH THE DEVELOPING COUNTRIES

4.0. BACKGROUND

The Community can currently draw on an extensive battery of instruments for the purpose of implementing its development co-operation and aid policy.

The Convention concluded with the African, Caribbean and Pacific (ACP) States and the Agreements with the Mediterranean countries are the contractual pillars of its operation in this area. The Generalized Preferences Scheme (GSP) is another specific instrument which has won widespread appreciation.

In addition to these three areas, the Community plays a prominent role within international organizations. It has participated in commodity negotiations, was one of the driving forces behind the North-South and Euro-Arab Dialogues, and is a party to numerous bilateral agreements with the LDCs. It also provides financial, food and emergency aid, loans to non-governmental organizations, and so on.

During the period immediately after the entry into force of the Treaty of Rome, the Community's development co-operation drive was channelled mainly through the Association provided for in Part IV of that Treaty. This Association was restricted to a number of former French colonies in Africa, the Italian trust territory of Somalialand, Netherlands, New Guinea, the Belgian Congo and Ruanda-Urundi.

Despite its circumscribed geographical area and the very modest funds available to it, the Association formed an efficiently structured core with its own institutions, which operated smoothly.

In 1964, a fresh impetus was provided in the shape of the First Yaoundé Convention, though the Association's territorial scope remained limited.

In 1967 the Community started to broaden its contractual ties with the African countries; the negotiations opened with Nigeria, Kenya, Uganda and Tanzania and culminated the following year in the Arusha Association Agreement (embracing only Kenya, Uganda and Tanzania). In 1969 the two Conventions were renewed and in 1973 Mauritius acceded to the Yaoundé Convention.

1973 saw the start of the talks that led to the conclusion of the first Lomé Convention in 1975.

This Convention, encompassing 46 LDCs, was intended by the Contracting Parties to establish a new blueprint for relations between the industrialized and developing nations.

As the years went by, relations with the Mediterranean countries came to assume considerable importance. Following the conclusion of association agreements with Greece and Turkey in the early Sixties, the first agreements were concluded with the Maghreb States and exploratory talks got under way with Malta, the United Arab Republic and the Lebanon. Immediately afterwards, in 1970, agreements were signed with Israel and Spain, and negotiations with Cyprus and Portugal got off the ground.

As these contacts rapidly gathered momentum, the Community's relations with the Mediterranean countries gradually took shape, in mutual recognition of the de facto interdependence of all States in that region.

On a worldwide scale, the Community has been particularly active within the United Nations framework, and especially in UNCTAD (set up in 1961).

In 1968 the Community took the lead in framing a Generalized Preferences Scheme (GSP) designed to aid the LDCs and played a decisive role in the establishment of this Scheme, to which other industrialized countries have subsequently acceded.

With the accession of the United Kingdom, Denmark and Ireland, the Community's external relations with all parts of the world, and especially certain East Asian countries (the ASEAN group) received a shot in the arm. Simultaneously, the prospect of opening negotiations with China started to become a reality.

The Paris Summit (1972) concluded that the various components of the Community's external relations policy should form part and parcel of a consistent, overall approach to the Community's specific international role. Applying this principle first to the Mediterranean countries, it was advocated that any existing or future agreements with them, would have to tie in with a balanced, general strategy.

It was clear from the Summit that the Member States needed to harmonize and coordinate their standpoints more effectively, both within international forums (particularly the United Nations) and for the purpose of framing a genuine Community development cooperation policy.

The political declaration made by the Nine at the Copenhagen Summit, in November 1973, paved the way for the Euro-Arab Dialogue. Later, in December 1975, the foundations for the North-South Dialogue were laid at the Paris Ministerial Conference on International Economic Cooperation.

Accordingly, at the time of the advent of the first oil crisis in 1973, the Community was able to conduct and develop its relations with developing countries all over the world on a number of fronts :

- active involvement in major UN and GATT negotiations;
- relations with the South and East Mediterranean countries;
- relations with the ACP States;
- negotiations with China;
- aid to non-associated LDCs;
- start of the Euro-Arab Dialogue;
- the launching of the "North-South Dialogue" in conjunction with other industrial nations.

Over the subsequent period, international economic relations have, needless to say, been severely strained by such pressures as the energy crisis, upheavals on the world money market and the deteriorating economic situation of many industrialized countries and, to an even worse extent, the LDCs.

The Community continues to press ahead with its external policies though the resources available are in no way commensurate with the serious problems that needed to be tackled. (*)

Nonetheless, the LDCs take a keen economic and political interest in such action; they recognize the importance of the Community keeping up its efforts in hard times like the present.

The signature of the Second Lomé Convention in 1979, the conclusion of the Tokyo Round Agreements, measures to assist the LDCs, commodity agreements, the Multifibre Agreement and food aid schemes, combined with the general expression of a firm political resolve to foster closer trade links between the Member States and the LDCs, are all milestones on the arduous uphill path to which the Community remains resolutely committed.

There are also some signs of progress as regards closer political cooperation among the Member States. Regular consultations (rooted in the 1973 Copenhagen declaration) have prompted the Nine to coordinate their stands more frequently, especially on their policies vis-à-vis the developing nations.

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(*) Nevertheless, between 1975 and 1980 Community aid to the LDCs rose from 886 million EUA to 1,816 million EUA (an annual increase of some 30%).

4.1. GENERAL DEVELOPMENT POLICY INSTRUMENTS

4.1.1. Generalized Tariff Preferences Scheme (GSP)

The Community deploys this autonomous instrument particularly in its relations with the non-associated LDCs. In theory, however, the GSP is designed for all LDCs and the Community compiles the list of beneficiaries.

The experience acquired both by the Community and the developing countries in implementing the GSP have proved positive (*).

The Community's offer has substantially increased since 1971, and especially after the United Kingdom joined the EEC in 1974. In the space of five years it went up from 3,700 million EUA to 6,500 million EUA.

On the other hand the developing countries' use of the GSP has not been entirely satisfactory. On average it was 60% for the year 1978, with very high rates of utilization for the most sensitive products (103%) and very low rates of utilization for non-sensitive or the least sensitive products (36.5%). The obvious explanation for this latter phenomenon is that the marginal gains from GSP are less than the administrative costs involved.

Another conclusion to be drawn is that it is the most advanced beneficiaries that gain most from the GSP. These are South Korea and Taiwan (the two countries accounting for 25% of imports under the GSP for 1977), Hong-Kong, Yugoslavia and Brazil.

(*) Cf CES 1/80 fin and Appendices

The wisdom of extending the GSP to China and Bulgaria as well as Romania has also been questioned.

The question to be asked therefore is whether the GSP actually fulfils the role of the Community has always intended it to play, i.e. first and foremost to help countries whose needs are greatest, secondly to take into account the level of development achieved by individual beneficiary countries, and thirdly to show sensitivity to the economic and social problems of the Community itself.

There does seem to be some discordance between the aims of the GSP and actual achievements. This gap might be closed if the Community were able to return to normal GATT rules for imports from developing countries which have reached a sufficiently high level of competitiveness, and if the Community were able to demand reciprocity in trade with such countries. Those developing countries which have not yet reached this level of competitiveness should, in their relations with the Community, behave in a manner that is in keeping with the agreements concluded and should ensure that there is healthy competition, especially with regard to prices, regularity of deliveries, terms of payment and access to markets.

Finally there is the case for insisting that beneficiaries under the GSP should observe minimum labour standards under ILO conventions and should respect basic human rights.

4.1.2. Financial aid

Some non-associated LDCs receive financial aid, which is non-reimbursable and intended primarily for development projects in rural areas. Grants totalled 20 million EUA in 1976 but climbed to 138.5 million EUA in 1980, when 73% of aid was channelled to Asian countries and 20% to Latin American countries. 40% of the aid was used for co-financed projects.

4.1.3. Credit granted to non-governmental organizations

In addition to aid granted via the two above-mentioned instruments, non-associated developing countries (together with others) have been recipients of development co-operation aid (45 million EUA since 1976) granted by non-governmental organizations. These denominational or non-denominational, charitable, youth, voluntary and other bodies offer specific, top quality services. Aid is normally deployed through co-financed schemes.

4.1.4. Food aid

Under the food aid programme for 1979 and 1980, about 700,000 tonnes of cereals, 45,000 tonnes of butteroil and 150,000 tonnes of skimmed milk powder were supplied each year. In 1980, moreover, under the Third Convention with UNRWA (United Nations Relief and Works Agency), the Community supplied about 8,000 tonnes of sugar, 2,700 tonnes of colza oil, about 7,000 tonnes of scarlet runner beans and 35 tonnes of baby food.

4.1.5. Emergency aid

Lastly, a number of non-associated LDCs receive emergency aid in the wake of political events (Cambodians, Afghan refugees) or natural disasters (the Azores, Nepal, Haiti).

The Community's emergency aid varies from year to year but amounted to approximately 40 million EUA in 1980.

4.1.6. International conferences on commodities, etc.

Preface

The great divide in all commodity negotiations is that between producers and consumers. The general issue, however, is further complicated by the fact that, although a few industrialized or developed countries are among the major producers of some commodities, in almost no case are their economies dependent on the export of any single commodity; whereas the economies of many developing countries are heavily dependent on the export of one or two commodities (though they are importers of others). Commodity issues therefore are not simple conflicts of interest between producers and consumers, but also play a major part in the North/South dialogue. This has led in recent years to efforts in UNCTAD to promote commodity arrangements which deliberately favour developing producing countries at the expense of developed consuming countries (*).

The economic costs of such policies, if they were vigorously pursued over a wide range of commodities, would impose considerable burdens on consuming countries - at least in the short term; moreover there has been considerable debate over whether they would bring any real economic advantage to either producers or consumers in the longer term.

(*) Cf. UNCTAD Resolution 93(IV) (TD/RES/93(IV), 10 June 1976.

Ever since the UNCTAD IV Conference at Nairobi in 1976, however (at which the principles of a proposed "Integrated Programme" were worked out) there have been external pressures on the Community to achieve a "common" policy on Commodities. In this context the word "common" has two different meanings - viz. it can mean "common to all Member States or to the Community as a whole"; or it can mean "common to a whole range of commodities". In both senses of the word the Community enjoyed only limited success in achieving a "common" policy. Differences in approach between Member States still remain, together with difficulties in achieving a uniform approach to all commodity issues.

<u>The difficulties in the way of achieving a common Community Commodity Policy</u>

With the major exception of sugar (of which the Community is the second largest exporter in the world), the Community is an importer of most of the commodities which are ~~now~~ the subject of international negotiation and consultation (and in this respect differs from some other Group B countries such as the US or Australia). For example, the UNCTAD integrated programme originally envisaged "structural changes" in the markets of ten "hardcore" commodities, only one of which (i.e. sugar) is produced in significant quantities within the European Community (viz. cocoa, coffee, copper, cotton and cotton yarn, hard fibres and similar products, jute, rubber, sugar, tea, tin). Of the further eight which were added subsequently (viz. bananas, bauxite, iron ore, manganese, meat, phosphates, tropical timber, vegetable oil (including olive oil) and oil seeds) only three are produced in the European Community in significant quantities. Most Community Governments do not consider that on economic grounds it is to their advantage to enter into agreements on these commodities which would accord with the demands of the producers. The main exceptions to this generalisation relate to minerals, where for reasons of stable prices and assured supplies, Community Governments are more ready to contemplate certain kinds of commodity agreements.

Some scepticism is present also about the economic advantages even to producers in the long term of Commodity agreements based on UNCTAD principles.

On general commodity issues, Member States have tended until recently to negotiate individually rather than as members of the Community, and as far as their policies are concerned, these have been primarily dictated by their interests as consumers (sugar being the major exception). Recently, however, Member States and the Commission have agreed that there shall be a common approach to all commodity issues covered by the Integrated Programme with a single delegation, (except for products covered by the CAP).

Commodity issues are not only very complex (since they frequently involve attempting to interfere with market mechanisms on a world scale and over a long period ahead), but they also differ considerably from one commodity to another. Negotiations, however, are generally concerned with three main issues, viz. (i) prices, (ii) quantities, and (iii) mechanisms (such as buffer stocks, quotas, etc.). Producing countries see commodity schemes principally as a means of guaranteeing export earnings and certain levels of income for their producers, while importers regard them principally as a means of guaranteeing certain quantities of a product at predetermined prices. Pricing policies can themselves be the cause of a great deal of difficulty, e.g. whether the aim ought to be price stabilisation or price maintenance in real terms (the Community for obvious reasons strongly favouring the former rather than the latter). As regards mechanisms, buffer stock arrangements are obviously much more difficult to apply to perishable commodities such as bananas than to non-perishable products such as minerals. All these factors mean that arrangements have to be negotiated commodity by commodity and uniformity as between commodities is scarcely attainable.

The UN Common Fund for Commodities

The decision to set up such a Fund was taken at the Nairobi Conference of 1976. It was intended that the Fund should reinforce arrangements for individual commodities which would be regulated by particular community organizations. The Fund would have two Accounts - the First would contribute to the financing of buffer stocks and of internationally co-ordinated national stocks operated by particular International Commodity Organizations; the Second Account would support commodity measures other than stocking (e.g. research and other measures to improve productivity and marketing). It was intended that the Fund should come into operation on 31 March 1982, but it is now most unlikely that sufficient countries will have ratified by that date to bring the arrangements into force. Even developing countries seem in no hurry to ratify.

The extent of Community competence in relation to the Common Fund has created some difficulties. It is understood that the Community will participate as an "intergovernmental organization of regional economic integration". It may not vote nor contribute to the First Account beyond the contributions of Member States. It may contribute to the Second Account, though most Member States would appear to prefer national financing. Moreover the recent agreement between the Member States and the Commission, providing for Community participation in Commodity negotiations and agreements, with a common delegation speaking with one voice, does not apply to the Fund.

The Section, anyhow, has favourably commented on the recent views manifested by industrial countries meant to channel scarce financial resources now available rather to the Second Account of the Common Fund (research and development, marketing, etc.) than to the financing of buffer stocks.

As far as particular commodities are concerned, the Rubber, Tin and Cocoa agreements would appear to be possible candidates for association with the First Account of the Fund. But negotiations on commodities which might benefit from the Second Account, i.e. cotton, jute, hard fibres, and tropical timber, are all either inactive, deadlocked or in disarray.

Sugar is for the Community a special case. The Community is a major producer and exporter (second only to Cuba), but is not a member of the International Sugar Agreement. It is widely accused by other producers of pursuing policies which disrupt world markets for sugar (*).

The Community's position : a critical assessment

The Section has repeatedly outlined the objective reasons why it is in the Community's interests to encourage an effective development co-operation policy, for solidarity and other reasons.

(*) The question of coherence in sugar policy is examined in document COM(78) 623 final of June 1978; and the situation has not changed substantially since that date.

However, in this general context it is not entirely clear whether the Community's accession to the Integrated Programme was determined by an objective belief that this Programme is conducive to the LDCs' long term interests or whether the Community's move was dictated solely by its general policy on relations with the LDCs (who are already complaining that its approach to development co-operation is inordinately "regionalist"). Here it has to be remembered that public opinion in the Community is by no means wholeheartedly in favour of the UNCTAD programme.

More specifically, it is debatable whether accession to the Integrated Programme will allow the Community to secure supplies of raw materials, especially mining resources, on a long-term basis.

Lastly, how does the Community intend to reconcile its essentially liberal and free trade approach with the Integrated Programme's authoritarian principles, as described above (*)?

It is worth mentioning that not all Member States expressed approval either at the sixth UN Special Session held in 1974 or at the 1976 Nairobi Conference.

(*) A number of Member States strongly opposed the New International Economic Order on the grounds that it was authoritarian and, by extension, the Integrated Programme.

In contrast, the Luxembourg declaration of June 1981 and the London declaration of December 1981 reflected consensus on the need to anchor the Community's commodities policy in a cohesive set of objectives and measures: (a) stabilization of commodity prices, (b) stabilization of export earnings, (c) increased emphasis on local processing, (d) diversification of LDC output and (e) development of LDC natural resources.

Other commodity arrangements

The criticism levelled at the Stabex and Minex schemes in the section of this Study dealing with the Lomé Convention, should be borne in mind. Briefly, it was pointed out that such schemes may discourage beneficiary ACP States from diversifying production and expanding their industry and are therefore a purely stopgap solution to these countries' balance of payments and other problems. Moreover, the problem of securing Community supplies of mining resources and stepping up investment in this sector remains unsolved.

Similar arguments apply to the IMF compensatory funding scheme, which can deploy larger resources than the two EEC schemes but operates along much the same lines.

Nonetheless, "compensatory funding" arrangements (including Stabex and Minex) seem preferable to the UNCTAD Integrated Programme since the former's aim, is to stabilize export earnings from raw materials as opposed to price stabilization (thereby assisting the external spending of beneficiary LDCs in broad terms).

The Section wondered whether the Community had considered, by way of alternatives to the UNCTAD Integrated Programme, extending the Stabex and Minex schemes to all LDCs (subject to certain conditions) or joining with other industrialized countries such as the United States and Japan in a world scale Stabex. It would also be interesting to ascertain the private views of ACP countries that have been eligible for all these schemes : which would they prefer if they had to choose, and on what grounds? Would they prefer the Community arrangement to be expanded rather than relying on so many different sources of aid?

Agreements on manufactures

In connection with commodity agreements with the LDCs, the Study Group turned its attention to agreements on some manufactures, aimed at achieving voluntary restraint on exports (a typical example being the Multifibre Agreement).

