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Direct Elections

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The European Community and the Third World II
Frank Ellis

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The Common Agricultural Policy

Agricultural commodities and processed foods are a group of products which are of particular concern to developing countries because it is often the case (a) that they are at their most competitive in the production of such goods, which use a great deal of labour but do not require large quantities of expensive capital, and (b), that such goods can provide the best contribution to development in rural areas where the problems of unemployment and poverty are at their most acute. With this in mind we need to examine the agricultural policy of the EEC and its effect on markets for developing country exports.

The Common Agricultural Policy (CAP) came into being as a consequence of two main pressures operating at the time of the formation of the Community. In the first place, harmonisation of food prices and the free movement of food through the Community were essential to the idea of a common market. Failure to achieve such harmonisation would have meant widely differing food prices in the separate member countries, because national agricultural policies had varied considerably before the Treaty of Rome. This in turn would have implied varying wage costs between different countries which would have seriously undermined the aim of free trade in manufactures. Secondly, all European countries had a ‘farm problem’ in the sense that the majority of the rural population were peasant farmers working small and inefficient holdings for incomes which steadily fell behind those obtained in the industrial sectors of each country.

The aims of the CAP were thus to guarantee European farmers a fair income in comparison to non-farm incomes, and to harmonise prices. Unfortunately for outside suppliers of foodstuffs to the Community, the method chosen to achieve both these objectives was to set common prices at a level well above those ruling on world markets at the time, backed up by a system of variable import levies so that suppliers from outside could not undercut or compete with the chosen internal price level.

Regulations under the policy were established between 1965 and 1970 for all cereals (including rice, which was grown inefficiently in a small area of Italy); all meat (excluding mutton and lamb); eggs; dairy products; oils and vegetables. The mechanism for regulating each product is essentially the same. Each year a desired internal price level is agreed, called the target price. This is supported externally by an intervention price, about 7 per cent below the target price. If internal prices fall to the intervention level government authorities must buy all supplies coming onto the market at that price. The target price is supported externally by a threshold price (which equals the target price minus the cost of transport to internal markets) which is the minimum price at which outside suppliers can enter the Community. Any difference between the world price and the threshold price is collected as a variable levy (variable so that it always adjusts for changes in the world prices). In order to get rid of surplus supplies at times of over-production export subsidies are also provided so that surpluses can be sold on the world markets at world prices.

When world prices are low, the Common Agricultural Policy has undesirable consequences, both internally, and particularly for outside suppliers, including potential Third World exporters of agricultural products. Internally, if prices are too high home production increases rapidly so that the Community becomes self-sufficient in one or more commodities. But the process does not always stop there: self-sufficiency may turn into over-production, and then surpluses must be exported at great cost to Community tax-payers – unwanted surpluses of butter were sold cheaply to Russia in 1973, for example.

In such a situation of internal prices, high relative to world levels, the effect of CAP is to diminish the size of the market available for outside suppliers as internal production expands. Products of particular interest to Third World exporters which have in the past been affected in this way are sugar, rice, beef, tobacco, oilseeds, fruit and vegetables. Canned and processed foods are also adversely affected by CAP regulations – for instance, exporters of tinned fruit to the EEC must pay a levy on the sugar content of the tin as well as a normal CET duty on canned foods. It is also CAP and its supporters which have made sure that agricultural commodities are excluded from special trade arrangements like Association. Table 3 shows how far above world prices Community prices for some products were in the 1971/72 crop year.

Table 3

<table>
<thead>
<tr>
<th>Product</th>
<th>World price at Community ports £ per ton</th>
<th>Minimum import price into the Community (Threshold price) £ per ton</th>
<th>Community price as a % above world price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>22·8</td>
<td>47·7</td>
<td>109</td>
</tr>
<tr>
<td>Barley</td>
<td>23·2</td>
<td>42·9</td>
<td>185</td>
</tr>
<tr>
<td>Maize</td>
<td>23·6</td>
<td>41·5</td>
<td>76</td>
</tr>
<tr>
<td>Rice</td>
<td>43·3</td>
<td>88·5</td>
<td>105</td>
</tr>
<tr>
<td>Sugar</td>
<td>66·7</td>
<td>96·5</td>
<td>45</td>
</tr>
<tr>
<td>Beef</td>
<td>228·8</td>
<td>304·8</td>
<td>33</td>
</tr>
<tr>
<td>Eggs</td>
<td>169·4</td>
<td>274·4</td>
<td>62</td>
</tr>
<tr>
<td>Butter</td>
<td>478·4</td>
<td>829·0</td>
<td>72</td>
</tr>
</tbody>
</table>


A very substantial increase in the world price of foodstuffs since late 1972 has created a new situation in which Community prices are now below world
The maximum freedom to expand existing products under terms which would give developing countries the special case of sugar. Britain has traditionally restricted its own production of sugar from beet to about one third of total requirements by acreage quotas, keeping two thirds (1.8 million tons) available for outside suppliers under the Commonwealth Sugar Agreement. By contrast the EEC was already self-sufficient at the start of its sugar policy in 1968, and under the stimulus of high CAP prices has since moved into a surplus of roughly 1 million tons. 1.4 million tons of the Commonwealth Sugar Agreement came from seven developing countries which depend on the export of cane sugar for most of their foreign exchange revenues, employment, and resources for development. (The countries concerned were Barbados, Fiji, Guyana, Jamaica, Mauritius, Swaziland, and Trinidad: the value of their sugar exported to the UK was £62 million in 1972). Under the terms of UK entry to the EEC the Commonwealth Sugar Agreement expires at the end of 1974. Unless it is extended or replaced by a new agreement, these countries will lose their UK sugar market to the surplus being generated in the six. In general it must be stated that there are a number of potential ways of safeguarding the interests of farmers in developed countries other than the particular methods adopted by CAP. In Britain there was a policy of subsidies by product (called deficiency payments), allied with grants to make farms more efficient - consumers paid world prices, and supply did not expand very much (or was restricted so that outside suppliers kept a guaranteed market). In the United States large acreages were taken out of production when over-supply occurred.

The European Generalised Schemes of Preference (GSP)

The principle of Generalised Schemes of Preference (GSP), in which all countries were to offer poor countries preferential access for their manufactured exports, emerged from a resolution passed in the 1968 meeting of the United Nations Conference on Trade and Development (UNCTAD). The implementation of an agreed world-wide scheme was prevented by the refusal of the United States to participate, and therefore individual developed countries including Britain and the EEC separately brought out their own schemes in 1970. The original GSP proposal was for duty-free and flexible access to be granted for all manufactured products (terms which were later strengthened to cover clothing, leather goods, footwear, carpets, toys and handicrafts). Additional restrictions applying to all GSP products are that the annual growth of the quotas were fixed in advance at a low level (5 per cent in the original EEC scheme) and that all products must comply with strict 'rules of origin' regulations. The original European scheme was in some ways less generous than that implemented separately by Britain before Accession. Also the relatively favour- able Commonwealth textile quotas will be lost when Britain adopts the EEC scheme. An UNCTAD study of 1973 showed that out of a total of $5.300 million of Third World exports in 1970 potentially eligible for GSP schemes (i.e. dutiable manufactured products), only $2,100 million (or less than half), were actually included in the GSPs which actually emerged. See insert The European Community and the Third World - 'Recent Developments'.

Current events of importance to the relationship between the EEC and developing countries

(a) The increase in oil prices

The rise in the international market price of oil from £1.13 per barrel in October 1973 to £3.35 per barrel in January 1974 (initiated by the strategy of OPEC - the Organisation of Petroleum Exporting Countries) has large and widespread implications for world development in the next decade. The majority of non-oil producing countries, both developed and developing, face massive balance of payments deficits and inflation problems resulting from the increase. For developed market economies as a whole the extra oil import cost amounts to about £21,000 million in 1974, of which £13,000 million falls on Western Europe. For developing countries the cost is estimated at £5,000 million.