Certain similarities with the Integrated Programme were observed since, here again, the intention is to replace free interplay of market forces by trade agreements between producer and consumer countries.

The difference is that the initiative in this case stems from the industrialized countries of the West, in an effort to bolster ailing production sectors and shelter them from (sometimes unfair) outside competition.

In both cases the cost of operating these authoritarian schemes has been passed on to the consumer in the shape of higher prices and it is debatable whether sufficient attention has been paid to their impact on the location of industry both in and outside the Community.

The general policies behind, for instance, the Generalized Tariff Preferences Scheme, which seeks to step up LDC trade in manufactures, are clearly at variance with the principles underlying the Multifibre Agreement and similar arrangements, whose aim is to limit the side-effects on trade which are inherent in greater LDC participation in this sector.

To what extent, if at all, has the Community given thought to reconciling these conflicting approaches?

The Section concluded that, following the recent arrangement between Member States and the Commission, a greater effort should be made in the future to produce a single Community policy on all Commodity questions so that the Community can speak with one voice both in the UN forums and in negotiations on particular commodities.

In view of the likely delays in the ratification of the Common Fund proposals, the Study Group concluded that in the period ahead Community attention would be concentrated mainly on negotiations on particular commodities. In these although some attention has to be paid to political considerations, particularly in the light of the North/South Dialogue, the Community's main concerns ought to be economic, especially that of safeguarding the Community's supplies of scarce commodities at stable prices. Where, as in the Stabex, special arrangements are entered into for developmental reasons, the economic costs of such schemes should be clearly identified and compared with other forms of development assistance.

Finally, the Section suggests that specific attention be devoted by the Economic and Social Committee to commodity issues and negotiations, since the discussion carried out deserves further deepening in order to better see the implications of such a complex matter.

4.2. AGREEMENTS CONCLUDED WITH CERTAIN DEVELOPING COUNTRIES OR GROUPS OF DEVELOPING COUNTRIES

4.2.1. Preferential agreements with Mediterranean Countries

- Background

During the transitional period, the Community's external relations in the Mediterranean developed primarily in accordance with the demands and pressures of the third countries concerned.

The Community responded to the initiatives and requests of these countries by embarking on negotiations for a large number of agreements, each case being judged on its own merits.

The proliferation, in this phase, of various kinds of agreements with almost all the Mediterranean countries, with arbitrary unrelated procedures and differing content and models (perhaps for no specific reasons), soon presented the Community with the problem of adopting a more consistent, rational approach as part of an overall harmonized concept.

The policy was thus formulated of an "overall, balanced approach" to the Mediterranean area, which, together with the ACP agreements, was to serve as a bridge between a tactical, emperical concept and a long-term strategy for the Community's external relations.

- Overall policy on Mediterranean countries

The Paris Summit of the Heads of State or of Government of the Member States in October 1972 established the new Community guidelines for the systematic, harmonized development of its relations with the Mediterranean countries, a policy which is prompted by the historical key links between the two areas and by the need for balanced, stable development in this region.

This new policy was to include the following points :

- transition from the earlier stopgap agreements to a system of agreements to be expanded and made more comprehensive thereafter;

- identification of the general and specific problems of those northern Mediterranean countries likely to become future members of the Community;

- the expansion of purely commercial agreements (tariffs, quotas, etc.) to include a broader commercial policy and eventually an economic policy in the wider sense;

- the introduction of new guidelines for economic, technical, scientific and financial cooperation, stating the Community's readiness to assist the Mediterranean countries' structural diversification by means of aid for industrial expansion and investment, etc.;

- in the social sphere, affirmation of the principle of safeguarding the social security and wage rights of workers who migrate to the Member States.

On the basis of the above guidelines, the Community negotiated and entered into agreements with Israel in 1975, the Maghreb States (Algeria, Tunisia and Morocco) in 1976 and some of the Mashrek States (Egypt, Jordan, Syria and Lebanon) in 1977. Existing agreements with Malta and Cyprus were amplified and brought into line with the new Mediterranean policy of the Community.

During these same years, accession negotiations continued with Greece, Spain and Portugal.

More recently, special priority has been given to renegotiating the economic cooperation agreement between the EEC and Yugoslavia, a complex well-defined instrument designed to strengthen cooperation between Yugoslavia and the Community (*).

The agreements with the Mediterranean countries occasionally embrace political, as well as strictly economic matters.

At present all the Mediterranean countries with the exception of Albania and Libya are linked with the Community by various agreements.

The Community's active policy with respect to the Mediterranean countries has caused some concern to other countries outside the area.

(*) See the Economic and Social Committee's Study of 12 December 1979 on Relations between the Community and Yugoslavia (CES 1473/79).

Some industrialized countries (e.g. the United States) accused the EEC of infringing one of the fundamental rules of GATT, namely non-discrimination in international trade, and establishing preferential treatment for some countries to the detriment of others outside the Mediterranean region (*).

Some of the developing countries also criticized the EEC, accusing it of not pursuing with respect to the other developing countries the same policy of agreements and co-operation implemented in the Mediterranean region.

- The achievements of the overall policy

It is not easy to draw conclusions about the results obtained by the Community in the Mediterranean area and perhaps this would be premature given that the agreements of the "overall" phase are still only a few years old. Moreover, the international economic and political situation has been severely disrupted since 1973 both in the Mediterranean area itself and in the neighbouring Middle East.

This further strengthens the case for giving separate consideration to the impact of Community policy on Greece, Portugal and Spain - as opposed to the impact on the countries of the Southern and Eastern Mediterranean.

The Community has pursued a consistent policy of openness and support with respect to Northern Mediterranean countries (Greece, Spain and Portugal - with the exception of Turkey). This policy has done much to strengthen the new democratic regimes in these countries.

(*) The dispute between the EEC and the USA on this point has now been settled.

This political success is of major importance for the future of these countries and for the equilibrium of the Mediterranean region and the entire European continent.

Economically, the implementation of agreemeents has facilitated the gradual creation of the conditions needed to secure recent accession of Greece and the future accession of Spain and Portugal (even though there are still many problems to be overcome) (*).

- Critical appraisal of the aims and achievements of Community policy on Southern and Eastern Mediterranean countries

Here, past achievements and the current outlook are less satisfactory. Despite the efforts it has made, the Community seems to have contributed very little to the stabilization of this region.

The EEC's "economic diplomacy" approach has been inadequate and has been inhibited by external conditions beyond the Community's control, e.g. the political and military tensions that have jeopardized the equilibrium of the entire region.

For these and other reasons, the Community's activity on the economic front has had little impact in this region.

(*) See Committee Opinion of 28 June 1979 on the Greek, Portuguese and Spanish applications to join the Community (OJ No. C 247, 1 October 1979).

Many of the objectives specified in the agreements signed in the Sixties with the individual Southern and Eastern Mediterranean countries appear not to have been attained - let alone the more ambitious, complex objectives of the agreements signed under the overall policy.

a) Strengthening the economies of the Southern and Eastern Mediterranean countries (*)

In recent years the per capita GDP of most of these countries has risen only very slightly (about 2%, with the exception of Israel, Tunisia and Turkey). Per capita GDP in Egypt and Morocco is still well below that in other Southern and Eastern Meditteranean countries.

The Southern and Eastern Mediterranean countries had balance of payments deficits in 1970, and have since moved considerably further into the red. The sole exception to this trend is Israel.

Per capita food production in this area has fluctuated in recent years but the trend has generally been downwards.

Manufacturing growth rates also vary. Many of these countries have managed to expand this sector, but output has dropped substantially in others (e.g. Algeria).

On balance, it cannot be claimed that economic growth and consolidation in the Southern and Eastern Mediterranean countries is keeping pace with their requirements and aspirations.

(*) Figures from the World Bank's Report on World Development 1979.

b) Developments in trade with the European Community

In the five years from 1973 to 1978, the total value of trade between the Community and the Southern and Eastern Mediterranean countries more than doubled (as measured in current prices). A number of countries, such as Egypt, have put up a very good performance.

The weakness is the fact that the exports of these countries to the Community have declined (-111%) while their imports have increased (+140%).

The underlying trend has thus moved against the Southern and Eastern Mediterranean countries, whose trade balance vis-à-vis the EEC has accordingly declined substantially.

The accession of Greece to the Community, and the future accession of Spain and Portugal, are likely to have a disquieting impact on traditional agricultural exports to the Community from the Southern and Eastern Mediterranean countries.

To see things in their proper perspective, it must however be remembered that the energy crisis and the economic depression which has affected the entire world economy has had a significant impact on these figures.

The implication, if one may be allowed to draw an overall and possibly simplistic conclusion, is that the opening up of the Community market to imports from the Southern and Eastern Mediterranean has not of itself been sufficient to bring about a substantial expansion of the economies of these countries.

c) Progress Report on cooperation policy

Cooperation in the industrial, technological, scientific, financial and other fields was intended to be the keyword in the EEC overall policy for a new process of harmonious, balanced growth in the Mediterranean area. It has already been said that it may be premature to attempt to make a accurate assessment of achievements to date. However, it must be pointed out that the provisional figures are extremely disappointing.

The policy guidelines set out in the agreements have largely been unimplemented, and even when any action has been taken the resources deployed (especially the funds allotted) have been patently inadequate. Above all, there has been no political will to pursue the proposed aims effectively.

To be effective (*), industrial, technological and scientific cooperation should have taken a new form based on medium and long-term development programmes, in the event there have been no practical results, only statements of intent.

One or two isolated initiatives have been taken but there has been no systematic framework to back them up. One question still unresolved is how to ensure rapid, harmonious and partly export-oriented industrialization of these countries without bringing them into conflict with the Community's own industries, many of which are in the throes of modernization and overproduction crises.

(*) See ESC Study of 26 October 1977 on Community policy towards the countries of the Southern and Eastern Mediterranean.

When express provision has been made for financial cooperation schemes in the financial protocols to the agreements, these have been duly implemented.

To date, a blind eye has been turned to the Committee's recommendation (*) that the funds of all the participating countries should be channelled, via a new financial instrument, to development programmes - including joint programmes of the EEC and Mediterranean countries.

Nothing has been done in the field of commercial cooperation, e.g. to ensure a better distribution of Mediterranean agricultural and industrial products intended for the Community market.

Energy cooperation has been almost totally neglected, even in the agreements concluded after the 1973 oil crisis. The oil-producing Mediterranean countries have proved anything but willing to cooperate with the Community and to further mutual interests; to the contrary, there has been a sharp clash between diverging interests.

There have been no significant initiatives in the fisheries sector although cooperation is specifically provided for in the various association agreements. On the contrary, there are sharp differences and divergences between the Community, individual Member States and a number of Mediterranean countries (e.g. the fisheries dispute between Tunisia and Italy).

(*) See Study of the ESC (26 October 1977) on Community Policy Towards the Countries of the Southern and Eastern Mediterranean.

On the question of cooperation between the Mediterranean area and non-member countries, the Community has been unable to act as a catalyst for either proposals, inter-regional projects (possibly with the allocation of specific funds) or the coordination of international aid.

In this respect the achievements of, and future prospects for, the Community's "overall" policy towards the Mediterranean area seem much less significant than the achievements and future prospects of the Community's policy vis-à-vis the ACP countries.

The reason for this is a patent lack of funds and, above all, the lack of political will on the part of the Member States who still favour bilateral relations with countries in the area.

In conclusion, the "overall" policy on cooperation between the Community and the countries of the Southern Mediterranean has yielded very disappointing results; future prospects are also gloomy. It is not so much that the policy itself has been incoherent, as that there have been obvious difficulties in giving cooperation and development aid objectives real substance - and this in spite of the fact that the objectives themselves are intrinsically correct from the point of view of the priorities the Community wishes to set in this area.

The second enlargement of the EEC casts dark shadows over the continuation of traditional exports of Mediterranean farm products to the EEC since there may well be surpluses of such products within a very short period of time.

The time has now come perhaps to re-examine the medium and long-term prospects of relations between the Community and the countries of the Mediterranean in an entirely new light. The new aim should be to ensure that the Community's strategy is more coherent and effective and is geared to furthering the overall development of the Mediterranean basin as such.

In the longer-term, however, it will probably be necessary to go even further, moving away from a bilateral view of relations between the Community and individual regions (such as the Mediterranean region) to a more comprehensive view of overall EEC relations with all other areas and groups of countries (e.g. with Africa and Asia, where there are still food shortages, and with Latin America).

4.2.2. Conventions with ACP countries

- Principles and objectives of the EEC's Lomé policy

A new convention between the EEC and the ACP countries was signed in Lomé (capital of Togo) on 31 October 1979.

The specific features of the Lomé Convention are as follows:

- contractual relationships creating rights and obligations between two regional groups, which involve a series of co-operation instruments adaptable to the priorities of the individual countries (trade, Stabex, aid, etc.)

- and which are based on a permanent dialogue through institutions provided for in the Convention (EEC-ACP Council of Ministers, Committee of Ambassadors, Consultative Assembly, consultations of economic and social circles).

The objectives of the Convention are to:

- promote trade between the ACP States and the Community and between the ACP States themselves;
- ensure greater stability in export earnings, economic viability and sustained growth of the economies of the ACP States;
- support the economies of ACP States dependent on the mining industry;
- encourage EEC investments in the ACP States;
- promote industrial development in the ACP States;
- assist in resolving problems relating to rural development, including problems connected with agricultural production for domestic consumption;
- accord special treatment for least developed, landlocked and island ACP States;
- promote the economic and social development of the ACP States.

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Under the trade cooperation arrangements, manufactured goods and agricultural products that do not directly compete with products governed by the CAP enter the Community free of duty and quantitative restrictions. The ACP States thus enjoy preferential treatment compared with other third countries.

These concessions are not reciprocal. The ACP States have merely undertaken to give Member States the same advantages as the most favoured industrial nation.

The Convention also provides for an import quota for beef and veal, arrangements for improving the conditions under which bananas originating in the ACP States are produced and marketed, increasing duty-free quotas for Caribbean rum and a Community obligation to purchase 1,400,000 tonnes of sugar per year at a guaranteed price.

- Financial resources

A total of 5,227 million EUA ($6,952 million (*)) for the duration of the Convention is allocated in Lomé II. 4,542 million EUA is for the EDF, covering grants (2,928 million), special loans (504 million), risk capital (280 million), Stabex (550 million), minerals (280 million). The European Investment Bank is to provide soft loans to a maximum of 685 million EUA (and 200 million for the mining projects referred to above).

A joint declaration contains provisions on migrant workers from ACP countries similar to those contained in the co-operation agreements with the Maghreb countries with regard to working conditions, pay and social security benefits. The ACP countries have given reciprocal undertakings.

Another joint declaration on sea fishing outlines the general framework for future bilateral fishery agreements between the Community and the ACP States concerned.

(*) The total net flow of official resources from Community Member States to developing countries and multinational agencies in 1980 was approximately US$ 12,500 million.

In addition to the areas referred to above, Lomé II deals with other fields of co-operation such as investment protection and promotion, sea transport, agricultural co-operation and trade promotion.

- <u>Critical appraisal of aims and achievements - outstanding problems</u>

a) Trade cooperation and the stepping-up of (i) EEC-ACP trade and (ii) trade between the ACP States

The impact of the trade provisions of the Lomé Conventions on EEC trade with the ACP countries is often exaggerated. Although almost 100% of ACP exports to the EEC are duty-free, 75% of them would have been exempt even without Lomé (raw materials or products covered by the GSP).

Similarly, the growth in Community exports to ACP countries is not primarily due to the trade liberalization arrangements but rather to Community and national aids, which stimulate demand in those countries.

Nevertheless, trade has developed favourably : imports from the ACP countries have risen faster than imports from the developing countries as a whole, and the increase in imports from the ACP countries has exceeded the increase in Community exports to those countries. This means that the balance of payments has in general remained positive for the ACP countries (except for 1978: - 800 million UA), the surplus being about 3,000 million UA for 1979. This growth in Community imports from the ACP countries looks like continuing in 1980 and 1981.

Although there are no figures on trade between ACP countries, there is unlikely to have been a spectacular development, particularly because of the lack of diversification in production.

Likewise, the effects of the Convention as regards integration at sub-regional level still seem to be very modest.

It is in the Community's interest to encourage this development by means of specific aids.

b) Stabilization of earnings from exports of agricultural products and iron ore (Stabex and Minex)

The STABEX system has been operating since 1976. During these 5 years, transfers totalling about 375 million UA have been made to 26 countries. The number of products covered by the system has been gradually increased to around 20. In 1978 STABEX had to compensate for the largest drops in export earnings recorded by the ACP countries since the introduction of the system. In 1978 transfers amounted to about 164 million U.A.

In general there has been a certain measure of satisfaction with the operation of STABEX. Criticisms have, however, been voiced on the ACP side. These have concerned, in particular, the total sum available and the rigid way in which the system operates. MINEX covers minerals (except for the iron ore already covered by STABEX) and aims partly to ensure that the Community receives regular supplies of minerals. Other Lomé provisions aim to develop the mining output of the ACP countries.

The minerals problem in Africa seems to stem mainly from inadequate investment, something which certainly cannot be remedied simply by the sums made available under MINEX, (it will accordingly be necessary to work out a long-term solution capable of meeting the requirements of both the EEC and the ACP countries).

These two systems probably represent the Community's most original contribution to the solution of the problems of underdevelopment.

These systems must not, however, be presented as a remedy for anything other than short-term problems (balance of payments) and they must be swiftly backed up by medium and long-term instruments capable of a) reducing the ACP countries' dependence on raw materials, particularly agricultural, b) really solving the problem of the security of minerals supplies and c) stimulating the industrialization of the ACP countries' productive apparatus, inter alia by providing export outlets.

c) Funding investments

During the five years of operation of the first Lomé Convention, a total of 3,054 million UA was allocated for trade, industrial financial and technical co-operation. The sectoral breakdown of the finance was practically the same each year, the productive sector - both industrial and agricultural - heading the list by a wide margin, followed by economic infrastructure and, in the bottom position, the social sector.

Particular attention is paid to rural development, which concerns a large proportion of the population of the ACP countries. So far, rural projects have been aimed mainly at satisfying local food needs. A total of 57 micro-projects (18.2 million UA) of this kind have been carried out in close association with the local authorities concerned. Despite these efforts, the fear has been expressed that the present machinery (Stabex, the sugar agreement and to some extent the beef agreement) may steer investments in the wrong direction.

Many decisions concerning finance for industry have also been taken involving both aids administered by the EIB and aids administered by the Commission.

Community investment in the industrial sector can be directed towards meeting domestic needs, particularly in the agro-food sphere, or can be concerned with products for export to the Community or third countries. In the first case especially, the Community can make a concrete contribution to the economic development of the ACP countries without creating major problems for itself.

One of the problems is the need to protect foreign investment (from expropriation, nationalization, etc.) and to create a legal framework to ensure stability and certainty in legal relations, perhaps monitored by new supranational institutions (courts of justice, arbitration tribunals, codes of conduct, etc.), set up by the ACP countries independently or in agreement with the EEC.

As regards investment in export products, the main problem here is how to obtain an adequate return despite the many difficulties (lack of external economies, infrastructure, skilled labour, etc.).

Still, free access for these products to the market of the Ten represents an important guaranteed outlet. It is noted, however, that the Convention will be valid for 5 years only. This should prompt the Community to examine the possibility of longer-term commitments within the framework of general programmes for the internal adaptation of the sectors concerned.

At all events, in order to stimulate entrepreneurial activity at local level, preference should be given to joint ventures and mixed companies (especially with private-sector firms, though the participation of state corporations should not be ruled out).

d) Promotion of industrial development in the ACP countries

It is a difficult and lengthy process to build up local entrepreneurial, business and technical management skills. But efforts must not be spared, for the ACP countries can only overcome underdevelopment by consolidating and diversifying their productive base.

It is particularly important to concentrate on helping small and medium-sized enterprises and on providing them with facilities for technical and business co-operation, etc.

The Centre for Industrial Development and the Committee on Industrial Co-operation have an important role to play in this area. The figures available indicate moreover that in certain ACP countries industrial production, particularly in manufacturing, is growing at a fairly satisfactory rate (1970/77: Niger + 9.4%, Kenya + 11%, Uganda + 8%, Nigeria + 10.3%, Congo + 6.9%, Ivory Coast + 7.9%). The growth of industrial production in most of the other ACP countries unfortunately still leaves much to be desired.

The idea of co-operation in the energy sphere has been entertained since 1974, most of the ACP countries being importers of energy. Since Lomé I came into force, more than 140 million UA have been assumed to 57 projects and studies in this field, special emphasis being placed on the development of renewable energy sources, particularly hydroelectric power.

e) Rural development and development of agricultural production for domestic consumption and export. With regard to agricultural production for exports (frequently the result of external initiatives) the ACP States complain about the restrictions imposed on their exports of temperate agricultural products to the EEC, but progress here would be difficult without radical changes in the CAP.

The stimulation of production for domestic consumption is another matter however.

It is imperative to promote higher agricultural production to meet this demand. The major effort should be made here, since such an increase in agricultural production could resolve a number of problems (domestic standards of living, balance of payments, rural development, thus curbing the drift to the towns, increased incomes, etc.).

f) Financial and technical cocperation

The policy developed in this area in recent years has sought to promote co-financing; the projects financed in this way since the entry into force of Lomé I total 518.5 million UA. Over 23% of the portion of the fourth EDF (2,256 million UA) devoted to projects has been used to co-finance 48 projects at a total cost of 3,600 million UA.

The principles of financial and technical co-operation have been retained in Lomé II and the funds for this purpose have been considerably increased (+ 62% in UA) to a figure of 5,227 million UA, including 2,928 million UA as grants, 550 million UA for STABEX and 280 million UA for MINEX. The EIB will provide one financing facility of 685 million UA and another, outside the Convention, of 200 million UA. The sum of 180 million UA will be made available under the Community budget to cover in particular the costs of delegations.

Experience has shown that it is important to improve the Community's aid-granting procedures.

Serious thought should also be given to investigating the bureaucratic and other obstacles which hamper the flow of Community aid to ACP countries and to taking a closer look at who actually receives the aid in each beneficiary ACP country.

g) Special measures with respect to the least-developed, land-locked and island ACP countries

The impact of such measures should be compared with the figures actually supplied by the EEC and its individual Member States. OECD/DAC statistics suggest that aid goes mainly to the more developed ACP countries.

The general conclusion to be reached is that, in its dealing with the ACP countries, the Community has concentrated on fundamental problems, has been systematic and has made substantial efforts, even if some ACP countries still consider such efforts to be insufficient.

4.2.3. Relations with the Arab oil-producing countries of the Middle East (*)

Economic relations between the Community and the Arab oil-producing countries of the Middle East have become a thorny issue since the energy crisis in 1973. These oil-exporting countries' large trade surplus, with the corresponding deficits of the Member States and the other Western countries, have given rise to complex economic and financial problems fraught with consequences, both direct and indirect, for international economic equilibrium.

(*) This Section covers the following countries: Saudi Arabia, Kuwait, Iraq, Bahrain, Quatar, United Arab Emirates, Oman.

In recent years, the Community has tried a regional approach by initiating the Euro-Arab dialogue. Since its inception, this dialogue has been confined to a limited range of subjects (oil matters were excluded), but it has got bogged down owing to the difficulties the Arab countries have in agreeing a joint position.

Thus the Community as such has not in fact been able to pursue a coordinated policy vis-à-vis this area, which is now (and will be even more in the future) facing problems of great importance for its development.

There have been isolated, bilateral contacts between individual Member States and Arab oil-producing countries, when the latter have been prepared to conclude cooperation agreements with European countries.

Overall, however, relations between the two areas remain confused, uncoordinated and difficult to grasp. The problems are serious and complex on both sides.

The Arab countries are asking for a larger contribution by Europe towards rapid industrialization and strengthening of their economies before their oil resources dwindle in the not so distant future. They are asking for technical cooperation, the transfer of technology and know-how, and cooperation in the sphere of management, training, etc.

On the other hand, the Arab countries take for granted that their new industrial products should have free access to the Community market.

It is precisely this latter point that is most worrying for the Member States - along with their need for continuous oil supplies at "predictable" prices.

It is not easy to forecast the impact on Community markets of large influxes of industrial goods with a high energy content, given the abnormal competitive situation (the use of "two-tier" prices for energy raw materials which will probably be very widespread in this area).

There is no doubt that the signs bode ill for the economic and social equilibrium of the Member States affected. The only imponderable is when this phenomenon will manifest itself and how serious it will be.

The Community, affected - as has already been said - by the lack of political solidarity between the Member States, does not seem to be aware of what the future holds and is persisting in its "non-political" inactive course, for which the term "incoherent" would seem inadequate.

4.3. BILATERAL RELATIONS WITH THE NON-ASSOCIATED DEVELOPING COUNTRIES

4.3.1. In Africa

On 4 November 1980 an agreement was signed (and is now in the process of being ratified) admitting Zimbabwe to the Lomé Convention. Angola and Mozambique are therefore the only developing countries in Africa not to be formally associated to the Community. The latter is a special case and in its policy on Namibia, the EEC is firmly convinced that it is necessary to go on supporting efforts to ensure that the United Nations plan is enforced in that country.

4.3.2. In Asia

On 8 March 1980 the Community signed a co-operation agreement with the ASEAN countries (*). The concordance of views of the two groups of countries on the Afghanistan and Cambodian crises gave much political impetus to the agreement in question.

The EEC-ASEAN agreement can be seen as an attempt to broaden the regional component (hitherto largely confined to Mediterranean LDCs and the ACP) of Community development-co-operation Policy.

EEC-ASEAN trade is on a small scale (2.3% of EEC external trade in 1978), though it forged ahead in the Seventies. All five ASEAN States are attractive trade partners, either because of the level of development they have attained or because they are rich in natural resources.

It is clearly in the Community's interests to boost exports to ASEAN and to endeavour, through imports, to achieve greater security of supply as regards raw materials. Increased trade, however, might require greater Community willingness to buy manufactures from ASEAN. Singapore is already a vigorous exporter of manufactures but the other four ASEAN countries will soon also be able to flood the world market with cheap goods (textiles, electronics, etc.). This trend is also being fostered by Japanese firms in particular, which for several years now have been decentralizing and locating production in ASEAN countries. The price of greater access to ASEAN raw materials and closer EEC-ASEAN trade relations may be greater accessibility to the Community market for ASEAN manufactures in competition with EEC "lame-duck" manufactures.

(*) Indonesia, Malaysia, the Philippines, Singapore and Thailand.

The ASEAN countries also have everything to gain from attracting investment from the Community, especially investment in industrialization schemes for the entire bloc, and from stepping up industrial and technological co-operation, etc.

There are, however, snags. Firstly there is the problem of competition from other investors (principally Japan). We therefore have to examine the extent to which the EEC-ASEAN Agreement can actually promote European investment.

Secondly, there is the problem of markets for the resultant ASEAN products. If the latter are primarily intended for internal ASEAN consumption or for other Asian LDC's, there are no problems for the EEC. But if they are intended chiefly for the Community market (Singapore exports give cause for concern), the result might be increased competition from the new industrial nations which even now is posing a number of problems for the Community.

However, the integration experiment set in motion by the five ASEAN countries is extremely promising and the EEC is certain to back it under the Co-operation Agreement, not merely because of the various measures involved but also because it realizes the value of the ASEAN bloc as a supranational trade partner. The area forms a sizeable potential market and is of considerable strategic and economic importance. This is why every effort should be made to secure its political stability and progress on both the social and economic fronts.

The Agreement in question may also have repercussions on:

- Relations between the EEC and those LDCs which have already concluded co-operation agreements (Mediterranean and ACP countries in particular). Some of these LDCs consider that their "margin of preference" has been eroded and are asking the EEC for appropriate compensation.

- Relations between the EEC and other countries of the sub-continent, particularly India, Pakistan, Bangladesh and Burma, insofar as the Agreement - rather than discriminating against them - is likely to pave the way for closer co-operation with the EEC.

<u>Hong Kong</u> is a special case since the EEC still regards it as a dependent territory (thus allowing the EEC to apply a number of specific trade rules to it) and since relations between the Community and Hong Kong will be increasingly influenced by the development of relations between the Community and China.

The Community has concluded broadly similar bilateral <u>trade</u> agreements with <u>Pakistan, Bangladesh and Sri Lanka.</u> Recently (1 December 1981) it signed an economic cooperation agreement with India, which supersedes a bilateral trade agreement. These agreements stem largely from the first enlargement of the EEC and the loss of <u>Commonwealth</u> preferences.

British entry into the EEC was a major blow for these countries since only the African, Caribbean and Pacific members of the Commonwealth (naturally excluding Australia and New Zealand) have had the chance to be associated with the Community through the Lomé Convention. The trade agreements concluded first with India and then with other countries have not counterbalanced the advantages of Community Association. Perhaps only the agreement with ASEAN can be construed as a first step in this direction, but this is something that can only be assessed in a few years' time.

On the one hand, it is understandable that the Community does not wish to dilute relations with the ACP countries by incorporating in the bloc such countries as India. On theother, it is clear that the reality of the sub-continent cannot be ignored either from the point of view of its economic backwardness or from the point of view of the Community's own interests. The four countries in question in fact consitute a potential market of more than eight hundred million people, with vast potential for trade and investment, despite the enormous economic problems facing them.

Even though a strengthening of co-operation with these countries entails economic (and political) difficulties, it is questionable whether the EEC's present policy is sufficiently far-sighted. This is all the more so since the Agreement concluded with the ASEAN bloc is bound to encourage the other countries of South-East Asia to seek at least equal treatment with the five countries considered.

Another moot point is to what extent these problems were taken into consideration when the ASEAN Agreement was drawn up.

Agreements such as those concluded with India do not exist as far as Burma, Afghanistan or Iran are concerned.

The specific problems of South Korea and Taiwan must also be taken into consideration. Relations between the Community and these two countries will be increasingly influenced by their special links with China on the one hand and Japan on the other.

4.3.3. In Latin America

Trade with Latin American countries, which had been very limited for a long time, has developed relatively well over the last few years.

Total Community exports to Latin American countries as a whole (Central and South America) rose from 3,800 million ECU in 1970 to almost 12,500 million ECU in 1979. The Community's trade balance with the Latin American countries has always been in the red, although the deficit is not caused by oil imports from Mexico and Venezuela. As trading partners the 39 Latin American countries are more important than the 60 ACP states and come straight after the state-trading nations.

Since the late 1960s the Community has made efforts to step up relations with the Latin American countries.

A co-operation agreement has been in existence between the EEC and Mexico since 1975 and in September 1980 a similar agreement was concluded with Brazil, the latter succeeding the trade agreement of 1974. Since 1974 relations between the Community and Uruguay have been regulated by a trade agreement. By contrast, the EEC/Argentina trade agreement was not renewed when it expired on 31 December 1980. The Argentine Government had for a long time been complaining about the Community's attitude to their country and were particularly bitter about the effects of the Common Agricultural Policy. As a consequence they considered any trade agreements to be superfluous after the conclusion of GATT agreements on beef and veal. The Community has thus lost a very important trading partner.

A co-operation agreement between the EEC and the countries of the Andean Pact (*) is currently being negotiated. This agreement will be similar to the one signed in March 1980 with the ASEAN countries. Negotiations have unfortunately had to be suspended following the coup d'état in Bolivia in July 1980. Technical relations are nevertheless being maintained between the Commission and the governing body (Junta) of the Andean Pact.

These five countries of the Andean Pact are of no great importance to the EEC at the present time as they provide about 1.1% of total EEC imports. Nevertheless they are major suppliers of raw materials such as tin, copper, zinc, lead and tungsten, not to mention coffee and bananas. Venezuela is also important as a current and potential supplier of oil. The five countries in question import all sorts of manufactures from the EEC and the Community is, after the United States, their most important trading partner.

Apart from strengthening trade relations and securing larger oil and raw material supplies, the EEC might do well to explore the scope for implementing joint research and development projects. This would create a useful precedent in the Latin American sub-continent, especially in view of the poor results of the Mexico agreement.

The EEC may also find it advantageous (and this is equally true of the EEC-ASEAN Agreement) to deal with a bloc rather than with individual governments, and the case for economic integration in that region could then be supported and strengthened.

(*) Venezuela, Columbia, Peru, Ecuador and Bolivia

Agreements on specific products have also been concluded with most Latin American countries, all of whom are covered by the GSP.

Despite these various agreements and other efforts, relations between the EEC and Latin America have not developed as well as might have been hoped in recent years.

The Cooperation Agreement with Mexico has not achieved a great deal, especially in the field of technical and commercial cooperation, although EEC exports to Mexico almost doubled between 1977 and 1979. Mexico, and the other above-mentioned countries, seem to have benefitted more from the GSP than from specific agreements with the Community.

All in all, Latin America's share in EEC imports fell back from 11% in 1958 to 5% in 1978. This can be attributed to a sluggish flow of raw materials (which still account for about 80% of Latin American exports) but the main reason is undoubtedly weak trading in manufactures between the Community and the sub-continent.

Brazil and Mexico in particular have become exporters of manufactures and the Community cannot ignore their need - or that of countries in a similar position - to consolidate their role of exporters. If the Community does give them the cold shoulder, it will lose the golden opportunities offered to European firms by the internal markets of Brazil and Mexico.

Moreover, in view of the level of competitiveness attained by these countries, the question of reciprocity in trade relations and full respect for GATT rules on trade liberalization, is bound to be raised.

We must also find out what awareness exists of the long-term commercial implications of these agreements and hence what adjustment policies need to be adopted by Community sectors which are already, or will soon be in difficulties in the future and are likely to have to face increased competition.

European firms are clearly interested in the possibility of increasing their investments (in various forms) in the principal Latin-American countries. The latter also recognize the vital role of foreign capital in their own development. Nevertheless, progress with regard to guarantees and security for European investors has so far been unsatisfactory, as has become clear from recent negotiations with Brazil.

Another problem with Latin American countries is that of access to raw materials (and Mexican oil), in order to provide the Community with greater diversification and security of supplies. No real progress seems to have been made on this point either.

The other Latin-American countries which have not special agreements with the EEC come under the GSP or are party to agreements on specific products. These countries are:

- the five members of the Central American Common Market (Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua) where the local political situation seems to militate against any comprehensive agreement although an intensification of relations with one or two individual countries (e.g. Costa Rica) is not beyond the realms of possibility;
- Panama, Belize, Haiti and the Dominican Republic, all in Central America;

- Chile (where the political situation prevents an official agreement with the EEC) and Paraguay in South America.