The short-term impact of the Conference of Commonwealth Heads of Government in London was to take urgent action which would make matters worse. For instance, developed countries are tempted to restrict imports of other goods from their neighbours (and from developing countries) and to devalue their currencies in order to try and cancel out their individual national deficits. Such actions would have the effect of creating a downward spiral in economic activity leading towards a major world depression, and meanwhile the underlying problem - the deficit with the oil producing countries - would remain unsolved. Developing countries face a particularly acute problem because their ability to borrow money is
extremely limited compared with developed countries and because for some of them the increase in oil prices has come on top of increased prices for imports of food and other goods required for their development plans. India, Bangladesh and Sri Lanka are the most seriously affected on all these counts. India, for instance, will be paying £330 million more for her oil in 1974 compared to 1973, an amount equivalent to 30 per cent of her total export earnings and half her accumulated foreign exchange reserves. (In addition India has already experienced serious difficulties in paying for food and raw materials imports in recent years; and because fertilisers are manufactured directly from oil by-products, her own food production will suffer through inability to afford the import or manufacture of fertilisers.) Solutions to these problems are not easily worked out. Much depends on the use to which the surplus of indecision, the greatest danger is that the funds will be made available too late to prevent a severe breakdown of economic progress in those countries most seriously affected - in which case the task of getting back on an upward growth path will be more difficult and more expensive.

(b) The drought in the Sahelian countries of West Africa
Six countries in West Africa bordering on the southern edge of the Sahara desert (an area known as the Sahel) have been suffering increasing and serious problems of drought and widespread famine in the last five years due to the advance of the Sahara southwards. This phenomenon has itself resulted from successive failure of rains, soil erosion caused by too intensive cultivation and grazing, and deforestation in the area. The countries concerned are amongst the poorest in the world, and are therefore least able to cope with the tremendous problems of hunger and malnutrition being caused. The European Community has done much to try and alleviate this problem both by contributing to the United Nations Food Aid programme and by making grants available from the European Development Fund (£9 million in 1973). The Commission has proposed further and increased help in 1974, amounting to £18 million in Food Aid and £16 million in Financial Aid from the EDF. This is an example of a situation of extreme difficulty and poverty in which Europe has responded quite generously in attempts to alleviate the problem.

### GENERAL SUMMARY OF TRADE FIGURES

Exports from developing countries to the main industrialised countries 1966 and 1971.

<table>
<thead>
<tr>
<th>Year</th>
<th>TOTAL EXPORTS TO WORLD</th>
<th>USA</th>
<th>Centrally Planned Economies</th>
<th>Japan</th>
<th>£ million</th>
<th>EEC UK</th>
<th>EEC and UK As a % of total Third World Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>16,140</td>
<td>3,090</td>
<td>975</td>
<td>1,355</td>
<td>3,930</td>
<td>1,635</td>
<td>5,565</td>
</tr>
<tr>
<td>1971</td>
<td>25,800</td>
<td>4,660</td>
<td>1,320</td>
<td>2,910</td>
<td>6,360</td>
<td>2,340</td>
<td>8,700</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34.5%</td>
<td>33.7%</td>
<td></td>
</tr>
<tr>
<td>Annual % Increase</td>
<td>12%</td>
<td>10%</td>
<td>7%</td>
<td>23%</td>
<td>12%</td>
<td>9%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Exports from the EEC* to developing countries 1966 and 1971.

<table>
<thead>
<tr>
<th>Year</th>
<th>EEC Total Exports to World</th>
<th>£ million</th>
<th>EEC Exports to Third World</th>
<th>% of Total Exports</th>
<th>USA Exports to Third World</th>
<th>% of total Developed Country Exports to Third World</th>
<th>Total Developed Country Exports to Third World</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>27,820</td>
<td>4,750</td>
<td>17%</td>
<td>4,160</td>
<td>12,310</td>
<td>39%</td>
<td></td>
</tr>
<tr>
<td>1971</td>
<td>51,350</td>
<td>7,530</td>
<td>15%</td>
<td>5,530</td>
<td>19,960</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Annual % Increase</td>
<td>17%</td>
<td>12%</td>
<td>—</td>
<td>7%</td>
<td>12%</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

* Old EEC (Six) and UK.
** America is the second largest supplier of goods to the Third World.

funds (estimated to be £15,000 million by the end of 1974) of the Arab oil producers are put. The United Nations has been trying to create a special fund of some £1,250 million for emergency relief for the most seriously affected developing countries, of which contributions of £210 million each would come from USA, Europe, and other industrialised countries, and £625 million would come from the oil producers. At the time of writing it is uncertain whether this figure will be achieved; and meanwhile several of the oil producers have expressed their own plans for the creation of an Arab Development Bank, and Iran has announced its intention of directing special funds to the International Monetary Fund for concessional loans to developing countries. In this complex situa-

6 Chad, Mali, Niger, Upper Volta, Mauritania, and Senegal; average annual incomes ranging from £30 to £70 per capita with the exception of Senegal - £100 per capita.
Conclusions and policies for the future

If the discussion in this paper has appeared at times critical of European efforts towards the Third World, it is because major changes in the attitudes of rich and fortunate countries are required if any progress is to be made in halting the increasing inequality and poverty which characterises world development in this decade. In all fairness, Europe's record in relations with developing countries is much better than that of either the USA or the Eastern bloc. But this does not give grounds for complacency - there is still much the Community can achieve.

The shortcomings of Europe's current policies towards the Third World may be conveniently summarised under three headings:

(a) Pressures from declining or inefficient domestic industries which cause discrimination between commodities (agriculture versus manufactures, sensitive items versus non-sensitive items).

(b) The apparent failure of politicians to realise that the very sound arguments for mutual gains from free trade can be extended beyond the Community itself.

(c) The discriminatory nature of current schemes between countries (Associates versus the rest of the Third World).

The most difficult question is that of pressure and political lobbying from traditional and declining industries of the Community for protection against imports, so that they can continue their inefficient operation. This is the case of agriculture, textiles, footwear and similar industries which face competition from the now more efficient and cheap producers of the Third World. The answer here is for a comprehensive policy of 'adjustment assistance' to compensate people in such industries with re-training schemes, retirement grants, and the creation of alternative jobs. Britain carried out such a scheme quite successfully with its declining cotton industry, and there are few reasons why such a policy should not be equally successful in other cases.

To the second heading all that needs to be added to what has already been said is that for every pound's worth of imports that Europe agrees to buy from a poor country, she sells a pound's worth in return. And this process is cumulative, because when developing countries really begin moving they will require increasing quantities of goods from Europe. The argument made sometimes that entry for developing countries' products worsens balance of payments problems in Europe has little factual basis. The latter problems derive almost exclusively from import and export imbalances in trade amongst developed countries themselves or (since autumn 1973) with the Middle-East oil producing countries.

Regarding the third point (the divisive effect of Association), the discrimination amongst developing countries embodied in the policy of Association has serious consequences for the ability of Third World countries to take joint action in international negotiations with rich countries.

Europe should proceed to make non-discriminatory trade agreements with any Third World country which approaches with the elements of a mutually satisfactory trading relationship. It has in fact, recently made an agreement with one of the poorest countries of the world which had been excluded from current policies: India. This broadening of Community policy should be resolutely pursued.

Bibliography

COMMISSION OF THE EUROPEAN COMMUNITIES: European Development Aid: European Communities.

Article:

Notes on table:
(b) 1965-66 two-year average.
(c) Estimated from sugar reports.
(d) Information on Lesotho and Tonga not available.

* Ten of the sixteen countries for which figures are available are more than 50% dependent on agricultural exports for their export earnings, and for twelve countries the chief agricultural export is in direct conflict with European production under the Common Agricultural Policy (sugar, tobacco, oilseeds, and beef).
New EEC policies for associates

AT THE END of much hard bargaining and cliff-hanging in the Jamaican capital last week the developing countries of Africa, the Caribbean and the Pacific came to a reasonably good agreement with the Nine on the way forward to a new convention of association which is due to go into effect on February 1. At the end of January the Yaoundé and Arusha agreements which regulate relations between much of French-speaking Africa and the East African Community on the one hand and the EEC on the other expire. Besides prolonging and improving the trading and aid relationships established between Yaoundé and Arusha the new agreement must take account of the aspirations of other Commonwealth African countries and the newly emerging states of the West Indies and Oceania.

Details

As a result of the deliberations of ministers in Kingston the technicians of the ACP group and the European Community will meet in Brussels in September charged with the job of working out the details of the new instrument by the end of November. This then must be approved by another ministerial meeting before it is signed finally at the end of the year or early in January in Lomé, the capital of Togo.

The guidelines set out by the ministers for them last week fall under three headings: trade cooperation, export earnings and industrial cooperation. The concept of industrial cooperation is the least detailed but if it is imaginatively handled could produce a growth of new industry in much of the Third World under the aegis of European manufacturers. That could present opportunities for both sides. On trade cooperation the Nine have conceded that the ACP countries must be given much freer access for their products in Europe whether or not these products clash with those items which are protected in Europe and covered by the Common Agricultural Policy. In this context it will be very difficult for Britain's partners to reneg on the understanding that Commonwealth sugar producers should be allowed to sell 1.4m. tonnes of sugar a year to the Nine if they are determined the ACP negotiators will be able to wipe aside many of the non-tariff barriers and excessively stringent rules of origin which have hitherto blocked the export growth in Europe. European consumers of a wide range of goods, from aluminia to sweetened orange juice could be the beneficiaries of such liberalisation.

It is however with Europe's new offer of a limited guarantee to stabilise the export earnings in the ACP range of export products — raw materials, semi-manufactures and manufactures—that much new ground has been broken. For the first time in history a major trading group has undertaken to assist in halting the erosion of developing countries' purchasing power which results from periodic sharp falls in commodity prices or the inexorably increasing prices of industrial goods that the poorer countries have to import. ACP countries which are squeezed in this way will be entitled to special financial assistance.

Concern

The assistance is likely to have a firmly fixed ceiling placed on it and will not take into account the problems faced by ACP countries in the form of sharply increased oil prices which are not Europe's responsibility. Nevertheless it is a promising new initiative which will manifest the Nine's concern for a large part of the developing world.

The African, Caribbean and Pacific countries (ACP) and the EEC yesterday agreed on sketchy political guidelines for the elaboration of a new convention of association to come into force on February 1.

Agreement was reached after late night discussions between ministers of the ACP and EEC which dragged on till 3.25 a.m. yesterday morning. In their communiqué the ministers declared that the way was now open for technicians to work out a final convention by the end of November at the latest. Both sides hoped to sign a new agreement which would supersede the Yaoundé and Arusha and bring many Commonwealth African countries into a relation with the enlarged Community for the first time, in December or January. The Togolese capital is the most likely venue for the signing.

The most novel and significant concession that the ACP countries managed to wring out of the Nine was an undertaking that the Community should make steps to guarantee financially their earnings on exports to the Community arising not just from products but also from semi-manufactured goods. Though the ACP countries failed to reach an all-embracing guarantee which would protect the real purchasing power of their export earnings from the full effects of world inflation, the Community has committed itself account the deterioration of trade between country concerned Community in wine to be paid by the EEC.

This is seen a taking by the Community to the ACP countries, within the framework of the new enlarged Community. Hitherto if a product has been condemned with reference to it the ACP countries are required to inform the Community that the price has been depressed and the extent of the discount will attach to the sale of that product to the Community. The ACP countries have been pressing EEC to agree to a general removal of the ACP countries' dependence on the Community. Hence the Community has agreed to allocate new funds for the implementation of the aid measures which are specifically intended to help the ACP countries to diversify their trade pattern and increase their export earnings.

The Community has committed itself to the following:

(a) Processed agricultural products

The Community's GSP, which was originally limited to manufactured goods, has been progressively extended to include processed agricultural produce. The Commission proposes to extend it to cover most agricultural products already covered by the Community, or which are not considered eligible for the Generalised System of Preferences.

(b) Semi-finished and manufactured industrial products

The basic improvement proposed by the Commission concerns the increase in the level of 'ceilings' for the import of these products into the Community. The ACP countries have pointed out that the increase in the Community's ceiling should be indexed with world prices, with the result that the ceiling would rise to approximately 10% of world production. The Commission has proposed an increase of 15% for these products under the GSP.

More help for Developing Countries

The European Community has now proposed its generalised system of preferences (GSP) for the developing countries in the Third World. The improvements include:

(a) Processed agricultural products

This would include agricultural products which are not considered eligible for the GSP, or which are not considered eligible for the Generalised System of Preferences. The Community has committed itself to ensure that the new GSP will cover all agricultural products, or which are not considered eligible for the Generalised System of Preferences. The Community has committed itself to ensure that the new GSP will cover all agricultural products, or which are not considered eligible for the GSP.

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The Commission has proposed a world fund of $3,000 million to aid the developing countries in the world most affected by the dramatic increases in world prices. The proposal will be discussed at a special meeting of the United Nations on April 10.

Rising commodity prices have had a severe effect on the developing countries. The increased price of oil since 1972 will cause an added import expenditure for all the developing countries of the order of $10,000 million and this is unfortunately far from being an isolated case. In 1974 expenditure by these countries on wheat and fertiliser is expected to increase by about 3-3 thousand million and $2,000 million respectively. To this must be added the increases in export prices by the industrialised countries (19 per cent by OECD countries in 1973).

The price rises for these three commodities alone ($15,000 million) represent 30 per cent of the total value of the exports of developing countries.

The Third World is affected in three different ways. Firstly, there is a relatively favoured group of countries (e.g. Nigeria) who can compensate by increasing their own export prices. A second group can soften the shock by loans or by using their own exchange reserves. Included in this category are countries exporting manufactured goods; for instance, South Korea, Taiwan and Singapore. The third category, including countries in SE Asia (India, Pakistan, Bangladesh, Sri Lanka), Central America, the Caribbean and some African countries (the Sahel area, Senegal, Kenya, Burundi) will be the most affected. OECD has estimated the additional burden for these countries at about $3,000 million.

These countries are in a very serious situation because they can count on no return of capital from the oil exporting countries and they cannot expect to raise loans on the capital market. They are also likely to suffer from any import restrictions imposed by the industrialised countries. Furthermore any restrictions they impose themselves on oil and fertiliser imports will have serious effects on the agricultural situation in these countries, possibly leading to famine.

In the light of this situation the Commission has proposed to the Council that the Community should appeal to all rich countries to join it in an exceptional aid effort. The Commission suggests a world fund of approximately $3,000 million to distribute to the most affected countries. The Community could provide about $500 million of this amount, in addition to the development aid which it must maintain.

A World Aid Fund

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The Common Agricultural Policy II

Michael Berendt

The events of the last four years have left the common agricultural policy much changed. Its old principles of free competition between farmers in all Member States have been hampered by the problems of monetary instability. Since the world grain surplus turned to shortage, its role of protecting the farmer has extended to the protection of the consumer. It has become more responsive to public opinion in the enlarged Community, but it has failed to solve the acute problems of those farmers hit by the rapidly changing economics of food production following the increase in commodity and energy prices.

The policy is changing still. Britain's renegotiation demands are on the table, with particular emphasis on changing the beef regime and introducing greater flexibility into the system. Germany is uneasy about the open-ended financial commitment of paying for the policy and has persuaded the Council of Ministers that a 'stock-taking' should be carried out before the end of February 1975.

A protectionist system

Several aspects of the common agricultural policy were distasteful to Britain in the late 1960s. Britain's adoption of the policy seemed a necessary but unpleasant quid pro quo for the political and economic advantages of membership. To British eyes it seemed a policy tailor-made for high-cost farmers, damaging to world trade and disdaining of the consumers' needs. It maintained prices well above world levels, yet was expensive for taxpayers too because of the high cost of keeping a floor in the market when world prices were low. It also militated against the low-cost agricultural producers of the Commonwealth, such as New Zealand, Australia and the Caribbean countries, by excluding their relatively cheap supplies.

Since 1970 these arguments have been turned on their head. The policy still insulates the Community market from trends on world markets, but now it protects consumers against high world prices instead of protecting farmers against low prices. The productive capacity of West European agriculture, operating with relatively stable weather conditions and a highly controlled market are positive benefits in a world of grain shortage. The extent of the change is indicated by the Labour Government's attitude. While pressing the need to renegotiate Britain's terms of entry, the Foreign Secretary has several times emphasised the importance of the common agricultural policy for assuring stable supplies of foodstuffs at reasonable prices. (See insert Common Agricultural Policy - 'Eurofood in a hungry world'.)

The 1960s were characterised by heavy wheat and maize surpluses throughout the world, as the Americans, Australians, Canadians and Europeans subsidised their exports in order to dispose of surplus output. For a Britain purchasing its food on world markets, it was a good time. Those surpluses have now disappeared. There is serious famine, especially in North Africa and the Indian sub-Continent; fertiliser production and irrigation are hit by the rise in oil prices, jeopardising agricultural development in the Third World; harvests have been mediocre in both the United States and Canada. The world price of wheat, less than £25 a ton up to 1970, is now £100 a ton and more and the United States, which has traditionally met the world's grain needs, has been obliged to put curbs on its exports.

The capacity of the EEC for producing food takes on a real importance in these circumstances. Taking all grains together, the Nine can produce about 90 per cent of their needs at home, although 40 per cent of the maize and most of the special hard wheats used for pasta and for British steam-baked bread have to be imported from America. Grain is the basic raw material of most food production, not only for bread and beer, but for pork and bacon, poultry and eggs and, to a lesser extent, beef and milk. A policy which stabilises grain prices is thereby achieving a fundamental aim of agricultural policy.