Finally, the ACP countries of Central America are dealt with in the chapter covering ACP countries in general. Cuba (a member of the CMEA or Comecon) is technically one of those countries with a centralized economy.

The EEC's policy towards the Latin American countries is primarily influenced by the fact that it shares responsibility with the United States for the development of this sub-continent where some of the poorest people in the world live. The United States itself has traditionally considered aid to South American countries as falling within its own particular province.

Secondly, the wealth of raw materials in this sub-continent, the potential size of its market, and the rapid economic expansion in some of the countries in this area, particularly Brazil and Mexico, unquestionably make Latin American countries attractive trading partners for the Community, although the problems they pose are not inconsiderable.

Finally, Latin America has a wide variety of political regimes which frequently stray from the path of democracy. This makes it difficult to establish relations with the Community. Nevertheless, we need to ask whether the Community is not making a mistake by concentrating on relations with former colonies rather than attempting to stimulate more economic development in this area - an area which could be of decisive importance in the search for economic and political solutions to under-development at world level.

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CHAPTER V

RELATIONS WITH STATE-TRADING COUNTRIES

The last decade saw a sharp increase in trade between the Community and Eastern Europe, matching that in trade between the Community and the rest of the world.

The same period saw an increase in co-operation in the productive sector, with transfers of technology, sales of plant and scientific exchanges. Closer financial links were established. New grounds for co-operation developed, but also sources of conflict and stress.

In short, the two areas have become markedly more interdependent and interlinked.

This trend is in sharp contrast to the absence - or at least the fragility - of agreements between the institutions of the two areas. It is the Community Member States and the individual countries of the Communist bloc that have taken the initiative, and signed bilateral agreements. And in some cases companies have acted directly, without any formal agreements.

Basically, the Community institutions have remained on the sidelines. The Community has failed to provide an official, stable and coordinated legal basis for the increasingly important - and politically charged - economic relations with the countries of Eastern Europe.

There are many reasons for this. As far back as the Sixties, the Community started to consider the case for establishing a uniform basis for the Member States' trade policies towards the countries of Eastern Europe. First of all, arrangements were made for preliminary consultation at Community level on bilateral negotations with state-trading countries. Later, a common regime for imports of products subject to quotas was established. Subsequently, at the end of the transition period in 1969, the Community took over the power to draw up trade agreements with individual state-trading countries.

However there were doubts and resistance in Member States and the Community encountered practical difficulties in its attempts to establish its own trade policy. As a result, the Member States continued to act independently, with the tacit assent of the Community. They gradually moved from straightforward "bilateral trade agreements" with Eastern European countries to "bilateral co-operation agreements" involving technological, scientific, industrial and financial collaboration - i.e. to agreements which could have substantial economic, financial and trade implications.

In the final analysis, by signing these agreements, the Member States are contravening the principle laid down in 1969 whereby the Community is solely responsible for external economic relations.

The Member States have often failed to consult their partners beforehand at Community level. And the confusion has been further increased by the agreements reached by companies.

In the Seventies the Community did not make a really determined attempt to impose a minimum of discipline on the Member States. It did, however, explicitly ask the state-trading countries of Eastern Europe to open negotiations on global bilateral agreements covering the whole range of trade and technological and financial co-operation. Moreover, a draft agreement was drawn up and circulated.

So far, only one trade agreement has seen the light of day - the one between the Community and Romania. This agreement is, however, of special importance because it was designed to mark the start of a new phase in which the Community, representing the interests of the Member States, would be at the centre of negotiations on agreements with individual state-trading countries.

Progress here has been hampered by the dispute with COMECON about the sort of agreement the two parties should sign. The Community has turned down the COMECON proposal to negotiate an "outline global agreement" covering all aspects of trade and technological, industrial and scientific co-operation. The Community argues that the two institutions are not comparable, in that only the Community has sole negotiating powers on trade issues, COMECON being a body which lacks legal personality or powers to represent its members.

The Community feels that it is necessary to be able to establish direct bilateral relations with any state-trading country.

Outside the COMECON area, the Community recently (1978) signed a bilateral trade and economic co-operation agreement with the People's Republic of China. This agreement will run for five years, and may be expanded considerably.

The Community's approach to relations with state-trading countries is thus correct and consistent with its general objectives in the matter.

The failure to implement this approach properly is attributable to the delays which have occurred in practice, to uncertainties in the unification and monitoring of the practices and commitments of individual Member States, and the fact that certain specific problems have been allowed to deteriorate to the point where they can no longer be ignored.

Many of the hindrances to trade relations between the Community and state-trading countries are attributable to the crucial differences between the way in which the free-market economies function and the rigid rules of planned economies.

The special features of price formation in Communist countries are among the main reasons for sales at "politically-dictated" prices, which to some extent are tantamount to dumping.

The Community has long had its own anti-dumping and safeguard rules. But the procedures are slow and cumbersome, and in any case dumping has continued to occur, though it has varied in its intensity (one factor is the fact that the seller countries may need to obtain hard currency at any cost).

As a safeguard against abnormal competition from Eastern bloc countries, a number of Member States have retained quantitative quotas. These are far from being aligned at Community level.

The Community has had to step in to deal with imports of sensitive products of the steel, textile and other sectors facing structural difficulties. It has concluded voluntary restraint agreements with a number of Eastern bloc countries. This constructive development could be taken further and become a feature of relations with state-trading countries.

In the absence of a genuine common policy on credit, the individual Member States and other industrialized Western countries have engaged in cut-throat competition on the credit front, offering increasingly generous credit terms to the Eastern bloc countries.

One pointer to this trend is the sharp upsurge in debts, which rose from a total of some 6000 million dollars in 1970 to 65000 million or so in 1979. The debts of some countries (such as Poland) have reached the danger point and special arrangements are needed; we consider that these arrangements should be co-ordinated at Community level.

This indebtedness has been accompanied by the spread, in Eastern bloc countries, of plant generating large exports of finished and semi-finished goods to the Community market. Product payback, compensatory and barter deals have become increasingly common in recent years and have sometimes led to disquieting penetration of Western markets.

These types of trade are not necessarily to be deplored, but if they are allowed to multiply unchecked they could have marked adverse repercussions. Here again the Community has remained on the sidelines - it has not even kept statistics.

Nor does the substantial and rapidly expanding trade between the two Germanies (*) show up in EEC customs statistics even though such trade also involves sensitive products regulated by the EEC.

The European Parliament recently took a critical look at the disadvantages and repercussions of these forms of trade (Committee for External Relations - draft report on relations between the Community and the state-trading countries of Eastern Europe and COMECON - report by Mr DE CLERCQ - 16 December 1980).

The long-established commercial practices of Eastern European countries on the maritime, inland waterway and road transport markets have repeatedly been described as dumping.

Here again, the Community authorities have yet to lay down a clear-cut Community strategy.

Finally, there is the increasing interlinkage in the energy sector with the countries of the Eastern bloc, particularly the USSR. The energy crisis has greatly increased the dependence of the smaller Eastern Europe countries on the USSR. The major schemes for piping natural gas to the Community - financed by Western capital, and using Western plant and technology - are of major importance, if only for their obvious political implications.

(*) Trade between the two Germanies is regarded by the Federal Republic and the GDR as internal trade, i.e. basically a form of bilateral integration which transcends EEC trade rules, even where it involves products covered by EEC regulations on the origin of goods. To consider such trade as intra-Community trade may be prejudicial to the Member States.

A problem of this kind should be dealt with in accordance with the energy policy which the Community intends to implement in the near future.

In conclusion, it is certainly desirable that economic relations between the Community and the state-trading countries of Eastern Europe should develop steadily, in an atmosphere of co-operation and détente.

However, there is a strong case for providing these relations with a precise and stable legal basis, so that the Community can establish a clear, coherent economic and trade policy towards this area.

It is in the mutual interests of the Community Member States and the Eastern European countries that this basis should be set up in an orderly manner, that factors making for economic tension should be eliminted, and that the concessions made by the two parties should be genuinely reciprocal.

The Community has clear-cut political and other responsibilities here.

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CHAPTER VI

CONSISTENCY BETWEEN THE COMMUNITY'S EXTERNAL AND INTERNAL POLICIES

6.0. INTRODUCTION

If the European Community is to build up trade and expand its external relations activities, it is essential to strengthen the economic structures of the EEC's internal market.

The converse, however, is also true : in other words the Community's action vis-à-vis non-member countries can also influence and determine the development of the Community's internal policies.

We shall be adopting a new approach in this chapter by examining the interrelations between the Community's external-relations activities, on the one hand, and a number of formally established internal policies (the Common Agricultural Policy, Social Policy and Regional Policy) as well as one or two "embryonic" internal policies (Industrial Policy and Energy Policy), on the other.

Such an examination will yield abundant criteria for assessing the "coherence" of the Community's policy as a whole. The balance-sheet will be partly positive and partly infavourable : inconsistencies, lack of uniformity and uncertainties which are closely related to the difficulties the European Community has come up against in the last few years.

As already stated, the aim of this Study is not to make suggestions or proposals on ways and means of improving the present situation, but merely to highlight major problems and sources of malaise.

We are nevertheless convinced that pinpointing the problems will in itself help to pave the way for possible solutions in the future.

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6.1. INTERACTIONS AND CONSISTENCY BETWEEN RELEVANT ASPECTS OF THE COMMUNITY'S EXTERNAL RELATIONS AND INDUSTRIAL POLICIES

Although Europe has long ceased to be the workshop of the world, it is still a force to be reckoned with. The pattern of its trade (imports: 60% primary and semi-processed products; exports: 87% manufactures) is ample proof.

However, if the Community is to remain a leading exporter of manufactures, its products have to be able to hold their own against those of its competitors. Europe's continued economic growth and future economic and social stability are therefore heavily dependent on an industrial policy calculated to boost its international competitiveness in both traditional and advanced technology industries, combined with a coherent and dynamic trade policy actively protecting free world trade. To boost Europe's competitiveness, both offensive and defensive action is needed.

However, Community industry is flailing in the wake of the reverberations caused by the oil crises. Economic growth has ground to a halt and recession is a real threat. There are sharp divergences from State to State, accompanied by substantial trade gaps and mounting public debts. Whole industries are in the throes of far-reaching structural crises while investment in plant and equipment has dried up. Other sectors are ailing because of unfair competition from non-Community countries. On top of all this, inflation continues to rage, apparently uncontrollable. In social and human terms the most disturbing trend is soaring unemployment - in itself an accurate yardstick of the depths of the crisis into which Member States have been plunged.

This distressing situation is not due just to internal factors (which are outside the scope of this study). External factors, linked with the deteriorating terms of international competition, also play a significant part.

Persistent confusion on the currency market (dating back over ten years to the collapse of the Bretton Woods agreements in 1971) has led a number of States to resort to tactics such as undervaluing their currencies and bolstering their exports artificially. The sudden hardening of the US dollar, coupled with higher American interest rates, has made matters worse by stimulating a massive exodus of capital, pushing up currency deficit and sparking off a fresh upsurge in inflation (*).

(*) The Introduction pointed out that an exhaustive treatment of international monetary and financial relations was impossible here because of the technical and complex nature of the subject-matter. (The Economic and Social Committee did, however, discuss this problem in its Opinion of 21 June 1978, O.J. No. C 283 of 27 November 1978).

We would reiterate this statement but at the same time point out that international monetary relations (with the distortions of competition which may result from exchange-rate manipulations) are a crucial factor in assessing current and future international difficulties and should stimulate debate about the line to be taken by the Community.

Some countries are pushing their exports hard, exploiting to the hilt any national advantages that may accrue from low labour costs; alternatively, they may apply "two tier" prices for energy and other raw materials, undercutting world prices to encourage domestic export-oriented production. An increased tendency to resort to dumping and unfair competition, sometimes in its crudest forms, can be observed in other cases. All these trends reflect the sharpened competition for foreign markets, even at a cost of substantial losses.

The deterioration of international trade is also evident in the relentless drive to protect domestic markets, enlisting every conceivable type of non-tariff barrier and sometimes going so far as to re-introduce import quotas. The general aim is to mitigate trade deficits by offloading some of the strain of high oil import costs and currency losses onto some other country (*).

Confronted by this outbreak of worldwide economic confusion, which has a decidedly protectionist bias, exhortations to observe the GATT Agreements - whose aim was to introduce rules ensuring balanced international trade and check the spread of unfair State practices such as subsidies, aids, public purchase and discriminatory procedures - seem to be falling on deaf ears. More and more, the GATT Agreements are being regarded as codes of good intent rather than effective instruments for restoring order on the international market.

(*) This point - which is related to the monetary problem touched upon in the footnote of the previous page - is a reference to the fact that the financial deficits caused by the oil bill disrupt the trade balances of all countries and raise the complex problem of recycling petrodollars into productive investment.

In recent years there has been considerable uncertainty within the Community as to what industrial and trade policy to pursue. Traditionally opposed to intervention, the Community has consistently operated on the basis that it is for firms, and firms alone, to restructure industry and tailor it to changing market conditions. It was felt that the role of the Member States and the Community should be confined to creating a general climate conducive to the required adjustments and innovation, as opposed to direct intervention in the decision-making process. The free interplay of market forces, combined with the total dismantlement of trade barriers, was thought to be sufficient to give individual firms the impetus to take spontaneous steps to boost the competitiveness of their products.

The above national and Community industrial and trade strategy coincided with (and may well have helped to bring about) a period of worldwide prosperity which, for almost twenty years, went hand-in-hand with economic expansion, rising incomes and employment and a steady increase in standards of living throughout the Community. Under such rosy conditions there was no cause to challenge the reasoning behind these policies.

However, this non-interventionist strategy ran into increasingly deep waters when the general situation started to deteriorate after the 1973 oil crisis and competition from non-member countries sharpened, sometimes under distorted terms, as described above.

With market forces left to operate unchecked in this critical situation, new checks and balances proved hard to find. Serious distortion of competition resulted, aggravated by a price war (with manufactures sometimes sold at below cost price) and a proliferation of problems affecting entire sectors. This sad state of affairs highlighted the inflexible structures of many European industries, hampered as they are by resistance to change and compartmentalization on a national scale. One side-effect of inadequate adjustment and mobility has been that inefficient manufacturers remain in business.

As mentioned above, these troubles were compounded by the arrival of imports competing for the Community market on unfair terms. Left on their own to cope with this onslaught, firms found themselves unable to fight back. A general counter-offensive, rallying all economic groups in the Community, became necessary. Effective opposition inside GATT called for the backing of a forceful policy enjoining non-Community countries to abide by the rules of fair competition.

Responsibility for mobilizing this counter-offensive was, of course, assigned to the Community Institutions responsible for the EEC's external trade policy. Despite delays and stumbling blocks caused by inadequate organization (some Commission departments are grossly understaffed) and hesitation over what exactly had to be done, the Community invoked the GATT provisions (e.g. anti-dumping measures, the re-introduction of customs duties and customs surveillance and safeguards) in a drive to protect its manufacturing industries and put a stop to the most flagrant examples of unfair competition by non-member countries.

However, the core of the problem, viz the dwindling competitiveness of an increasing number of industries, called for the concurrent adoption of a proper <u>industrial policy</u> framed to remedy the causes of the ailment and suggest guidelines and solutions viable in the long as well as short term.

Only in certain industries labouring under obvious <u>structural problems</u> (steel, shipbuilding, textiles, synthetic fibres) did the Community intervene to eliminate surplus capacity rooted in investment decisions dating back many years, before the energy crisis. Leaving aside the specific case of the steel industry (which is governed by regulations allowing the Commission full scope), the Community strategy has been to encourage firms in other ailing sectors to trim their fat voluntarily, halt further expansion and switch to other lines of production to boost productivity. An attempt to introduce a "crisis cartel" in the synthetic fibres industry (a particularly hard-hit sector) proved abortive because of conflicting opinions as to the interpretation of the rules on competition and their role in times of economic recession (*). There have been spasmodic Community drives - alas, on such a limited scale that their promise has not been fulfilled - to promote R & D, innovation and retraining programmes and provide aid to alleviate the social repercussions of plant closures. Though full of good intentions, such schemes lacked the practical backing required to carry them through.

On the external relations front, the Community has opted for negotiations (outside GATT) with a view to persuading non-member countries to agree to voluntary restraint on their exports of "sensitive" manufactures. Results have been satisfactory in the textiles industry (the Multifibre Arrangement, currently being renegotiated, is a case in point) but disappointing in other sectors, including shipbuilding (due mainly to failure to enlist the co-operation of several major non-Community producers). It is not clear how much has been achieved by the recent talks with Japan on car imports.

(*) The Economic and Social Committee's Opinion of 30 April 1981 on Competition Policy illustrates the inconsistencies created in the past by an over-rigid interpretation of the Treaty's provisions. The Opinion recognizes the need to interpret the rules more flexibly so that EEC industries can compete with their US and Japanese counterparts.

However, with the exception of this handful of industries where surplus capacity is a particularly serious problem, the EEC has displayed a conspicuous lack of forcefulness. So far it has largely failed to take positive steps to boost the competitiveness of all sectors of European industry, whether traditional or advanced technology, mainly because its own and the Member States' respective areas of responsibility in the sphere of industrial policy have still not been clarified.

In the absence of a Community industrial policy, ailing businesses and sectors are bringing increasing pressure to bear on their Governments. The latter, confronted with the urgent need to protect jobs, have been quick to intervene directly with subsidies, aids and other national measures. As a result, discrepancies between conditions of production from State to State have become even more pronounced, thereby distorting competition within the Community.