It is the protectionist mechanisms of the common agricultural policy which allows the Community to insulate itself from trends on world markets. Intervention, under which commodities can be offered to official agencies which are obliged to buy at a guaranteed price, thereby putting a floor in the market, works well with grains and may be introduced on a world scale. Wheat, barley and maize can be stored indefinitely without dropping in value. They can be moved relatively easily and used in many different ways. Thanks to the intervention system, the EEC started the 1974/5 cereal year with eight million tons of wheat in store, bringing the price of wheat in the Community well below the price prevailing on world markets. In order to prevent producers or traders from exploiting high world market prices, the levy system is reversed, with levies imposed on exports of grain and grain products. This keeps down the domestic price and allows controlled exports such as the proposed one million tons of wheat for India which will be provided on special terms.

However, although the mechanisms of the common agricultural policy work well on storable products like cereals and sugar, where intervention buying effectively levels out the peaks and troughs of price and supply, the same cannot be said for livestock products, where there have been increasing problems.
The consumer influence

In the summer of 1973, 200,000 tons of butter which had been bought by official intervention agencies in the Nine were exported to the Soviet Union at a knock-down price, mainly because this was the cheapest way of disposing of the butter. The response of public opinion was intensely hostile, not just in Britain, but in other member countries of the Community too. This was symptomatic of an increasing public awareness, a consumer voice in the development of the common agricultural policy which had not been much evident before the enlargement of the EEC. This consumer interest, which expressed such hostility to the butter sale, has had considerable influence in the development of the common policy. It has led to the introduction of two types of butter subsidy, one for consumers in general and one for those on social security benefits. It has been instrumental in producing a fundamental reshaping of the beef policy, as well as the introduction of a Community beef subsidy for old-age pensioners. When the basic regulations setting out the market system for various commodities are changed, the consumer interest is spelled out as it never was before enlargement.

Consumer organisations are now brought into the policy-making process together with the farming and business pressure groups. This increasing public awareness, expressed particularly but not exclusively by the British government, is forcing the system of market support to be changed, as far as animal products are concerned. It is an important element in the current beef crisis.

The crisis in beef production

The tidal wave of price change which has engulfed the world since 1972 has had particularly serious consequences for beef producers, who found themselves throughout the summer and autumn of 1974 receiving market prices of £12 a live cwt. in Britain and Ireland compared with £22 only a year previously. Their plight was the result of a conjunction of circumstances which the common agricultural policy was ill-equipped to tackle.

Governments and international organisations were unanimous only two years ago in suggesting almost limitless possibilities for beef expansion. As standards of living rose throughout the world, and especially in Europe, beef consumption rose faster than production. With the Continental market in mind, British and Irish producers invested heavily in beef. They kept more cattle for breeding, borrowed heavily to build up their investment, and anticipated a high level of beef prices.

In the spring of 1973, the Conservative Government abandoned the British guarantee arrangements on beef, since the buying-in system had been strengthened to put a bottom in the market: if prices dropped to the official support levels, farmers would be entitled to sell to the intervention agencies and be guaranteed the intervention price. The British Government believed that this EEC policy should give beef producers security enough.

When the Labour Government took office in March 1974, it found the intervention system politically unacceptable. Taking beef off the market, freezing it and then exporting it could be justified neither within the Labour Party nor to public opinion in general. The government pressed successfully for the suspension of intervention in Britain, leaving beef producers with neither the old form of support nor the new. The early optimism of British and Irish farmers bore fruit in the summer of 1974. It proved misplaced. The costs of their feeding stuffs had increased, interest rates were at record levels and -- perhaps worst of all -- the oil crisis had severely cut the spending money available to consumers. People were no longer buying as much beef, yet some 30 per cent more was coming on to the market. Support buying was operated by the Irish government, but the weakness of the British market made the system totally ineffective. It worked better on the Continent, but even there the authorities were short of storage space and market prices fell far below the intended floor price.

Throughout 1974 the British government was pressing for changes in the Community’s beef support system, advocating the introduction of deficiency payments in place of intervention. In the summer a beef slaughter premium scheme was introduced as an alternative to intervention -- at least a half-way step towards deficiency payments, but even that was powerless to ward off the beef crisis of the autumn, which was in turn exacerbated by shortage of winter feed. The slaughter premium scheme involved a direct payment on each beef animal going through the slaughterhouse, raising the farmer’s return without pushing up the price of meat.

Although it did not solve the problems, the Community’s introduction of such a scheme was significant. It was a recognition that a system of direct payments not affecting the market price could play a useful role in the market organisation for a livestock product, making intervention less important and allowing greater play to the pressures of supply and demand.

Development of the common agricultural policy will almost certainly follow this new path.

Towards deficiency payments?

Deficiency payments are often seen as the answer to all the problems facing the common agricultural policy, but this ignores the fact that, as applied in Britain, they were designed for an agricultural industry which could not meet all domestic needs. Deficiency payments cover the difference between the average market price and a guaranteed price. In Britain market prices could be sustained by applying quotas or levies on imports, thereby limiting the financial liability of the guarantees. For products where the Community is in substantial deficit, as with olive oil and the durum wheat (which is used for making pasta), a system akin to deficiency payments is used, but for other products where self-sufficiency is already achieved (including beef during 1974), there would be no limit on the Community’s financial liability under a guarantee system. M. Lardinois, Commission member responsible for agriculture, has estimated that the cost of a guarantee system would be at least double that of the existing EEC arrangements.

A further problem of deficiency payments is administration. The British farming population is small and well-informed, while government extension

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1 Under interim arrangements agreed in November 1974, Britain did actually introduce a deficiency payment scheme with Community blessing, coupled with limited intervention buying to put a floor in the market.
services are highly trained. The administrative problems facing countries like France and Italy would be formidable, since the farming population is so much larger and the government services less involved in such policy administration. Direct payments on the product are likely to become a more common element in EEC agricultural policy. The measures already adopted by the Council of Ministers for providing special aid to farmers in regions with low incomes and a declining population will provide direct aid in the form of payments per head of cattle and sheep on a similar basis to British hill farm subsidies. This hill farming measure recognises that special regions have special problems - a recognition which was difficult to find in the early days of the common agricultural policy.

An additional measure much discussed in the context of high Community prices is the direct social subsidy, designed to raise the farmer's personal income to a certain level while allowing guaranteed prices to fall. In a limited sense this has already been introduced for older farmers who wish to quit farming. They now qualify for a pension plus an acreage bonus for giving up most of their farm for the enlargement of another. On a larger scale, however, direct income subsidies are never likely to be acceptable. They are intensely disliked by the farming population, and are both difficult and expensive to implement, although there is nothing to stop member governments applying them if they wish.

A common policy

An early aim of the common agricultural policy was to strengthen the ties between member countries by linking their economies more closely. To the extent that trade in agricultural products between Member States has increased enormously over the last 10 years it has been effective, but monetary difficulties have presented many problems. Instead of representing a single market for agricultural goods, the Nine comprise five separate markets, each protected from the others. This has become necessary or desirable for member countries for complex monetary reasons. To take one example: when the £ floats down in value it would normally make the British farmer more competitive in the markets of other EEC member countries, while correspondingly raising the cost of imported food to British consumers. When a country like Germany revalues its currency, it has the opposite effect.

In order to protect consumers and farmers from this sudden change, border taxes are imposed on agricultural products flowing from one member country to another (so-called monetary compensatory amounts). In countries with strong currency it is the farmers who are defended, whereas consumers benefit in countries with weak currencies. A British producer selling to Germany would have to pay a substantial levy to nullify any advantage given him by the devalued £. His German counterpart receives an equivalent subsidy to allow him to compete as before in the British market. To importers and exporters, such compulsion is a nightmare. But trade continues to flow, while different - rather than common - levels of price prevail in different member countries.

The other aspect of the 'common' policy which has been put under pressure is that relating to national aids. Community rules are strict. Only national aids which do not distort competition by giving farmers in one country an advantage over those in another are acceptable. France, once the staunchest defender of Community discipline, breached these rules in July. The government introduced special payments to French cattle and pig producers to help them weather the problems of low prices and high costs. France did not consult the Commission or the Council of Ministers about these measures and as a result the Commission decided to challenge French action at the European Court of Justice.

There is a further logic in the restrictions on national aid. Help may be given to a particular farming sector by a member government, leading to increased production which may in turn cost money for the EEC Farm Fund, so all member countries have to pay for the consequences of one country's unilateral action. Any concessions to Britain's renegotiation request for the right to take limited unilateral action for a limited period in particular areas will therefore have to take into account these financial considerations. It was on this basis that the German Government delayed agreement on agricultural prices in September 1974, demanding a Council declaration against unilateral national aids.