In addition, the individual Member States have stepped up bilateral negotiations with non-member countries, outside the Community context, in the hope of securing specific outlets for their manufactures and, where possible, guaranteeing energy supplies. At the present juncture, the latter trend is perhaps the most disturbing feature of the lack of consistency between Community and national external and industrial policies. It is disturbing for many reasons. First and foremost, such disjointed and uncoordinated moves make it harder for the Community to take an effective and consistent stand against the threats its industry faces on all fronts from outside competition. Secondly, it exacerbates distortion of competition, undermining the very fabric of the Common Market.

Last, and perhaps most important, such bilateral negotiations (in many cases piecemeal efforts to find a short-term cure for the economic problems of the moment) make it even harder to tackle the basic issue, i.e. to create a climate stimulating the competitiveness of Community industry across the board. On this last point, lack of co-ordination between the Governments of the Member States is the major factor in undermining the drive and prospects of the Community's external trade policy. It also prevents the Community from assuming its true role and influence on the internal scene. What is needed first and foremost is a common industrial policy designed to harmonize national policies effectively and give backbone to joint efforts to bring down the cost of Community manufactures to make them competitive.

If Community manufactures are once again to hold their own, especially against the products of other Western competitors and the newly industrialized countries, firms must step up productivity. A pre-requisite here is a clear European strategy capable of channelling investment into the modernization and restructuring of plant and equipment and the strengthening of business and sectoral structures. Strenuous efforts are also needed in the areas of research and innovation. Co-ordination of national schemes and the pooling of both Community and national efforts in certain key sectors spanning national frontiers, are a prerequisite to give a shot in the arm to advanced technology industries, in which the future of European industry lies.

Provided the Community's uniform action vis-à-vis the outside world is based on a de facto convergence of Member States' internal policies, the Community could once again rank among the world's leading negotiating powers and be able to discuss on an equal footing ways and means of overcoming the most serious obstacles to economic recovery.

We must avoid the pitfall of isolating aspects of the Community's domestic industrial policy from aspects of its foreign trade policy, as if they were distinct and separate issues. The two are very closely interlinked and it would not only be inconsistent but also very dangerous to pursue uncoordinated policies in these areas.

Consolidating industrial structures in the Community is therefore a pre-requisite for preserving free trade in the world - free trade being recognized as a means to ensure the development of all countries.

Lastly, there is the matter of relations with the industrializing LDCs (*). The various difficulties and inconsistencies now apparent in this sphere can be traced back to the Community's failure to adopt a comprehensive and consistent approach in the past. Just to take the case of the textile industry: the Community started by encouraging investment in a number of LDCs only to appeal to these same countries shortly afterwards to exercise voluntary restraint on their exports to the Community under the Multifibre Arrangement. Our basic aim must be to work out a rational new strategy taking a medium-to-long term view of (a) the potential role of Community industry in a world perspective, (b) inter-relationships and potential advantages and disadvantages of current industrial trends in the LDCs and (c) ways of withstanding sharpened competition from the industrialized States and countries with centrally planned economies. The LDCs look to the EEC not just for specific aid and assistance

(*) This matter was also referred to in para. 4.3. above.

but, first and foremost, for clearcut ideas and guidelines, proffered in that spirit of co-operation that Europe alone seems equipped to provide (*).

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6.2. COHERENCE OF THE COMMUNITY'S EXTERNAL POLICY IN RELATION TO ITS ENERGY POLICY GUIDELINES

Since it first erupted in 1973, the world oil crisis has gone through a number of stages, becoming more and more acute. The Member States and Community Institutions have been forced to come to grips with a threat, unparallelled in history, to future economic growth.

The ESC has studied the energy guidelines adopted by the Community Institutions and given its own Opinion urging prompt implementation of a truly effective Community energy policy reconciling and forcefully protecting the interests and requirements of all Member States.

Up to now a number of complex factors have impeded the framing of such a policy, with the result that the Community has had to content itself with "guiding" - rather than co-ordinating - national energy policies, which are often lacking in uniformity and consistency.

However, there is general consensus on a number of basic principles, namely the need to reduce the Community's dependence on external sources for its energy supplies; sever the link between growth in prosperity and energy consumption

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(*) On ways in which the Community could be of major assistance to the LDCs, see also the ESC working document of 8 May 1980, drawn up by Mr MARGOT, on the small and medium-sized enterprise in ACP/EEC industrial cooperation.

(through large-scale energy savings and rational use of resources); develop the Community's conventional and alternative sources of energy (including nuclear power) wherever possible; step up R & D in the energy sector. The need for a dynamic external policy with a twofold aim of ensuring greater reliability and continuity of supply and diversifying sources has also been recognized.

In recent years the Community Institutions have mainly focussed their efforts on schemes connected with the Community's internal energy policy. As indicated above, the emphasis has been on steering national policies in pursuance of common medium and long-term aims and on implementing constructive Community-scale projects in specific spheres. In contrast, the international relations facet of the Community's energy policy has been somewhat low profile and has stopped short at exhortation.

For instance, it has repeatedly been said that the Community must tackle world energy issues or do something about the serious repercussions of the energy crisis on the LDCs (especially the LLDCs).

Only a short time ago a fresh appeal was made to the oil-producing countries to cooperate more closely with the consumer countries.

None of these statements has got beyond the stage of general policy declarations which, though not to be decried, are devoid for the time being (and possibly for many years to come) of any practical impact. When seeking to determine consistency or inconsistency between the energy policy of the Community (and the Member States) and the external-relations policies being pursued concurrently, there is no problem in pinpointing numerous "sins of omission", i.e. things that have been left undone though nothing stood in their way, in other words things that were perfectly feasible or could at least have been discussed with the other parties involved. The inconsistency between the two policies is undoubtedly attributable to the diffirences of opinion between the Member States on this matter. Another important factor however is the lack of coordination between the Community authorities who have been conducting talks and concluding agreements with non-member countries with little or no reference to energy issues.

Let us briefly sum up the energy implications of the agreements reached in recent years with third countries, breaking down the extensive data available on the Community's external relations under rather different headings from the usual ones to make it easier to draw significant conclusions.

a) Relations with the non-oil LDCs from the energy angle (*)

- A close look at the agreements concluded by the Community with LDCs in recent years show that little or no attention has been given to energy matters (**)

- Specific collaboration with LDCs on energy has only recently been the subject of studies and Commission proposals. The lack of interest in this matter in the past, even in the years immediately following the energy crisis, is somewhat surprising. Yet it is well-known that adequate energy resources are a pre-requisite for those countries' economic development. This issue has assumed major importance and urgency following the worsening of the balance of payments in these countries as a consequence of increases in the price of imported energy products.

(*) This group comprises virtually all ACP countries, many of the "global Mediterranean policy" countries and a large part of Asia and Latin America.

(**) The First, and subsequently the Second, Lomé Convention provides for aid linked to specific energy projects, including electricity production, but only on a limited scale. The matter of energy was summarily considered in the agreements between the EEC and some Mediterranean countries, and between the EEC and ASEAN.

- Past Community agreements make only a vague reference to the vital question of the development of local energy resources which in a number of these countries (though unfortunately not all) could be exploited, if not on an export-oriented basis, at any rate for domestic use.

  In the above agreements no offer whatsoever is made of systematic Community assistance in implementing target-oriented development projects in the energy sector, based on co-ordination and encouraging participation by Community industry.

  All the Community has done is (a) to proffer bilateral aid and funds (EIB) to a number of countries for the construction of specific plant and (b) to act in conjunction with major international organizations such as the United Nations, the World Bank and OECD-IEA.

  At the end of 1978 the Commission was still considering whether other Community ventures could have proved useful. In 1979 it acknowledged that the serious shortage of reliable data and statistics made it impossible to pinpoint the LDCs' true energy requirements.

  For its part, the ESC has expressed concern over the haphazard uncoordinated attitude of the Commission and the other Community Institutions to energy cooperation with the LDCs. In Opinions on the matter (*), delivered on its own initiative, the ESC recommended that immediate steps be taken to draw up a comprehensive programme reflecting a balanced approach to the different regions of the world and sources of energy, the first step being the elementary one of compiling an inventory of the LDCs' energy resources.

(*) OJ C 227 of 10 September 1979.
OJ C 53 of 3 March 1980.

One initial conclusion is self-evident. Framed as a recommendation, it is as follows: prompt steps must be taken to review the energy component of all agreements which the Community has concluded with the LDCs (and likewise all other agreements with non-member countries) so that they can be updated and possibly supplemented by "energy protocols" founded on an overall approach to energy resources both in and outside the Community. A welcome development in this context was the agreement reached by some 140 countries at the recent UN Conference in Nairobi as to the nature of the energy problems threatening both the industrialized countries and the international Community at large. Concrete recommendations were also made as regards the requisite policies for speeding up the development and utilization of new and renewable energy sources.

b) Relations with the industrialized countries from the energy angle (*)

As mentioned above, regular consultations are organized on an institutional basis to allow the Community and the major industrialized countries to discuss their mutual problems.

Recently energy issues have obviously been the focus of attention. The major consumer countries must seek co-operation and co-ordination wherever possible, and avoid beggar-my-neighbour competition for scarce resources.

(*) In addition to the United States and Japan, this group includes countries such as Australia and Canada which are both industrialized and produce energy.

Apart from being a member of the IEA, the Community takes part in the summit meetings between the representatives of the major industrialized countries - most recently in July 1980, in Ottawa. In this respect the Community and the Member States seem to be acting suitably and in accordance with the general aims they have set themselves, even if co-operation between the Western countries still leaves something to be desired. However, the Community has been somewhat slow to take the initiative and co-operate with industrialized, energy supplying countries such as Canada and Australia, in carrying through joint schemes backing up the piecemeal projects under way to put supply and demand for energy (especially coal and nuclear power) on a more stable and predictable footing.

Special attention should be given to a practice indirectly linked with the oil crisis, which could seriously aggravate distortion of competition, thereby making international economic relations even more troubled and disordered.

The practice concerned is the "two-tier" energy price system still applied, especially for oil and natural gas, by a number of countries whose industries are able to buy energy at domestic prices in some cases far below the international market rates.

The Community has intervened in the United States, where the new Administration provided at the beginning of 1981 for the "deregulation" of unrefined domestic oil prices and pledged to speed up the "deregulation" of the cost of natural gas.

The question of "two-tier pricing" of energy products and raw materials in general is followed very closely to avoid this practice spreading, for instance, to oil rich countries aiming at rapid export-oriented industrialization. This would have a wide variety of adverse repercussions.

c) <u>Relations with oil producing countries from the energy angle</u>

As mentioned in connection with the Community's policy of association with the Mediterranean countries, there is a total absence of co-operation in the energy sector with oil producers such as Algeria, Tunisia and Libya (though the latter is a special case).

The absence of co-operation is also apparent in the case of another major oil producer which is party to the Lomé Convention, namely Nigeria. The EEC-ASEAN co-operation agreement barely touches on energy matters, despite Indonesia's being the largest oil producer in South East Asia. The same holds true of the EEC-Andean Pact Agreement as regards Venezuela. This situation would seem inconsistent with the often reiterated desire to establish active co-operation in all spheres with the oil producing countries.

The Community's bid (Euro-Arab dialogue) to establish direct links with the oil-producing Arab countries has ended in stalemate, probably partly because of the indecisiveness of the Member States (and the oil-producing Arab countries). Such attempts have ranged from action by individual Governments or firms to the reactivation of world scale negotiations (North-South Dialogue) embracing all industrialized and developing countries, including the OPEC group.

The aims towards which the Community (and indeed all industrialized countries) must strive are in any event reasonably clearcut : an increase in the world supply of all energy resources, (not just oil); reliable and predictable energy supplies; the recycling of the oil producers' energy revenue, and action to help the worst-off Third

World countries. Creating a climate of renewed goodwill within the Community and in international relations is obviously a pre-requisite for success.

The Community can make a crucial contribution here, especially if it speaks with one voice and takes a clear line.

6.3. INTERACTIONS AND CONSISTENCY BETWEEN THE COMMUNITY'S EXTERNAL-RELATIONS POLICY AND THE COMMON AGRICULTURAL POLICY (CAP)

The aim of this chapter is not to survey the achievements of the Common Agricultural Policy but merely to pinpoint some of the consistencies and inconsistencies of the relationship between the CAP and the Community's external relations.

The Common Agricultural Policy is the most highly developed of the Community's common policies and the way it is managed has major repercussions on the internal stability and external relations of the Community, and on international trade relations in general.

One fundamental feature of the Common Agricultural Policy is the creation of a single internal market for agricultural products - implying free trade between partner countries, common prices in all Member States, common organization of markets, "Community preference" vis-à-vis third countries, and, last but not least, common financial solidarity in supporting the resulting costs.

The existence of a single internal market for agricultural products makes it essential to have common mechanisms at external borders in order to prevent trade deflection. Furthermore, since agricultural prices fluctuate widely, there are disruptive influences which could jeopardize the stability and security of supplies aimed at under the CAP. These are, however, prevented, through common protection measures, from automatically spreading to the EEC via international markets.

The internal agricultural market operates not through quantitative restrictions but through the common customs tariff (in certain cases) and through adjustable mechanisms at external borders. The most important of these mechanisms is the system of import/export levies and refunds, in respect of agricultural products regulated by a common market organization.

Import levies are designed to bring the prices of imported agricultural products into line with those prevailing in the Community, whilst refunds are designed to bring Community prices into line with those prevailing on non-Community markets. Where world prices are higher than common EEC prices, export levies can also be imposed.

The Common Agricultural Policy has greatly influenced the Community's external economic relations, (a) when the Community has drawn up bilateral, commercial and economic cooperation agreements with countries or groups of countries outside the Community, the agreements with ACP, Mediterranean and individual countries, detailed in the preceding chapter), and (b) when the Community has participated, as a distinct economic and political entity, in multilateral negotiations and in initiatives at world level (likewise previously mentioned).

It is also fair to say that agriculture has been the principal focus of attention in the Community's negotiations with non-member countries (some critics feel that this has not been fully justified). This situation can partly be put down, however, to the fact that most of the non-member countries with which the Community has contractual relations are agriculturally oriented.

The Community's negotiators have frequently found themselves in the difficult position of having to reconcile conflicting considerations, e.g. the Community's trade or development policy objectives on the one hand and the requirement of the CAP on the other. Compromise solutions have been hammered out in several instances but these have inevitably given rise to accusations of inconsistency.

Another problem is that of so-called "traditional" trade relations, which the Community has inherited from the previous bilateral preferential which some Member States have concluded with countries outside the Community.

Specific examples will best illustrate this problem.

The most striking example is perhaps that of beef and veal.

Under the Lomé Convention and GATT (agreements on beef and veal quotas), and in various specific agreements with non-member countries, such as Yugoslavia, the Community has undertaken to import large quantities of beef and veal (439,000 tonnes in 1980) at preferential rates in spite of over-production in the Community.

The Community is obliged to re-export these extra surpluses to the international market, and to bear the cost of propping up the export price (470 million units of account in 1980).

The situation is similar in the case of sugar. Under the Lomé Convention, the Community has undertaken to buy 1.3 million tonnes of unrefined or white cane sugar from ACP and other developing countries for an indefinite period and at guaranteed prices.

If the agreed quantities cannot be marketed in the Community at a price equivalent to or higher than the guaranteed price, then the Community meets its commitment, within the framework of the common sugar market, by resorting to intervention or other types of agencies operating on the world market.

The upshot of all this is that the EAGGF is saddled with expenditure stemming solely from EEC development aid commitments. This is important because with the introduction of co-responsibility on 1 August 1981 EAGGF expenditure on Community sugar is negligible.

The Community's commitment to import about 90,000 tonnes of New Zealand butter each year (despite a substantial butter surplus in the Community) poses similar problems, except that New Zealand is a relatively highly developed country. In 1980 350,000 tonnes of butter were re-exported from the Community to the world market at world prices, in addition to the 60,000 tonnes sent to the poorest countries as food aid. The extra expenditure involved in importing New Zealand butter is some 100 million units of account.

Customs duty concessions - under the EEC-Mediterranean agreements and EEC-ACP agreements - on imports of other agricultural products such as <u>wine</u>, <u>fruit</u>, <u>vegetables</u>, <u>olive oil</u> and <u>tobacco</u> have also created considerable financial problems because such products are in direct competition with products from the Mediterranean regions of the Community which qualify for special aid and modernization or redevelopment programmes. The problem of growing Community surpluses in these products has not yet arisen, but it is bound to rear its head when Spain and Portugal join the EEC.

Customs concessions in respect of fats and oils (which abound in the Community) are even more difficult to justify because these products are being imported from the United States and other developed countries and not from needy developing countries. A recent EEC Commission publication (*) states categorically that "competition which butter faces from margarine manufactured from low-priced imported products is related to the absence of a global supply policy for fats". The Committee has often expressed its disappointment that no such policy exists. Indeed it is currently compiling an information Report on the entire oils and fats issue and the feasibility of an overall policy.

Finally, in the case of most cereal substitutes, import duties are non-existent or extremely low (e.g. manioc and molasses). This has led to a net loss of 'own resources' (from levies) as well as to increased expenditure (refunds). At 1979 prices and quantities, imports of about 15 million tonnes of cereal substitutes have netted some 50 million EUA whereas the Community budget would have benefitted to the tune of about 1,300 million EUA if the same tonnage of cereals had been imported.