Agricultural policy and general policy

Because agricultural policy has developed much more quickly and much further than other Community policies, it has sometimes failed to take adequate account of other sectors. The ministers meeting in the Council have tended to take decisions which have important implications for development policy, over seas trade or economic policy, without taking those implications fully into account. This has not been the fault of agricultural policy as such, nor of the ministers concerned, but rather of the Community as a whole for failing to develop a common position on those other policies. This is something which is now changing. The Community of Nine conducts 40 per cent of world trade, giving it a heavy responsibility to see that its agricultural policy making does not damage that world trade. The Commission successfully resisted the imposition of a ban on beef imports despite the deteriorating market situation during 1974 and although the ban was later imposed, talks were immediately started with supplying countries to discuss some type of phasing agreement. The financial constraints on the policy are also becoming tighter and the heads of state of Germany, France and Britain have all spoken of the need to watch more carefully the decision of their agricultural ministers. In these ways, the policy is being forced to become more responsive to the needs of the Community and is no longer as single-mindedly concerned with the position of the farming population as it was in the 1960s.

While one cannot anticipate the results of the renegotiation process, it is remarkable how far the conflicts of interest between nine different agricultural policies in the mid-1960s will have become a largely common interest by the mid-70s.

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Article

See also The Common Agricultural Policy I, ESTS 19.
DORDogne

The farmers' unhappy lot

BY GILES MERRITT IN PARIS

They like a good joke in the Dordogne and right now, in spite of their anger, the farmers have not one that is cheering them all up to end. The joke revolves around M. Yves Guena, the Gaullist politician who was Transport Minister until earlier this summer when M. Giscard d'Estaing's presidential victory shuffled him out of the Government. M. Guena is also Mayor of Perigueux, the regional seat of the deeply rural Perigord area in South West France.

Driving to an urgent meeting recently, the ex-Minister had the misfortune to run foul of a contingent of militant farmers on his way into town to take part in a 30,000-strong demonstration in support of their "fair deal for agriculture" campaign.

Punctured

His tyres were slashed and immobilised, M. Guena had no choice but to stay put in an hour-long, heated debate on the farm crisis that made everyone in the Dordogne region laugh so much is the simple, perhaps rather harvested, pun that M. Guena was "decomposing", a term meaning punctured which is also the French for "a real loser".

The laughter of M. Guena's quite unjustified humiliation is probably in direct proportion to the farmers' resentment against the French authorities who they blame for their current unhappy circumstances. For in the quiet, hilly, Dordogne, as in most other agricultural areas in France, the farmers' lot has become a very complex, intricate web of problems.

The unrest that has broken out has not gone unremarked. The unrest that has broken out has not gone unremarked. Mayor throughout France want most against the doughnut of richer countries. And the change in eating habits being forced to choose between free access to cheap world food and the high prices of the protected Community. The latter drain of account (announced today for some £m) is likely to be of great significance in Belfast.

On the fishing: this is being paid on condition of nine tin canning factories closing down. The distribution of tin between the subject of the confer to the original expecters, b Hashen and Italy-on the one hand, the latter do not benefit from the grants in and the CAP.

As a result British fishermen are being forced to choose between free access to cheap world food and the high prices of the protected Community. The latter drain of account (announced today for some £m) is likely to be of great significance in Belfast. The distribution of tin between the subject of the confer to the original expecters, b Hashen and Italy-on the one hand, the latter do not benefit from the grants in and the CAP.

The recent increase in world food prices, especially for cereals, has been almost as straining as for oil. Some experts believe this is a temporary phenomenon and that prices will go down again as supply increases. Others argue that what we are seeing is a structural change in the world economy comparable with the increasing scarcity value of oil. For there is constant pressure on food supplies from expanding world population and the change in eating habits of richer countries. And the development of more easily big export markets, such as the Latin Americans, are eating more of their produce themselves instead of selling it abroad.

A switch to eating meat instead of cereals means in effect a reduction in the consumption of cereals, because the live stock or poultry have to be fed. It is Russia's commitment to more cereal imports as poor home harvests, that has in recent years sent her imports into the world markets as a heavy buyer of grain.

There is strong evidence that the old picture of Britain being forced to choose between free access to cheap world food and the high prices of the protected Community. The latter drain of account (announced today for some £m) is likely to be of great significance in Belfast. The distribution of tin between the subject of the confer to the original expecters, b Hashen and Italy-on the one hand, the latter do not benefit from the grants in and the CAP.

The farmers, though, consider that these controversial subsidies are not enough and have called up by pointing out that this year French agricultural production will have dropped Frs.10,000m. from 1973 levels—as much as the country's total farm produce export surplus last year.

The farmers, though, consider that these controversial subsidies are not enough and have called up by pointing out that this year French agricultural production will have dropped Frs.10,000m. from 1973 levels—as much as the country's total farm produce export surplus last year.
By Reginald Dale, Common Market Correspondent

FRENCH AND BELGIAN farmers have been demonstrating their discontent during the last few days by blocking roads with tractors, spreading sherry in the streets of Le Mans in Normandy, setting pigs loose in traffic in Brittany, and yesterday they blocked the motorway from Namur to Brussels for a while to impress the public with their problems.

The reactions of the French Press have been cool, but these happenings have been widely reported and are likely to continue if the Agricultural Ministers who have been meeting here for the past two days fail to come up with some "miracle" solutions of their own, which goes far beyond those of beef on which British attention is focused.

In spite of diligent research the only actual demonstrations I have encountered in the Charleroise building here today were where the agricultural Ministers are meeting—and the police seemed to be able to equal numbers to the farmers. But I will crystallise farmers' case in the words of one lady I met driving her herd of cows along the road between Reims and Verdun in North-East France, a pleasant area renowned for its Champagne, devoted mainly to mixed farming in quite big units.

Interest rates

She was told me, farming 150 acres of moderate land not too far from the Belgian border, although the cows were being driven a mile that day through the fields, she had one son at home and another in the army whom she hoped would come back and take her place. She was getting tired of milking 30 cows twice a day when she had had just 20. The farm had been very difficult when rented, but it works to lookings totaling about £7,000 at 4½ per cent, she had renewed the buildings and made other improvements and increased the stocking rate. She had had a calf this year, a bull, a combine harvester and all the usual machinery.

She did not feel she was lucky to be growing at such a high rate of interest. It was only provided because she said, the authorities knew the farmers price was poor in her region (it varies considerably over the country) and prices for calves and bull cows were now at "disaster" levels. She had no intention of buying another farmhouse but intended to increase the cows to 40 when she did again.

Grain prices good but, of course, her farm was not big enough for cereal production alone. She was on the lookout for more land, quite a bit was coming up to rent at very small prices—she had the land for the grazing. But although rents were strictly controlled, somewhere or other it was always the larger farmers who got hold of it, and once installed there was no change for the smaller ones.

Like most farmers I met she had been well briefed in such matters by her Department of Agriculture, the Charleroise building here today, and several of the farmers' unions were in there. She had been given some guarantee for the grain market by the Common Market and of scarcity of French milk, had been offered, and the other price a common selling price. Theoretically the market for beef had been destroyed, but the French farmers had a better price. When she said this was not true and not very easy it was pointed out that they were attempting to sell their beef for as much as they could for the French farms which had already been more or less destroyed for the French farmers had already met the Government and for the past two days, have been driven to such a low level. They had been given a loan of £7,200 at 5½ per cent. The market is still rearing itself.
Direct Elections

Ben Patterson

The 198 members of the European Parliament, unlike those of most other parliaments in the world, are not at present elected directly by the people they represent. Instead, under Article 138 of the EEC Treaty, they are drawn from among Members of the various national parliaments 'in accordance with the procedure laid down by each Member State'.

It was never envisaged by the founding fathers of the Community, however, that this arrangement should be permanent. Article 138(3) of the EEC Treaty declares that the Parliament 'shall itself draw up proposals for elections by direct universal suffrage in accordance with a uniform procedure in all Member States'. It is then up to the Council, 'acting unanimously', to recommend appropriate provisions to Member States 'for adoption in accordance with their respective constitutional requirements'.

Why direct elections?

There are good arguments, both practical and of principle, for pressing ahead with the change to direct elections. To begin with, the first sentence of the EEC Treaty refers to 'an ever closer union among the peoples of Europe'. So far, what unity there has been has largely concerned administrations and politicians. The exercise of suffrage as a European civil right would help give ordinary people the sense of belonging to a European political whole.

Secondly, direct elections would embody another fundamental principle: the faith of the Community in free elections and in parliamentary democracy. This is all the more important in that parliamentary institutions have recently been under attack both within the Community and in other parts of the world.

Thirdly, direct elections would help restore democratic control over those aspects of government which have been transferred from the competence of nation states to supra-national institutions. Critics of the Community repeatedly complain that the 'Eurocracy' (both Commission and Council) is remote, secretive, and irresponsible. Control by a directly elected Parliament would do much to put matters right.

Finally, there is one severely practical argument. Nomination from national parliaments under Article 138(1) means that each Member of the European Parliament has a dual mandate.1 As Parliament's powers increase, so will the work load – and it is already estimated, for example, that a United Kingdom Member of the Commons would need some 450 days in the year to carry out properly his duties at Westminster and to his constituents, and his duties at Strasbourg, Luxembourg and Brussels. Only by directly electing European Parliament Members can this growing problem be satisfactorily overcome.

What has been done?

Acting with immense promptness, the European Parliament had by 1960 already drawn up a draft Convention for the holding of direct elections. This was based on the report of a working party chaired by Fernand Dehousse, and envisaged simply tripling the size of the Parliament (then 142 members), the extra 284 being directly elected. This scheme, however, has 'lain on the table', awaiting Council decision, ever since. Meanwhile, as Fernand Dehousse himself noted in 1969, 'not a year has passed without its motions, declarations, symposia, bill proposals and papers on the subject'. Almost every Member State has at some stage considered proposals to elect directly at least its own national delegations, on a unilateral basis.

With the enlargement of the Community in 1973 it became necessary for the Parliament to draw up a revised Convention. The Parliament's Political Affairs Committee presented revised proposals in January 1975.

Some problems

The long delay since the 1960 Convention was drafted, however, is evidence of the difficulties which must be overcome. A directly elected Parliament, it has been argued, might be isolated from the real centres of power, that is, the national governments. The political make-up of the Parliament after direct elections might be more hostile to the Community than the present assembly. There might be a disreputably low poll; or the results might reflect domestic issues in the Member States rather than Community matters.

Initially, perhaps, some of these fears might be realised; but essentially they are self-contradictory. A Parliament which brought forces of discontent into the open, for example, would stimulate interest in European elections, and would focus critical attention on the collective performance of the national governments. In moving to direct elections, nevertheless, a number of particular problems have to be solved.

The chicken and the egg

One major reason for the delay in holding direct elections has been the feeling that these would be meaningless until the Parliament has greater powers; simultaneously, it has been argued that Parliament cannot be given such powers until its Members are more democratically elected. To break out of this 'chicken-egg' dilemma, a programme is required in which the move to direct elections and the increase in powers takes place in parallel.

1 Article 138(1) states: 'The Assembly shall consist of delegates who shall be designated by the respective Parliaments from among their members in accordance with the procedure laid down by each Member State.'
Unilateral action

The delay in implementing Article 138(3)2 of the EEC Treaty has prompted a large number of schemes for directly electing separate national delegations while 138(1) is still in force. The chief difficulty here is that Members must still, formally, be 'designated by the respective (national) parliaments from among their members'. This effectively means that only existing national MPs can be eligible to stand (as in the most recent Belgian proposal); or that, after election, European Parliamentarians must somehow be co-opted to the national parliaments (as proposed by Lord O'Hagan in his recent Bill). The Vedel Report pointed out in 1972 that such schemes would also tend to 'nationalise' European elections, and 'would not mobilise public opinion at a European level'.

What is uniform?

National electoral systems within the Community vary widely, from proportional representation through a party list system in Belgium, Italy, Luxembourg and the Netherlands, to the British system of 'first past the post' in single-member constituencies (see Table 1).

How can a system of election possibly be devised which will be simultaneously acceptable to the voters in all these countries? A great deal depends on what is meant by the phrase in Article 138(3) of the EEC Treaty: 'a uniform procedure'. It is not necessarily the same thing as a 'uniform electoral system'. Both in the 1960 Convention, indeed, and in preparing the new Convention, the Parliament has interpreted the Article to mean only a 'minimum of common principles', which each Member State can implement in its own way. Thus, initially at least, European Parliamentarians could be elected according to the systems prevailing in their own countries.

Minimum common principles

What, then, should be the scope of the regulations to be laid down at Community level?

First, there is the question of what constitutes a genuine election: the main basic principles are that elections should be free, general, direct and secret. Secondly, there is admissibility of parties. Clearly a 'direct election' in which all but one party was banned would be a sham; but can it be left to Member States

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**Table 1**

<table>
<thead>
<tr>
<th>Country</th>
<th>Voting age</th>
<th>System of voting (lower chambers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>20</td>
<td>Votes for party lists in multi-member constituencies. Proportionality between parties assured at national level.</td>
</tr>
<tr>
<td>France</td>
<td>18</td>
<td>Single vote in single-member constituencies. If no absolute majority, second ballot between leading candidates. Proportionality not assured.</td>
</tr>
<tr>
<td>Germany</td>
<td>18</td>
<td>Each elector has two votes: one for candidates in single-member constituencies, the second for party lists. Proportionality between parties assured at national level.</td>
</tr>
<tr>
<td>Ireland</td>
<td>18</td>
<td>Single Transferable Vote in multi-member constituencies. Proportionality assured between candidates at constituency level, but not between parties.</td>
</tr>
<tr>
<td>Italy</td>
<td>21*</td>
<td>Votes for party lists in multi-member constituencies. Proportionality between parties assured at national level.</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>18</td>
<td>Votes for party lists in four electoral districts, in which proportionality between parties assured. Voting compulsory.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>18</td>
<td>Votes for party lists in single national constituency. Proportionality between parties assured at national level.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>18</td>
<td>Single vote in single-member constituencies. One ballot in which only simple majority required. Proportionality not assured.</td>
</tr>
</tbody>
</table>

* 25 for Senate elections.
to decide whether extremist parties, of right or left, should be banned? (For example, certain parties are still banned in Germany).

Next, is a uniform voting age, and a uniform age of eligibility for election, necessary? The 1960 draft Convention fixed a common minimum voting age of 21 and a common minimum age of eligibility of 25. The normal voting age today varies between 18 and 21 in Member States (see Table 1). Linked to the matter of voting age is that of where the vote may be cast. The draft Convention envisaged that nationals of Member States would only be able to vote in their countries of origin, if necessary by post or proxy; but there are also strong arguments for allowing Community migrant workers to vote in their countries of residence, at least as far as the European Parliament is concerned.

Then there is the question of whether some degree of proportionality should be stipulated. Would it be admissible, for example, merely to hold a single national vote, with the winning party taking all the seats?

Direct elections also raise the problem of what is to be done in the event of a Member being no longer willing or able to retain his seat. In some Member States a constituency by-election to elect a new Member would be the usual practice; in others the delegation would be replenished from the appropriate party list.

There is the question of whether membership of the Parliament should be compatible with the holding of certain other offices: for example, the 1960 proposals excluded members of national governments and of the Community Commission.

Finally, there is the question of cost: how far, for example, should the Community finance elections? In some Member States parties are supported by public funds, in others not.

**Election dates**

A more difficult problem is that of whether there should be a single European election date. One ballot, from Jutland to Sicily, would clearly have a dramatic impact. On the other hand different political situations in Member States might make this difficult to organise. Were it left to Member States to arrange for the election of their delegations separately, European elections might be combined with national elections. This would have some clear advantages: size of poll and cost, for example. It would also have clear disadvantages: for example, the maximum confusion of election issues.

Eventually, however, a single election date will clearly be necessary. As the Parliament acquires powers, the balance between the political parties represented in it will become increasingly important, and it will no longer be tolerable for the membership – and possibly the political complexion – of the Parliament to be constantly changing as a result of different national elections. The question will then arise as to whether the Parliament should have a fixed term: for example, the five years proposed in the 1960 Convention; or whether there should be a procedure for dissolution in the event of crisis.

**Size and allocation of seats**

Possibly the most thorny problems of all are the size of the Parliament, and how the seats are to be allocated among Member States. Directly electing the current 198 Members would mean about 1,250,000 population (849,000 registered to vote) for each Member. However, if no changes were made in national allocation, the number of voters per German Member would be some 1,150,000 as compared with only 32,000 in the case of Luxembourg. Why not redistribute the seats on the basis of population? In this case, Luxembourg would have, instead of the present six, no seats at all! It would become part of some Belgian, French or German electoral area.