Other examples could be cited also. Basically, the criticisms raised highlight the risks of swelling Community surpluses which are reducing job opportunities and incomes in the agricultural sector. They do however stress the inconsistency of saddling the CAP budget (EAGGF) with costs and expenditure which in general relate to the Community's external policy. Concessions in fact have had the following financial results :

- significant loss of revenue from customs duties and levies;

- increased expenditure to cover refunds on re-exported surpluses;

(*) European File - February 1981 - Europe's Common Agricultural Policy.

- increased supplementary payments to Community farmers for products threatened by subsidized imports.

It is essential to have an accurate account of such costs and list them separate from the CAP budget - or at least treat them as a separate item within the CAP budget.

A choice has to be made. Certain imports may be indispensable to preserve solidarity with the LDCs or secure a two-way flow of trade but the Community machinery cannot be left to cope alone with the economic and employment side-effects.

However, "inconsistency" between the Community's external relations policy and the Common Agricultural Policy is a wider issue than a mere catalogue of the costs and difficulties the CAP has to bear as a result of concessions to developing countries (and sometimes not only developing countries) outside the Community.

Links between these two policies are very deeply rooted and relate directly and indirectly to the entire range of Community external relations and also to internal policies.

Some non-member countries undoubtedly view the Community's preoccupation with the smooth running of the CAP as a symptom of EEC protectionism. This has had an impact on the Community's direct and indirect interests.

Some of these criticisms have been referred to in preceding paragraphs on EEC trade agreements with non-associated countries outside the Community (particularly the paragraphs on relations with Australia, New Zealand, Canada, Argentina and others).

In certain cases these countries continually bemoan the fact that they have no opportunity to sell their farm products on the European market at prices which are more competitive than Community prices.

The reply to these criticisms is relatively straightforward : the Common Agricultural Policy is a fundamental political Community choice, and does not aim to discriminate in its dealings with any country from outside the Community.

The CAP is consequently a permanent (immutable?) component of the European edifice and has to be taken into account by the rest of the world.

In other cases, the main complaint is that Community surpluses are sold on world markets haphazardly, at irregular intervals, thus upselling the (already precarious) balance.

Some countries (e.g. Australia), have categorically accused the Community at GATT of using refunds to subsidize the sale of non-competitive Community products on their traditional markets.

There has also been sporadic commercial retaliation, with import restrictions being imposed on Community manufactures.

To put it another way, the differences on agricultural matters between the EEC and many countries outside the Community have always been surrounded by tension.

This is even more regrettable when, as stated above, some of the countries with whom major misunderstandings occur, are important potential partners of the Community. Such countries either offer large-scale development possibilities based on the ready availability of mineral wealth, energy and even agricultural resources, or have cultural affinities which should facilitate genuine two-way cooperation with the Community.

We would not claim here that the difficulties engendered by the CAP are solely responsible for the difficulties in cooperation with such countries but they have certainly had an adverse effect on the implementation of an effective Community external economic policy.

In this respect, some of the criticisms of the CAP's shortcomings and of the way the Community intervenes and operates on world markets (especially with regard to the disposal of surpluses) is not without foundation.

The CAP has devoted considerable attention to the common organization of the internal market. It has however not been completely successful and has been unable to achieve the stature of a global policy, capable of expressing a foreign trade policy commensurate with its importance.

Some circles are currently expressing the view that the role of Community agriculture is to help secure the food requirements of a large proportion of the population outside the Community, and to stabilize agricultural markets. The CAP does not, however, have the means to pursue a constructive long-term export policy.

This clearly stems from the fact that in the past the Community role was confined to contributing to world anti-hunger campaigns and to stabilizing world markets through the use of buffer stocks and observance of minimum and maximum prices.

This limitation of the Community's role has apparently been recognized by the Commission which has just submitted an initial document to the Council on the implementation of an export policy for food. This policy is rooted in the Community's desire to see European agriculture play a part in helping to meet the world demand for food, irrespective of whether the countries concerned can afford to pay.

In its "Reflections on the Common Agricultural Policy" of December 1980, (COM(80) 800 final), the Commission notes that the CAP must be given instruments similar to those enjoyed by the major agricultural exporting countries (United States, Canada, Australia, New Zealand), in particular the opportunity to conclude long-term agreements.

This prospect raises the problem of consistency between the way the CAP operates and efforts to organize agricultural markets at a world level.

The Community approach should be flexible and carefully-tuned and should respect the specific economic and political structures of countries whose basic economic and political thinking differs from that of the Community.

Decisions have at any rate to be reached on the direction which production should take and on actual production targets; mechanisms for building up and controlling stocks may also have to be introduced.

In this context there is the problem of what attitude the EEC should adopt towards the "comparative advantage theory" which comes under fire from certain quarters because of the risks entailed in concentrating the world's supply of foodstuffs in too few hands.

In the area of food aid for the most needy countries, the Community's strategy of examining each case separately and on a short-term basis has proved inadequate.

A more systematic and long-term view appears to be desirable so that this type of Community aid can be put on a permanent footing.

The Community could make a much more useful contribution alleviating the world's food shortage by firmly and deliberately focussing on its own development and cooperation policy on the most needy non-member countries. The aim would be to create conditions for local food production in order to help meet the national and regional needs in the country concerned.

To this end the Community should concentrate on carrying out specific research, setting up experimental stations, etc. rather than on continuing to fund projects devoted to a single crop for export to already saturated Western markets.

Care should also be taken to ensure that the STABEX system does not ultimately curb the necessary agricultural diversification of certain countries by encouraging them to persist with a one-crop system that is highly vulnerable to climatic conditions and changes in world markets.

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6.4. THE RELATIONSHIP BETWEEN EXTERNAL RELATIONS AND THE SOCIAL AND EMPLOYMENT POLICIES OF THE EUROPEAN COMMUNITY

Anyone wishing to examine the interactions between the Community's external relations and its social and employment policies must not lose sight of the fact that he is dealing with the relationship between two policy areas with completely different histories.

The initial paragraphs of this Study refer to the legal principles upon which the Community's external activities are based, and outline the events which have marked their development.

During the very first years of the Community's existence, the Community's social policy had only occasional links with its external policy. It was concentrated in the 60's on the implementation of the social provisions of the Treaty and, in the early 70's, on the reform of the Social Fund and the implementation of the Social Action Programme.

As regards external relations, social policy confined itself, during this period, to certain aspects of co-operation policy with some third countries, and in particular to the rights to be granted to migrant workers from these countries under trade and co-operation agreements (Maghreb, Yugoslavia and Portugal) and association agreements (Greece and Turkey).

In the context of external relations one must not forget the presence in the Community of 10 million workers from third countries who have contributed to the development of the Community economy. The transfers they make each year are a very important source of finance for their countries of origin (see attached table).

It is particularly since the early 70's, when the crisis hit the European and world economies with consequent general unemployment, that social policy has had to take into account, amongst other things, the impact of the Community's external policy on employment, and on the situation of the Community's labour force in general.

In some specific sectors (e.g. textiles) the effects on employment were particularly worrying and made necessary certain measures. (The Multifibre Agreement comes to mind, which seeks to stabilize the development of trade relations with third countries).

The fact that there is a direct link between external policy and the objectives of social policy has been increasingly recognized, as witness the Community's attitude on inward processing traffic.

The Commission itself, for example, has submitted to the Council proposals aimed at making the granting of trade preferences to third countries conditional on their observance of international standards on child labour, the maximum number of working hours per day, etc. The Council, however, has failed to follow the Commission's lead in this matter.

As the crisis in whole sectors of production has worsened, and as the commercial pressure from third countries (such as Japan) has increased, the two sides of industry, the workers' and employers' organizations, the Community bodies and the Governments of the Member countries have gradually realized the need for greater consistency between the Community's external measures and the objectives of its social and employment policies.

However, achieving greater consistency between these components of Community policy has, up till now, proved difficult. This is probably because there has been no exhaustive or realistic political debate on fundamental objectives from which long-term guidelines could emerge.

The fact that the Community's ideas and intentions are not sufficiently clear is probably at the root of this lack of political will which has repeatedly shown itself in the Council's decisions and in the attitude of the Member States.

The Economic and Social Committee, even quite recently, (see the Committee's Opinion on Social Developments in the Community in 1980 (*)) has expressed its anxiety about the fact that the Community's decision-making bodies have too often proved lacking by not paying sufficient attention to the social aspect of Community policies.

When all is said and done, the future of the Community depends on the willingness of its Member States to show their political cohesion and their solidarity and to translate this cohesion and solidarity into co-ordinated policies and measures.

There is no doubt that careful thought must be given to the links which exist between the Community's external relations policy and its social and employment policies.

In tackling this problem, the Section examined some aspects of these relations, and these are set out here as a contribution to the debate which has just begun and which, it is hoped, will be both open and thorough.

(*) OJ No. C 230 of 10 September 1981.

Firstly, it must be recognized that the adoption by the Community of concrete external relations initiatives cannot be considered as an "independent variable", i.e. as a neutral fact having no impact on the other internal policies of the Community, such as industrial policy, agricultural policy, social policy, etc.

It is absolutely necessary that all aspects and all possible short and long-term consequences of certain external measures be examined together beforehand.

It will be the task of the political authorities to decide which factors should have priority over others with special reference in each case to the "employment" factor. It will also be up to the decision-making bodies to provide for the measures, instruments and adaptations that will have to be implemented in order to achieve the proposed objectives both internally and externally.

The internal problems of the labour market situation are a matter of special concern. The urgent need to reduce unemployment means that all the consequences of external activities must be viewed in relation to that objective.

Measures to improve the employment situation (for instance, following some suggestions, reduction of working time) must be seen from the point of view of the competitive position of the Community in the world.

This sort of approach is particularly appropriate when dealing with very complex problems such as, for example, the stand which the Community must take as regards the neo-protectionist tendencies which have recently appeared as a result of the difficulties caused by the pressures of external competition.

The principle of the opening up of markets (which is fundamental if European industry is to remain competitive) must be seen in relation to the need to defend the jobs of the Community's workers against the effects of external policy and in relation to the need to maintain and develop co-operation with developing countries.

The Community's policy regarding the developing countries should be directed more than in the past towards aid for the poorest countries. It should allow not only for economic but also for social factors, such as the need for better living conditions for the less fortunate sections of the population, reinforcement of social structures, improvement of working conditions, etc.

However, a careful study is needed to determine the instruments for introducing criteria for selectivity in Community measures.

The Section debated whether it is possible and appropriate, when establishing external relations, to take account of moral criteria, such as respect for human rights or specific political factors (the defence of democracy) or working conditions (child labour, recognition of trade unions, minimum wages, etc.).

Some guidance could be provided by the minimum standards established by internationally recognized organizations (e.g. the ILO), but many uncertainties still remain regarding this problem as a whole and, as has already been said, a lot of thinking will have to be done and careful studies made before a clear Community stand can be adopted. The two sides of industry could be called upon to help the Community bodies in this task.

The Section also discussed the possibility of the Community calling upon European multinationals to ensure that the codes of conduct drawn up by certain international bodies are observed by their subsidiaries operating in developing countries. It was observed that these are problems which should be tackled not just at Community level, and that solutions should be found at international level, in the broadest sense, and that the approach should be based on the principle of voluntary participation by the firms involved. In this area, better information for workers in companies with transnational and complex structures should be an adequate way of taking account of the importance of an active European employment policy.

Finally, there was approval for the proposal that the Social Fund be given additional resources commensurate with the tasks it has to carry out, and that its objectives be modified, since it is an extremely important instrument for implementing measures connected with social policy and the other internal and external policies of the Community.

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6.5. COMPATIBILITY OF THE COMMON REGIONAL POLICY AND SPECIFIC COMPONENTS OF THE COMMON EXTERNAL POLICY

The Community's regional policy has two aims: firstly, to promote economic development in the regions which have traditionally lagged behind the rest of the Community; secondly, to further the regional restructuring and adjustment needed to accommodate changes in the international division of labour.

The disparities between the various regions of the Community are becoming more and more pronounced : apart from the increase in the number of traditionally backward regions which will result from the accession of Mediterranean countries, international competition is hitting vulnerable sectors of the Community economy very hard. This has created a new type of unemployment in regions long considered as centres of employment and now faced with restructuring problems. Community regional requirements are thus changing and becoming more varied and less clear cut.

The Community is increasingly taking decisions in spheres which were previously dealt with entirely or largely at national level. Community regional policy must have a minimum of consistency with national regional aid and development programmes and other Community policies if it is to cope with the resultant new responsibilities. Above all, the impact of agreements with non-member countries cannot be assessed solely in terms of how they affect the Community as a whole. The potential consequences for specific regions must also be taken into account. The Community's regional policy is therefore assuming a new role and dimension.

The main concern must be to forge closer links between regional policy and the Community's external relations and trade strategies.

In this connection, the world economic crisis of recent years has structural components that seem here to stay. These are changing the terms of trade between the Community and its partners and could have direct repercussions on regional equilibria.

The Community has come face to face with the regional repercussions of tailoring its trade policy to the new scenario. The same goes for its development co-operation policy (GSP, Lomé, Mediterranean region, etc.). This can sometimes work to the disadvantage of Community regions.

To date the Community has failed to identify clearly:

- The (beneficial and adverse) regional consequences of its trade and development co-operation policies.

- The countervailing action to be taken, whether it be in the form of compensation for the regions affected, support for restructuring or changes in trade and development co-operation policies.

It was only a short time ago that the Commission woke up to the need to take account of all aspects of the Community regional policy. It has pointed to the vital need, when framing and implementing the individual Community policies, to evaluate and allow for their spatial dimension (1).

The Council Resolution of 6 February 1979 stated that the Council intended to take account of the regional repercussions of its policy decisions.

The Economic and Social Committee, for its part, emphasized in its Opinion on the Revision of the ERDF Regulation (2) that "the regional impact assessment of other Community policies must be expanded" and that other Community Community policies "should also take account directly of particularly adverse consequences which they may have for the less-favoured regions".

Increasing awareness of the inter-relationship between the Community's regional and external policies has prompted a number of schemes, notably the regional development programmes for South-West France and Southern Italy, in anticipation of the impact of enlargement.

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(1) ARI: Analysis of Regional Impact
(2) OJ No. C 185, 27 July 1981

For its part, the European Investment Bank (EIB) has concentrated on underdeveloped or changing regions. Two thirds of its funds have been allocated to ERDF regions and the bulk of the loans provided by the New Community Instrument (administered under Commission supervision) have gone to infrastructure schemes designed to promote regional development.

The European Social Fund is likewise devoting more of its resources to regional aid.

All this support being channelled to the regions is additional to ERDF subsidies, for which more than 1,000 million u.a. were budgeted in 1980.

It should be remembered that the appropriations allotted for such regional operations still fall far short of requirements and are not commensurate with expenditure on other common policies - thereby testifying to the lack of political drive and Community unity in such matters.

Although a Commission task force has been active since 1977 in co-ordinating common funds, each Community instrument still tends to go its own way and to pursue its individual policy regardless of the others.

In addition, Community regional assistance all too often plays second fiddle to national regional-aid schemes - a situation which has been little changed by the introduction of an ERDF "quota-free section".

If something is to be done about this state of affairs, the national quotas should be geared more closely to regional programmes, on the basis of Community guidelines for trade policy, etc.

Monitoring of the compatibility of national regional programmes with Community guidelines is all the more important as it will ensure that individual programmes do not have contradictory effects (for instance - in the event of enlargement - on the competing Mediterranean regions of (a) Spain and Portugal, and (b) the Mediterranean regions of the Ten). It will also ensure that they are compatible with certain principles of the concerted industrial strategy (for instance, in the old industrial areas which have been hit by the recession) and of trade policy.

The impact of Community regional aids on their target areas (as well as that of national schemes) will have to be evaluated before studying the linkage between Community regional policy and Community policies in trade and other areas.

The task force set up to co-ordinate financial instruments has only assessed the impact of Community regional policy on the five top priority regions (Ireland, North and South, the Mezzogiorno, Greenland, French Overseas Departments). Much remains to be done as the task force has stated that, even for these regions, the basic data and statistics are incomplete.

For the time being we therefore do not know enough about the detailed regional patterns to allow us to assess the linkage between regional and other Community policies.

All we can say is that there is a lack of systematic consistency with the Community's external policy, if only because of the disparities between national strategies in this field.

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CONCLUSIONS

This Study is intended to be both a stocktaking of the results of the Community's External Relations and an assessment of how consistent they are with the aims which it was hoped to achieve.

The foregoing chapters III, IV and V contain an analytical appraisal of the main features and results of the Community's relations with non-member countries or groups of countries, classified according to geographical area.

Chapter II contains an essentially favourable assessment of the Community's position in the international scene. It is more than twenty years since the Treaty of Rome came into effect, and in that time the Community has become an acknowledged world leader. It is the major international trading bloc and it enjoys growing prestige in the eyes of third countries, particularly the developing countries. While there may have been disappointments, in the sense that achievements have not always lived up to expectations, the Community has nonetheless established a sound and favourable position in the sphere of international relations, and has prospects of making an even greater impact.

Seen from within the Community, however, it is apparent that the Community has not always been so inconsistent in the aims it has attempted to pursue in the field of external relations, and moreover it has been far from uniformly wholehearted in its efforts.