To solve this problem alone, there is a case for enlarging the Parliament. The larger the Parliament, too, the easier it will be to provide for manageable constituencies, and the representation of minorities. On the other hand, there is clearly a point beyond which the Parliament would cease to operate as a deliberative assembly at all. The 1960 Convention proposed simply tripling each national delegation. This solution, today, would give a Parliament of 594 seats, in which for example, Luxembourg would have 18 seats to Germany’s 108. On the other hand, a Parliament of, say, 505 allocated strictly according to population, would give Germany 123 seats, Ireland only six seats and Luxembourg only one. (See Table 2.)

**The dual mandate**

Although the present dual mandate of European Parliamentarians creates many problems, there are good arguments for preserving strong links between the European Parliament and the national parliaments. The 1960 Convention solution was that, initially, one-

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**Table 2**

<table>
<thead>
<tr>
<th>Country</th>
<th>Present</th>
<th>1960 Convention basis: all delegations × three</th>
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and be nominated as at present, while the other two-thirds should be directly elected and be forbidden to hold the dual mandate. There are, however, other possibilities. For example, the dual mandate might neither be made obligatory nor be forbidden for a wholly directly elected Parliament, it being left up to individual Member States – or individual MPs – to decide whether to hold a dual mandate or not.

The first election

The 1960 Convention envisaged that direct elections would come in two stages: a transitional period, with two-thirds of the Parliament being elected simultaneously, but by different national systems; and a final stage of full direct elections on a single basis, the details of which would be worked out by the elected Parliament itself. It has been suggested that use could be made of a transitional stage even as regards the timing of the elections. Individual Member States might be required to elect their delegations directly within a deadline of, say, four years. By the end of this period, the whole Parliament would have been directly elected, albeit by different systems and at different times.

Most opinion, however, is in favour of a single election date right from the start.

How quickly could this first election be organised? Following the Summit Conference held in Paris during December 1974 a communique was issued in which the Heads of Government noted: ‘that the election of the European Assembly by universal suffrage, one of the objectives laid down in the Treaty, should be achieved as soon as possible. In this connection, they await with interest the proposals on the European Assembly, on which they wish the Council to act in 1976. On this assumption, elections by direct universal suffrage could take place at any time in or after 1978.’ Britain and Denmark, however, inserted reservations into the communique.

The longer term: the role of parties

Once these initial elections are out of the way, the job will begin of transforming the ‘uniform procedure’ into a full ‘uniform system of election’. How this is done will depend very much on the attitude taken by the political parties.

Already, in the present Parliament, Members sit, not in national delegations, but in multi-national political groups: Christian-Democrat, Socialist, Liberal, European Conservative, European Progressive Democrat and Communist. (See ESTS 19 'The European Parliament', Table 1.) During the transitional stage of direct elections – particularly if the European vote is held simultaneously with different national elections – there will not be much scope for these groups to fight as single parties, or alliances of parties, in different countries. Once there is a single election date, however, genuine European parties become a possibility. In turn, once there are European parties, it becomes possible to devise an electoral system geared less to national identities and more to political tendency.

One major issue this raises is the degree of proportionality any European electoral system should have. Here, the practices of different Member States indicate sharp differences of approach. The majority of States place emphasis on reflecting exactly in their national parliaments the proportions of votes received by the different political parties. In other states the emphasis is not on parties, but on individual candidates, and on links between Members and particular geographical constituencies.

It is possible to ensure proportionality, however, at different levels of an electoral system: at constituency level through multi-member constituencies (though the Irish single transferable vote system ensures proportionality between candidates rather than parties); and at regional or national level through party lists. The German system combines simple majority, single-member constituencies with a national result fully proportional between parties.

With European parties it would also be possible to secure proportionality at a Community level. Thus those individual States which prefer a constituency system might be able to retain it, with European party lists ensuring that voters’ political preferences were reflected exactly in the Parliament itself.

What would be the results?

Politicians are unlikely to rush into any system for direct elections, though, until they have some idea of what the results will be. The present multi-party ‘status quo’ could seem preferable to a Parliament totally dominated by one political tendency. However, research by Professor Richard Rose of Strathclyde University in Scotland has revealed that direct elections, whatever the allocation of representation between Member States, would probably produce political groups of almost the same relative strengths as at present. Only the Communists would get a major change in representation – up by 5 per cent. Naturally, it would always be possible for a single political party to ‘win’ an election, but this is what democracy is all about. The substance within the framework of eventual European Union should ultimately be decided by the political will of the people; and it is through direct elections that this will can best be given a voice.

Bibliography

East-West Relations in Europe II

Charles Ransom

In the preceding article (ESTS 19) an attempt was made to identify some developments in relations between Western and Eastern Europe where, in the course of the last two decades, both sides have come to accept that the threat of destruction by nuclear weapons is an enormously powerful deterrent to war in Europe and have been hoping for a positive outcome to the Strategic Arms Limitation Talks (SALT) between the USA and USSR.

In the course of the brief survey it was concluded that as a result of this approach progress has been made towards better relationships between governments but that détente and co-existence as we have known them are still negative and leave the peoples of the two halves of the continent divided by visible and invisible barriers. In the present article some consideration is given to other developments which might conceivably overcome this state of affairs by presenting governments with facts as apparently unalterable as those posed by the threat of nuclear war.

Trade

Perhaps the most important of the developments which seem to indicate improved relationships can be found in the field of economic links between the states of Western and Eastern Europe. No basic ideological objection is raised by either side here, for such links are potentially a source of increased economic welfare.

In the past two decades the value of total trade between Western and Eastern Europe (calculated by adding the value of exports from Western to Eastern Europe to the value of exports from Eastern to Western Europe) has grown substantially, as Table I demonstrates.

The importance of East-West trade to some of the principal European nations can be deduced from Table 2 which shows that the pattern differs considerably from one country to another.

The main economic motives which lie behind the growth of East-West trade are, on the Western side, the search for new markets by industrial producers and on the Eastern side the desire to obtain technologically advanced industrial products, especially machinery. These two motives have played, and are playing, an important part in another form of East-West economic relationship namely — industrial co-operation between enterprises in Western and Eastern Europe for the joint production of manufactured goods, usually in the East European country concerned. There are now Polish as well as Soviet-built Fiat cars and in a year or

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* Full information not yet published but as West European exports to Eastern Europe rose from $8,050m in 1972 to $11,400m in 1973 the total is likely to be above $20,000m.

so there will be Polish-built Massey-Ferguson tractors; Rumania builds Renault cars using some French components; the Hungarians are to be the sole manufacturers of a four-wheel drive Volvo jeep; and the West German company Anker has arranged integrated production lines for cash registers in Austria, Hungary and Czechoslovakia. Many other examples could be cited. These arrangements, which involve technological transfers and, very often, joint participation in management, augment the flow of goods and services between East and West and bring considerable numbers of people from both halves of the continent together.1

Closer economic relations have increased the number of contracts between businessmen, technicians and managers of East and West who meet for the purpose of producing goods and services. One beneficial effect is to establish new areas of mutual interest, to extend knowledge of differing rules of behaviour and to improve at least one channel of communication between the two halves of Europe.

Whether the growth of these relationships represents an irreversible trend to which both sides must of necessity remain committed and by which governments will be carried along despite their political differences is, however, an open question. (See insert East-West Relations - 'Trade leaps the ideological barriers', 'More commercial links'.)

It would be rash to prophesy that the scale of interchange between Eastern and Western Europe will necessarily grow at a sharply increasing rate: if it does not so do the scale will still be comparatively small by world standards for many years to come. At the present time the degree of interdependence between the economies of Eastern and Western Europe is certainly not so great that either side would suffer disaster if the exchanges were to stop altogether, although several of the smaller states, especially in Eastern Europe, would experience some hardship. For rapid growth to continue, governments must give encouragement and the decision to do so is partly political.

Economic relations are not yet strong enough (if they ever will be) to affect to any great extent the politics of the European situation. Nor does historical experience offer irrefutable proof that nations will have good political relations with each other merely because their economic relations are good.2 Nevertheless, in spite of these reservations, the growth of economic links can be considered to be a step forward on the human plane.

Environment

Another matter of major concern to the modern world is the condition of the environment. To an even greater extent than the common problem of improving economic welfare this might appear to be of such importance as to draw governments and peoples together into a natural alliance, transcending differences of political systems, to combat the deterioration of the earth on which we all live.