There are areas where the Community has concentrated its attention and resources and has been prepared to take action, and where positive and noteworthy results have been achieved. Significant achievements, which have enhanced the

Community's prestige, have for instance been obtained in the following areas : the multilateral negotiations on GATT agreements; the creation of a generalized tariff preferences scheme (GSP) to help developing countries (though the scheme is not without its anomalies); relations with EFTA; and the setting-up of instruments for cooperation with ACP countries.

There are, however, other important areas where little has been done and where the Community has been somewhat passive and indifferent, confining itself to ad hoc responses to external pressures.

Finally, and this is something which is even more serious, there are some areas where the Community has virtually taken no action at all.

Since these are intended to be conclusions it is more appropriate to attempt to classify the main factors which may explain the inconsistencies and lack of homogeneity in Community action on the external-relations front, rather than simply list the consistencies and inconsistencies which have already been described in individual paragraphs of the Study. Such a classification is worthwhile even if it is acknowledged that it will be subjective and open to question.

Four groups of factors can be identified :

a) Decisions not to engage in Community action, and forced inactivity, due to political obstacles and conflict with the foreign policies of the individual Member States (whose aims are insufficiently coordinated);

b) Failures to act, owing to limited ability to adjust promptly to external changes (and limited possibilities of doing so);

c) Failures to implement proposed programmes and aims properly, usually because of the inadequate mobilization of resources;

d) Incompatibilities and conflicts between objectives pursued simultaneously by the Community.

Some of the situations that arise can be explained by a combination of factors, so that our classification has to be empirical and avoid rigidity. Nevertheless, it is felt that the classification covers a considerable number of the unsatisfactory situations and instances of inconsistency specified in the Study.

<u>Decisions not to act, and forced inactivity, in the field of Community external relations</u>

The first point to make is that the Study does not deal with the interrelations between national external policy positions and activities on the one hand, and Community external-policy activities on the other.

This is not because the area was deemed to be of little importance : it is because of the complexity of the subject-matter and the difficulties there would have been in carrying out the requisite analyses. The Section considers that at a later stage the Economic and Social Committee can and must devote specific attention to this subject, in order to contribute to the understanding of an extremely delicate aspect of the Community's policy on external relations.

The steps taken by the individual Member States are so closely interrelated with the steps taken by the Community, and impose such heavy constraints on them, that in many cases the Community is unable to pursue a policy towards third countries that is autonomous and reflects the interests of the whole Community.

A passing reference will be sufficient, since situations of this kind were encountered several times in the course of the analysis made in the preceding chapters.

Important examples are (a) the lack of Community initiatives vis-à-vis the oil-producing countries (arising partly out of the fact that it proved impossible to present a common front in defence of the energy policy interests of the Member States), (b) the Community's hesitations and uncertainty in contacts with the COMECON countries, and (c) equivocations over Japan (which has been able to exploit the divisions between European countries).

A further example is to be seen in the way Member States, after agreeing in principle to hand over the reins of external trade policy to the Community, have in practice undermined Community policy in this area to some degree by entering into bilateral, inter-State agreements.

There is also the feebleness of the Community's initiatives with respect to developing countries, while individual Member States (sometimes in competition with each other) have engaged in action under bilateral agreements which has been of much greater political and economic importance.

The Community has also played second fiddle with respect to certain more general questions regarding the present crisis in international economic relations - monetary relations for instance. The Member States have in fact kept this entire area under their direct control, being unwilling for the present to entrust the Community with the task of unifying and coordinating European interests (even though they have not achieved particularly satisfactory results).

In a great many respects, therefore, the limited impact of the Community's external measures is attributable to its record of delays and hesitations in bringing about the convergence and closer alignment of national policies, in pursuit of the goal of political union of the Member States.

<u>Failures to act, owing to limited ability to adjust promptly to external changes and limited possibilities of doing so</u>

It has been pointed out in the Study that the Community has for many years tended to react to urgings and pressures from non-member countries rather than pursue an autonomous external relations policy based on a strategy of its own devising.

Furthermore, in the absence of a masterplan the concrete measures implemented by the Community (e.g. under cooperation agreements with the LDCs) have followed their separate courses and have rarely been coordinated. The resultant imbalances and lack of cohesion are hard to justify.

It is therefore embarassing to have to answer the question whether the Community is pursuing a consistent policy in its relations with the LDCs as a group.

It might perhaps be appropriate to make a periodic review of the factors which have up to now prompted the Community to focus attention on certain regions, which are given preferential treatment (the ACP first and foremost, and the Mediterranean countries), to the virtual neglect of relations with other areas (e.g. South East Asia and Latin America) which are of very great importance for international economic equilibrium.

It is just as debatable whether the Community is pursuing a clearcut policy in its relations with those LDCs that now have embarked on economic expansion and in some cases are achieving very high growth rates (newly industrializing countries such as Brazil, Mexico, Indonesia, Singapore, South Korea, Hong Kong, Taiwan).

Community industries are in difficulties as a result of competition problems, such as marked differences in labour costs due to inadequate social measures, overt forms of protectionism and lack of reciprocity in trade relations. In this connection it is worth recalling Section 6.1. of this Study, where it was stated that a recession like the one that has been with us for almost a decade fundamentally transforms the entire situation and makes it increasingly difficult for markets to regain equilibrium spontaneously, without the backing of well-defined policies pursued by the countries and groups of countries with the greatest responsibilities.

In these circumstances, clinging to semi-obsolete economic and legal instruments created during an era of economic growth could have serious repercussions.

What is needed is a drive to renew and adjust Community external relations to the rapidly evolving realities of the world today (the following issues spring to mind here : relations with the US, Japan and OPEC countries; energy problems; monetary problems, etc.).

In this connection, it is also worth bearing in mind the Study's comments on the drawbacks of persisting in an outdated approach in relations with major commodity suppliers such as Australia, Canada and Argentina. Greater attention should be given to exploiting the scope for complementarity between these countries and the Community.

The uncertain, precarious state of the Community's relations with the Mediterranean countries, on account of the prospect of Spanish and Portuguese accession, is a further sign of its inadequacy in forecasting the implications of new developments and the need for adjustment to them.

Similar comments could be made on the steady contraction of the Community's working population engaged in agriculture, which is to some extent due to increasing imports.

Failure to implement proposed programmes and aims properly

The section of this Study concerned with relations with the ACP and the Mediterranean countries contained a short critical assessment of the extent to which EEC policies had achieved their objectives.

This assessment gave a disturbing picture of inadequacy due largely to the Community's inability to mobilize funds commensurate with the tasks or the magnitude of the problems involved. This factor has to be seen in conjunction with earlier comments on the bilateral assistance being given by individual Member States to LDCs, which is on a scale far in excess of the Community's development cooperation and assistance effort.

The same applies to the Community contribution to food aid and to attempts to combat famine in the world.

All in all, the Community is having to tackle a mammoth task with very limited resources. This evidence of inconsistency should give the Member States in particular food for thought. They should identify more precisely which tasks they really wish to assign to the Community Instititutions, and allocate the requisite resources.

However, even with limited resources at its disposal the Community should strive to be as consistent as possible in its use of these resources, identifying and eliminating long-standing ancmalies and preventing the occurrence of new inconsistencies.

The Commission, in its turn, has run into administrative difficulties because it lacks the staff to keep proper track of the main issues because of the ill-defined demarcation line between its Directorates' responsibilities and because of the changing allocation of tasks between them. In addition, the Directorates have often been guilty of poor liaison and coordination with each other.

Further, it has been pointed out that in some instances the Community has embarked on short-term initiatives or has pursued the ephemeral success attaching to the conclusion of prestigous agreements, without subsequently paying much attention to giving concrete form to the general commitments entered into. The agreements with ASEAN and the Andean Pact are cases in point.

<u>Inconsistencies and difficulties due to incompatibilities and conflict between objectives pursued simultaneously by the Community</u>

This is one of the most serious and disturbing features of the Community's external relations policy. In all probability it ultimately stems in part from the actual text of the Treaty and in part from the guidelines subsequently laid down.

This Study has repeatedly referred to Community initiatives directed towards specific aims which appear incompatible, inconsistent and uncoordinated when appraised in the light of certain other official Community objectives.

Among the specific examples cited in connection with cooperation with the LDCs are the GSP tariff concessions with the countries of the Third World, Asia and Latin America. These have been criticized by the ACP and Mediterranean countries as eroding the preferential treatment which the

Community had agreed to grant them. Moreover the non-member countries not covered by the Community's policies involving preferential treatment for certain regions are demanding equality of treatment by the Community. The same holds good for the anticipated impact on the Mediterranean area (and the friction which will be caused) of decisions in connection with the admission of Southern European countries to the Community.

The inconsistencies and discrepancies highlighted in the section dealing with the interaction between the Community's external and internal policies are perhaps even more marked. The complications produced by the internal and external components of the Common Agricultural Policy speak for themselves (the difficulty in reconciling the smooth operation of the CAP with commitments to import products which only serve to increase existing Community surpluses; friction created by the sale of farm surpluses; disputes with countries that are traditional exporters of farm products and so on).

The same applies to a number of production ventures in the LDCs which have run up against the constraints and restrictions on Community imports of finished products.

Extremely serious, because of its social implications, is the conflict between the aims of protecting free trade (as opposed to resorting to destructive protectionism) and of safeguarding employment in the Community at a time when entire sectors of production, already grappling with structural problems, are gravely threatened by increasing imports from industrialized and developing non-member countries.

This Study draws attention to other relevant examples.

The prolonged acute recession and the Member States' failure to coordinate their (sometimes conflicting) national economic policies effectively have had a direct adverse effect on the cohesiveness of the external action taken by the Community.

Generally speaking, the discussions brought out how difficult it is for the Community Institutions to control the impact of specific external policy measures and in particular any side-effects on other Community policies.

The interrelationships between problems and situations have in fact become so complex as to raise the question whether there is any real chance of achieving a satisfactory level of coherence, given the limited legal and administrative instruments currently available to the Community as a result of institutional situations, which are marked by increasing weakness with the passage of time.

Unfortunately, reasons for such unsatisfactory situations may be even more deep-rooted. The contradictions and inconsistencies of Community policies and actions also stem from the lack of a general, broad framework for the action which the Community has been taking on different fronts over the last decades.

There has never been any exhaustive, realistic political debate on the Community's fundamental objectives (a point made clearly in the chapter on the relationship between external policy and social and employment policy).

It is therefore essential to establish a scale of target priorities which the Community will have to observe in all future measures (and not only those in the external policy sphere); a scale of priorities, however, can only be drawn up if basic long-term strategies are clarified.

This decision has to be taken immediately without further delay, since it is now an inescapable fact that the European Community will have to acquire a more clearcut identity in the political and other spheres if it is to resolve its current crisis.

In conclusion, the political will must be found to adopt a courageous approach to the future of the Community, to promote real economic convergence and to eliminate conflicts between economic and other interests - conflicts which, although sometimes hidden beneath the surface, have in practice been a feature of relations between the Member States and strongly influenced the whole life of the Community.

The Section hopes that the frequent reference in the Study to the importance of coherence will help and further this cause. Since the concept has been the main theme of the Study it would be well to recall what the dictionary says :

> "Coherence : holding together, keeping together the parts of something, concord, harmony, congruity, connectedness".

Done at Brussels, 8 December 1981.

The Chairman of the Section for External Relations	The Secretary-General of the Economic and Social Committee
Jean de PRECIGOUT	Roger LOUET

A P P E N D I X

STATISTICS

ON THE

COMMUNITY'S EXTERNAL TRADE

Source: EUROSTAT

	IMPORTS (10^9 ECU) 1)				EXPORTS (10^9 ECU)			
	1979		1980		1979		1980	
Intra EEC (9)	221,6	-	247,4	-	224,7	-	250,6	-
Extra EEC (9)	218,2	100	271,6	100	194,2	100	224,4	100
Gr. 1 Industrialized countries (a) of which :	111,5	51,1	134,1	49,9	104,9	54,-	119,-	53,-
EFTA	41,0	18,8	48,9	18,-	47,5	24,4	57,-	25,4
USA	34,4	15,8	44,3	16,3	25,-	12,9	26,6	11,9
Canada	5,1	2,3	6,1	2,3	3,4	1,7	3,4	1,5
Australia	2,4	1,1	2,5	0,9	2,9	1,5	3,1	1,4
New Zealand	1,1	0,5	1,1	0,4	0,7	0,4	0,7	0,3
Japan	9,8	4,5	12,5	4,6	4,6	2,4	4,6	2,-
Others	17,7	8,1	18,7	6,9	20,8	10,7	23,6	10,5
Gr. 2 LDCs (a) Total of which :	88,2	40,4	114,6	42,2	69,7	35,9	83,4	37,2
Mediterranean (preferential) (b)	8,2	3,8	11,1	4,1	13,2	6,8	15,4	6,9
ACP	14,8	6,8	18,9	7,-	11,8	6,1	15,7	7,-
Middle East Arab oil suppliers (c)	28,9	13,2	42,7	15,7	13,3	6,8	15,8	7,-
Others	36,3	16,6	41,9	15,4	31,4	16,2	36,5	16,3
Gr. 3 State-trading countries (a) of which :	17,8	8,2	21,9	8,1	17,3	8,9	18,7	8,3
Eastern Europe	16,2	7,4	19,6	7,2	14,7	7,6	16,4	7,3
Others	1,6	0,8	2,3	0,9	2,6	1,3	2,3	1,-
Miscellaneous (d)	0,7	0,3	0,9	0,3	2,3	1,2	3,4	1,5

a) EUROSTAT classification system

b) Algeria, Cyprus, Egypt, Jordan, Israel, Malta, Morocco, Tunisia, Syria.

c) Saudi Arabia, Iraq, Kuwait, Bahrein, Qatar, Oman, United Arab Emirates.

d) Bunker supplies and ship stores; countries unspecified for trade or military reasons.

(cif figures)

GENERAL SUMMARY
of EC trade by country

Value in Mio ECU

import

Trading partners	1958	1960	1963	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
GRAND TOTAL	35 332	44 742	56 871	100 801	116 116	125 992	137 379	174 664	246 509	242 787	308 570	339 972	362 176	439 429	518 916
INTRA-EC (EUR 9)	11 678	16 089	23 443	48 665	56 749	63 777	71 806	90 358	115 708	117 336	148 980	168 229	183 790	221 418	247 363
EXTRA-EC	23 654	28 654	33 429	52 137	59 367	62 216	65 573	84 306	130 802	125 451	159 590	171 743	178 386	218 011	271 552
Class 1	11 760	15 065	17 746	28 510	33 297	34 127	35 942	45 757	59 776	60 326	75 818	82 357	92 750	111 814	134 101
EFTA including Finland	3 430	4 341	5 340	9 293	10 593	11 219	12 298	15 891	20 460	20 245	24 880	28 038	32 838	40 673	48 882
Other Western European countries	781	1 025	1 257	2 247	2 644	2 992	3 598	4 905	5 897	5 880	7 896	8 920	9 918	12 118	13 774
USA and Canada	5 266	7 164	8 199	12 550	15 249	14 640	13 968	17 531	23 810	24 128	29 707	30 037	32 250	38 937	50 358
Class 2	10 654	11 836	13 505	19 731	21 787	23 418	24 451	31 927	61 379	54 976	70 021[2]	75 278[2]	71 192[2]	88 048[2]	114 562
ACP (59 countries)	2 343	2 684	3 000	4 371	4 767	4 531	4 891	6 167	10 502	8 716	10 480	12 502	11 892	14 770	18 923
DOM	117	126	124	130	134	134	142	180	220	263	308	333	341	333	345
TOM	251	233	325	286	336	235	232	264	498	546	547	417	334	560	733
Class 3 [1]	1 191	1 687	2 121	3 786	4 175	4 492	5 032	6 484	8 883	9 237	12 362[3]	13 326[3]	14 008[3]	17 729[3]	21 942
Eastern Europe [1]	1 027	1 449	1 945	3 400	3 807	4 105	4 585	5 905	8 086	8 470	11 291	12 301	12 854	16 143	19 621
Miscellaneous	50	65	58	110	109	178	148	137	764	911	1 388	782	436	420	947
Main countries:															
Norway	418	515	538	1 184	1 415	1 422	1 444	1 860	2 388	2 747	3 197	3 779	5 392	6 206	8 377
Sweden	1 219	1 520	1 835	3 160	3 623	3 784	4 079	5 229	6 649	6 368	7 794	8 068	8 537	10 284	11 474
Finland	449	621	717	1 095	1 210	1 227	1 304	1 606	2 210	1 784	2 399	2 752	2 962	3 869	4 427
Switzerland	727	940	1 242	2 253	2 502	2 738	3 185	4 160	5 483	5 751	6 796	7 938	9 521	12 365	15 419
Austria	473	581	728	1 172	1 339	1 496	1 654	2 133	2 689	2 673	3 649	4 348	5 077	6 085	6 937
Portugal	125	140	184	387	439	497	571	778	954	853	924	1 004	1 175	1 617	1 961
Spain	348	517	536	971	1 144	1 443	1 723	2 310	2 953	2 997	3 974	4 771	5 486	6 674	8 050
Yugoslavia	172	205	326	614	679	738	930	1 169	1 193	1 041	1 459	1 569	1 588	1 967	2 057
Greece	135	113	142	343	400	416	504	766	998	1 169	1 417	1 517	1 725	2 202	2 301
Turkey	117	185	244	294	334	360	397	578	649	566	873	820	836	942	996
Soviet Union	458	671	863	1 424	1 507	1 567	1 645	2 274	3 576	3 816	5 522	6 199	6 464	8 418	11 105
German Democratic Republic [1]	58	89	109	228	218	234	278	313	460	463	583	590	645	717	854
Poland	215	271	378	530	658	745	871	1 122	1 466	1 593	1 976	2 138	2 256	2 437	2 670
Czechoslovakia	131	169	169	407	453	510	555	675	793	826	988	1 072	1 094	1 283	1 453
Hungary	68	96	155	305	357	390	504	637	705	692	851	1 004	1 012	1 256	1 365
Romania	66	105	186	351	431	476	547	655	835	868	1 092	1 008	1 072	1 580	1 716
Bulgaria	30	47	83	150	175	172	176	218	228	191	256	262	289	405	411
Morocco	351	347	349	377	408	386	435	582	912	808	840	838	845	1 011	1 169
Algeria	507	585	688	876	914	682	772	1 071	2 126	2 048	2 153	2 099	2 006	2 761	4 027
Tunisia	130	115	167	103	121	137	193	192	423	357	412	561	569	790	1 098
Libya	11	8	342	1 973	2 214	2 207	1 688	1 986	4 651	2 628	4 033	3 863	3 275	4 876	6 373
Egypt	77	107	137	157	205	201	142	193	264	319	678	703	945	1 183	1 746
Sudan	72	94	112	109	109	98	96	134	145	169	223	215	210	168	166
Senegal		96	122	103	116	101	145	127	255	252	326	350	217	250	192
Liberia	34	52	66	170	218	207	219	270	319	251	338	366	390	404	464
Ivory Coast		102	205	400	401	373	409	554	740	694	1 011	1 474	1 369	1 406	1 411
Ghana	165	172	151	210	189	148	152	213	261	246	325	462	428	341	391
Nigeria	339	388	421	588	817	1 191	1 293	1 491	3 828	2 840	3 229	3 479	3 367	5 339	7 872
Cameroon	114	94	137	183	186	167	165	218	352	298	368	526	584	611	712
Gabon		38	75	105	118	137	159	210	494	374	378	432	440	550	776
Zaire	219	402	278	688	757	527	495	806	1 136	694	910	1 082	1 106	1 094	1 318
Kenya	38	41	58	100	108	113	121	159	201	178	271	522	402	377	456
Zambia				593	589	339	343	432	660	409	405	460	308	526	561
Republic of South Africa	512	549	715	1 344	1 283	1 228	1 320	1 684	2 300	2 967	3 856	4 675	6 147	6 971	5 063

1) Figures for trade by Germany (Fed. Rep.) with the German Democratic Republic and the Soviet sector of Berlin are given at the bottom of this table, but are not included in any of the da[ta] given elsewhere in this publication on trade by Germany (Fed. Rep) and the European Communities.
2) *Excluding Cuba*
3) Including Cuba.

Value in Mio ECU

import

Trading partners	1958	1960	1963	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
United States of America	3 952	5 645	6 689	10 473	12 300	11 922	11 504	14 669	20 342	20 598	25 342	25 736	28 276	33 853	44 250
Canada	1 314	1 519	1 511	2 078	2 950	2 719	2 464	2 862	4 006	3 530	4 365	4 301	3 975	5 085	6 108
Mexico	132	163	178	214	139	131	133	175	349	321	376	433	387	446	1 063
Panama	7	8	15	33	40	69	63	110	63	95	106	131	104	199	148
Cuba	92	64	101	49	61	57	51	75	93	73	129	105	124	161	247
Netherlands Antilles	121	109	149	59	60	73	53	59	155	213	255	107	91	215	424
Colombia	84	134	122	173	204	200	210	236	320	416	566	715	815	877	1 060
Venezuela	461	405	504	378	392	437	346	352	764	755	810	510	576	951	1 710
Peru	126	221	274	308	345	301	280	221	337	260	297	306	262	422	527
Brazil	343	393	484	914	1 079	1 085	1 345	1 978	2 275	2 214	2 754	3 440	3 048	3 597	4 134
Chile	178	256	230	597	654	473	361	378	666	512	698	650	721	1 065	1 316
Argentina	672	750	860	866	981	929	951	1 150	1 313	873	1 348	1 810	1 977	2 095	1 777
Syria	71	103	155	69	93	141	78	106	245	465	650	604	509	611	930
Iraq	525	611	672	711	687	817	682	951	2 624	2 827	3 657	4 077	4 534	5 968	7 909
Iran	399	418	505	738	887	1 327	1 553	2 289	6 779	6 557	8 345	7 473	6 760	4 346	2 771
Israel	69	103	167	291	314	380	418	460	543	573	816	1 000	1 186	1 350	1 599
Saudi Arabia	343	377	325	980	1 271	2 098	2 655	3 708	10 855	9 130	11 889	12 806	9 940	14 265	24 520
Kuwait	918	898	1 005	1 154	1 268	1 595	1 613	1 662	3 123	2 526	2 533	2 690	2 991	4 526	4 036
Qatar	87	50	70	171	187	250	287	388	862	734	1 236	830	752	870	1 475
United Arab Emirates						555	467	732	2 217	2 409	2 942	3 067	2 567	3 117	4 375
Oman							136	108	344	384	370	145	193	159	352
Pakistan								186	250	223	258	271	293	376	441
India	506	544	566	469	460	478	517	663	884	916	1 421	1 650	1 612	1 831	1 799
Thailand	39	54	81	122	140	148	154	217	358	336	582	755	914	1 015	1 237
Indonesia	187	167	119	258	247	249	255	360	457	415	639	853	853	1 083	1 192
Malaysia	306	415	280	316	392	366	371	639	886	728	1 156	1 340	1 310	1 679	1 788
Singapore	74	76	69	107	122	135	172	359	353	370	514	634	640	950	1 859
Philippines	80	122	125	107	97	149	159	205	261	350	454	552	575	722	820
China	163	235	165	370	348	362	418	544	722	667	860	863	940	1 313	1 889
South Korea	2	3	6	37	59	71	114	238	459	619	1 014	1 265	1 424	1 686	1 972
Japan	241	304	510	1 212	1 650	2 091	2 654	3 399	4 376	4 826	6 399	7 669	8 730	9 678	12 462
Taiwan	7	11	23	94	143	194	262	454	625	684	878	1 082	1 208	1 632	2 165
Hong Kong	96	156	268	549	609	738	838	1 074	1 266	1 372	1 960	2 010	2 235	2 885	3 602
Australia	959	1 001	1 061	1 171	1 227	1 252	1 347	1 520	1 659	1 605	2 244	2 105	1 890	2 368	2 472
New Zealand	573	681	665	691	652	705	759	830	735	678	837	912	975	1 069	1 090
Inter-zone trade [1])	204	267	256	421	545	636	666	812	1 055	1 096	1 377	1 495	1 526	1 828	2 210

1) Figures for trade by Germany (Fed Rep) with the German Democratic Republic and the Soviet sector of Berlin are given at the bottom of this table, but are not included in any of the da given elsewhere in this publication on trade by Germany (Fed Rep.) and the European Communities

of EC trade by country

Value in Mio ECU

export

Trading partners	1958	1960	1963	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
GRAND TOTAL	33 665	41 976	51 833	97 140	112 178	124 925	137 725	170 703	231 290	239 571	292 651	332 789	359 669	418 863	475 055
INTRA-EC (EUR 9)	11 563	16 098	23 427	48 191	56 465	63 505	71 971	90 031	117 066	118 359	151 351	168 501	185 777	224 681	250 610
EXTRA-EC	22 102	25 879	28 408	48 591	55 712	61 420	65 754	80 673	114 224	121 212	141 300	164 288	173 893	194 182	224 446
Class 1	11 194	13 732	16 629	30 034	34 743	38 129	40 844	49 785	66 531	62 505	74 131	85 643	89 983	104 941	118 978
EFTA including Finland	4 414	5 719	7 344	11 732	14 134	15 188	16 802	20 861	27 948	27 135	33 486	38 302	39 198	47 518	57 023
Other Western European countries	1 118	1 306	1 969	4 064	4 814	5 388	6 070	7 813	11 005	11 338	12 735	14 556	14 015	17 403	18 641
USA and Canada	3 411	4 269	4 578	10 021	10 770	12 360	13 219	14 775	18 443	15 752	19 022	23 543	26 328	28 406	29 953
Class 2	9 440	10 279	9 799	14 665	16 261	18 141	19 045	22 948	35 213	44 068	50 951 2)	61 875 2)	66 523 2)	69 670 2)	83 388
ACP (59 countries)	2 047	2 193	2 287	2 914	3 507	3 932	4 041	4 462	6 122	8 124	9 888	12 519	12 723	11 807	15 684
DOM	103	108	153	300	333	327	349	507	574	695	806	914	995	1 278	1 432
TOM	262	254	192	461	580	315	436	504	641	583	672	917	753	754	744
Class 3 1)	1 267	1 657	1 706	3 840	4 259	4 515	5 215	7 212	10 929	13 014	14 238 3)	14 540 3)	15 436 3)	17 266 3)	18 721
Eastern Europe 1)	683	1 322	1 545	3 355	3 783	4 104	4 824	6 508	9 905	11 726	12 544	13 226	13 421	14 673	16 375
Miscellaneous	200	210	273	412	450	635	650	729	1 550	1 625	1 980	2 230	1 951	2 305	3 359
Main countries:															
Norway	683	722	896	1 325	1 535	1 610	1 689	2 251	2 796	3 267	4 152	4 797	3 861	4 361	5 136
Sweden	1 311	1 621	1 959	3 177	3 690	3 686	3 969	4 839	7 014	7 221	8 575	8 860	8 180	10 449	11 663
Finland	312	510	533	835	1 063	1 103	1 149	1 386	1 972	2 021	2 086	2 139	2 065	2 557	3 456
Switzerland	1 168	1 629	2 443	3 777	4 605	5 073	5 796	7 183	9 347	8 344	10 192	12 081	14 504	17 757	22 276
Austria	652	888	1 128	1 889	2 338	2 741	3 170	3 859	4 890	4 903	6 655	8 216	8 409	9 792	11 272
Portugal	259	310	334	673	811	869	922	1 217	1 737	1 225	1 649	1 952	1 922	2 230	2 895
Spain	338	332	830	1 555	1 795	1 934	2 411	3 179	4 355	4 088	4 816	5 335	5 001	6 525	7 581
Yugoslavia	219	334	348	1 008	1 389	1 557	1 436	1 785	2 828	2 783	2 686	3 567	3 708	4 410	4 131
Greece	290	284	430	806	963	1 175	1 301	1 634	1 916	2 173	2 465	2 897	3 139	4 077	4 214
Turkey	182	277	272	434	503	556	743	949	1 541	1 804	2 292	2 157	1 563	1 588	1 821
Soviet Union	366	576	579	1 312	1 375	1 330	1 541	2 160	3 337	4 918	5 184	5 852	5 630	6 313	7 518
German Democratic Republic 1)	54	92	99	159	199	235	304	298	427	459	557	475	535	746	806
Poland	196	200	298	548	575	667	971	1 639	2 451	2 649	2 836	2 553	2 507	2 479	2 776
Czechoslovakia	127	164	135	422	538	632	632	745	1 005	1 021	1 237	1 236	1 211	1 277	1 313
Hungary	69	126	176	271	394	494	533	628	1 066	958	1 055	1 337	1 545	1 478	1 550
Romania	52	101	183	465	478	516	616	752	1 099	1 036	1 095	1 193	1 423	1 742	1 641
Bulgaria	27	59	70	164	209	215	212	273	491	651	574	542	538	599	728
Morocco	282	282	265	336	376	378	369	504	788	1 047	1 317	1 537	1 343	1 676	1 479
Algeria	1 025	1 142	593	687	857	836	947	1 239	2 057	2 824	2 759	3 677	3 638	3 812	4 710
Tunisia	121	158	145	161	187	209	274	344	550	711	837	978	1 121	1 233	1 541
Libya	62	107	151	406	311	423	650	901	1 625	1 970	2 136	2 583	2 623	3 388	4 146
Egypt	193	259	298	280	331	301	278	398	814	1 352	1 519	1 682	1 821	2 324	3 105
Sudan	65	80	134	91	86	92	100	122	184	299	412	481	481	401	473
Senegal	.	114	134	137	124	136	165	189	252	275	357	397	372	428	444
Liberia	76	110	113	90	197	220	318	360	337	607	661	792	334	375	334
Ivory Coast	-	83	143	218	249	268	291	359	446	485	656	851	991	1 110	1 165
Ghana	137	204	186	158	177	204	94	147	278	241	330	410	419	285	315
Nigeria	265	342	301	351	509	695	694	771	1 148	2 405	3 320	4 604	4 674	3 550	6 010
Cameroon	70	53	76	141	162	153	162	174	238	286	330	427	485	619	742
Gabon		17	30	57	64	68	91	120	209	327	448	454	268	279	394
Zaire	155	103	89	244	296	342	310	354	510	475	406	445	391	428	508
Kenya	82	95	95	186	205	248	214	222	327	273	311	448	622	521	750
Zambia				132	154	190	180	172	275	281	253	240	208	236	313
Republic of South Africa	805	737	922	1 497	1 831	2 013	1 603	2 030	3 179	3 296	3 153	2 815	3 211	3 290	5 042

1) Figures for trade by Germany (Fa
given elsewhere in this publicat
2) *Excluding Cuba*
3) Including Cuba.

ɔf EC trade by country

Value in Mio ECU

export

Trading partners	1958	1960	1963	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
United States of America	2 622	3 344	3 785	8 524	9 306	10 569	11 315	12 800	15 911	13 201	16 247	20 499	23 142	25 048	26 564
Canada	789	925	834	1 498	1 464	1 791	1 904	1 974	2 532	2 552	2 775	3 044	3 186	3 358	3 389
Mexico	168	206	211	417	484	491	497	616	933	969	971	801	1 281	1 544	2 180
Panama	69	68	57	133	141	134	190	133	217	342	373	241	265	308	334
Cuba	97	68	34	162	215	183	112	128	353	436	370	342	242	248	438
Netherlands Antilles	100	54	43	79	143	100	93	135	125	120	190	256	291	282	238
Colombia	89	118	118	130	173	198	194	200	315	311	310	435	437	534	561
Venezuela	422	317	252	391	425	507	560	614	800	1 082	1 368	2 106	1 868	1 389	1 551
Peru	84	101	168	186	169	204	196	247	349	507	346	294	255	481	417
Brazil	333	363	335	610	726	993	1 202	1 447	2 617	2 309	2 216	2 209	2 117	2 373	2 535
Chile	82	158	146	206	225	257	260	221	283	236	230	302	346	498	596
Argentina	399	470	345	531	564	586	595	504	627	799	727	1 012	1 095	1 741	2 221
Syria	86	97	65	113	95	124	152	214	477	584	1 032	858	800	1 053	1 245
Iraq	165	152	109	156	163	181	219	222	784	1 851	1 995	1 765	1 915	2 667	3 816
Iran	316	328	257	692	726	856	995	1 381	2 198	4 056	4 715	5 387	5 912	2 267	3 211
Israel	153	197	230	631	669	784	879	1 134	1 428	1 298	1 287	1 484	1 634	1 777	1 676
Saudi Arabia	80	65	87	306	263	281	323	420	876	1 467	3 077	4 557	5 659	6 392	7 283
Kuwait	96	90	129	230	219	214	206	236	433	590	957	1 236	1 300	1 353	1 474
Qatar	15	14	15	25	29	54	53	67	90	191	304	382	355	417	392
United Arab Emirates						144	106	187	410	768	1 175	1 544	1 600	1 790	2 079
Oman							66	72	173	320	291	384	304	382	394
Pakistan								234	363	425	502	665	641	805	890
India	892	767	687	445	461	649	715	688	845	1 089	1 140	1 395	1 856	2 006	2 298
Thailand	92	99	143	244	244	213	217	266	449	346	348	535	584	764	726
Indonesia	146	192	140	170	214	239	245	389	639	764	1 088	1 081	945	803	1 252
Malaysia	159	181	221	216	267	292	250	342	552	453	481	559	729	840	1 035
Singapore	134	145	167	242	318	383	398	509	762	681	781	917	1 058	1 321	1 713
Philippines	67	78	118	226	210	214	153	180	334	329	406	442	543	616	591
China	384	331	153	432	461	397	369	607	807	1 153	1 186	796	1 489	2 101	1 725
South Korea	57	66	32	173	155	207	166	184	271	474	532	659	1 001	1 245	941
Japan	198	296	512	1 086	1 384	1 339	1 491	2 306	2 769	2 227	2 722	3 093	3 727	4 632	4 569
Taiwan	17	21	22	82	116	173	161	343	481	412	482	489	666	819	872
Hong Kong	141	199	267	452	529	556	556	691	753	717	946	1 167	1 650	1 877	2 133
Australia	841	1 009	923	1 270	1 409	1 403	1 239	1 523	2 426	2 129	2 407	2 678	2 833	2 946	3 080
New Zealand	407	396	380	363	404	439	422	478	762	627	607	656	670	748	670
Inter-zone trade [1]	191	228	215	577	660	685	818	915	1 190	1 286	1 516	1 640	1 770	1 880	2 097

1) Figures for trade by Germany (Fe
given elsewhere in this publica