Study of environmental problems is of course being undertaken throughout the world and the United Nations has a programme intended to affect all nations. In Western Europe, in addition to the national programmes of its Member States, the Organisation for Economic Co-operation and Development (OECD) established in 1970 an Environment Committee to provide governments with information. In Eastern Europe the Council for Mutual Economic Assistance (COMECON) began joint work on the protection of water resources in 1962. Since then its industrial Standing Commission responsible for engineering, chemicals, iron and steel have been charged with responsibility for studying and making recommendations to combat the air pollution effects of the industries in question, while the Standing Commission on construction concerns itself with town planning.

Some of the most vigorous efforts to stimulate an international approach to environmental problems have been made by the United Nations Economic Commission for Europe (ECE). Founded in 1946 this organisation is still the only true example of an all-European body, embracing as it does virtually all the nations of Western and Eastern Europe. Its main concern is with economic research and consultation but it has also taken a lead among other United Nations organisations in the study of environmental questions. For example, some years ago it produced common standards for vehicle-exhaust pollution. These have not, however, been adopted by all the Member States and, having no executive powers, ECE cannot enforce its recommendations.

It may be a sign that the impact of this general concern for the environment upon international political conduct is still comparatively slight that when in June 1972 the United Nations held a conference on the Human Environment at Stockholm, the USSR and all the East European states, with the exception of Rumania, decided to absent themselves because no invitation had been issued to East Germany, which was not then a member of the United Nations. Whatever the rights and wrongs of the political dispute may have been, the conclusion seems inescapable that at that time the USSR and the East European states considered it more important to make a political case than to assist in the work of the conference. No doubt a year or so in a matter of such long-term significance is unimportant and it may well be that in future Soviet priorities will change, but the conflict over membership of the Stockholm conference will go on.

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1 The flow of technology is not always one way. For example, William Old Ltd., (London), have recently purchased the technology for the manufacture of hearing-aid batters from a Hungarian firm.

2 For a discussion of some aspects of this question see 'Is trade the key to a better world?' "Europea" Vol. III No. 1 October 1974.

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Comecon in first formal contact with Community

The first formal contact between a Common Market institution and one from Comecon took place unannounced in Luxembourg this week (December 4, 1974).

In spite of continued delays in preparing a meeting between the Comecon Secretariat and the EEC Commission here, a delegation from Comecon's International Investment Bank was received at the Luxembourg headquarters of the EEC's European Investment Bank on Monday. The Comecon bank's delegation was headed by Mr S. Kobak, a Polish vice-president.

The EEC has so far reacted coolly to advances by Comecon, which has been pushing for a dialogue with the Community for the past year.
shows that concern with the environment has not yet reached the stage where it occupies a leading position in political decision-making. One day it may do so and add another dimension to international co-operation in a matter of common concern to all mankind. It will thereby extend the field of contacts between people in Eastern and Western Europe as citizens of the world.

Economics and environmental questions have been chosen for discussion by the General Conference of the United Nations, and it is hoped that the meeting will extend the field of contacts arising from the growth of common interest in such arrangements as those between Universities for the exchange of staff and students, the East-West contacts arising from the growth of common interest in tourism, mostly from Western to Eastern Europe, or the development of staff and students, the East-West contacts arising from the growth of common interest in tourism, mostly from Western to Eastern Europe, or the development of ideas between the two halves of Europe is still delayed. 

Security and co-operation

It is probable that in the course of time social changes, such as those brought about by the general possession of cars and television sets in all European countries, will tend to generate a pressure to break the barriers which still exist between the free flow of people and ideas within the continent as a whole. Meanwhile, as the record of the Conference on Security and Co-operation in Europe (CSE) shows, if the nations of Eastern and Western Europe attempt to confront this problem by formal intergovernmental discussion, underlying political differences make any meaningful progress to prove still affects comparatively limited groups of specialists. The development of tourism, mostly from Western to Eastern Europe, has in recent years brought about some enlargement of contacts between ordinary people but the opening up of the free exchange of peoples and ideas between the two halves of Europe is still delayed.

The words 'freer movement of people, ideas and information' in the NATO proposal aroused considerable suspicion in the USSR and elsewhere in Eastern Europe on the grounds that they implied interference in Eastern European affairs and although the NATO Ministers used them again at this meeting in Brussels in December 1971 there was no response from Eastern Europe until January 1973 when the preparatory talks for the Conference were already taking place in Finland. The USSR then amended its own draft agenda for the Conference by including the extension of cultural contacts, on condition that they complied with the laws and social philosophies of the participating states. Eventually the third item on the agenda (known as 'Basket 3') covered in very general language the dissemination of information and freer contacts between people.

At the Conference of Foreign Ministers in Helsinki in July 1973 when the Western States put forward various suggestions for securing freer movement of people, ideas and information — including some from the British Government for the free circulation of newspapers, linked television programmes and the publication of a European magazine — Mr Gromyko, the Soviet Foreign Minister, in his speech gave great emphasis to the observance of the existing laws and traditions of the States concerned. Transferred to the Committee stage in Geneva, Basket 3 immediately ran into trouble from which, despite minor concessions by both sides, it has not yet emerged. The principal point of contention has been the extent to which the flow of people, ideas and information should be controlled by governments, the Eastern side pressing for much more than is acceptable to the Western side. (See insert East-West Relations — 'Lifting the Iron Curtain'.)

The CSE proceedings began with preparatory talks at Otaniemi, Finland in November 1972. In July 1973 the Foreign Ministers of the participating states met in conference in Helsinki and the matters under discussion were then referred to a Committee stage which began in Geneva in August 1973 with the possibility in mind that a final meeting of heads of governments would assemble in due course to sign agreed documents. In October 1974 the Committee stage is still unfinished and the final meeting seemingly far off.

The idea of holding a security conference originated in Eastern Europe and the effective starting point of the conference which met in Finland was a declaration issued by the East European states at Bucharest in July 1966. The Bucharest declaration was followed in March 1969 by a 'Message from the Warsaw Pact States to all European Countries', issued from Budapest, and by a communiqué of the Warsaw Pact after a meeting of its leaders in Prague in October of the same year. The Budapest communiqué proposed that the two main items for the agenda should concern (a) European Security and (b) the expansion of trade, economic, scientific and technical relations 'aimed at the development of political co-operation among European states'.

At their meeting in Washington in April 1969 NATO Ministers responded to this initiative by agreeing to explore issues which might profitably be discussed with the USSR and the East European states bilaterally and a year later, at their meeting in Rome in March 1970, declared themselves ready to examine the possibility of holding a general conference. They suggested that one of the most important matters for discussion should be 'the development of international relations with a view to contributing to the freer movement of people, ideas and information and to developing co-operation in the cultural, economic, technical and scientific fields, as well as in the field of the human environment'.

The words 'freer movement of people, ideas and information' in the NATO proposal aroused considerable suspicion in the USSR and elsewhere in Eastern Europe on the grounds that they implied interference in Eastern European affairs and although the NATO Ministers used them again at this meeting in Brussels in December 1971 there was no response from Eastern Europe until January 1973 when the preparatory talks for the Conference were already taking place in Finland. The USSR then amended its own draft agenda for the Conference by including the extension of cultural contacts, on condition that they complied with the laws and social philosophies of the participating states. Eventually the third item on the agenda (known as 'Basket 3') covered in very general language the dissemination of information and freer contacts between people.

Detente or delusion

Where progress is so slow, uncertain and difficult it is natural that some writers on the whole subject of detente should hold deeply pessimistic opinions about it, going so far as to argue that detente is an illusion fostered by the USSR in order to weaken the will of Western nations to preserve their own liberal institutions and lull them into a naive acceptance of Soviet policies.3 What, however, could be the alternative to

3 For a forceful expression of this argument see Leo Labedz' article 'Detente or Deception?' International Review No. 1 Spring 1974.
détente in a nuclear age? If there are dangers such as those suggested by the more pessimistic students of the subject the right way to meet them can hardly be to turn a blind eye or to treat the whole matter with cynicism or indifference. What is needed is (a), that public opinion should begin to play a larger part than it has hitherto in the debate and (b), that public opinion should be well-informed. In the last analysis powerful public opinion in both Western and Eastern Europe in favour of dismantling the barriers to free communication could present governments with as crucial a set of circumstances as any encountered since the war.

To this it may be objected that under authoritarian regimes like those of Eastern Europe public opinion can be so easily controlled that it has almost no independent political effect. It is true that we in the West do not yet fully understand how public opinion works in Eastern Europe but a case could be made for believing that on issues of major importance it has in recent years been taken very seriously by the East European governments. To cite one example: public discontent with Stalin’s methods of government was an important factor in bringing about reforms throughout Eastern Europe in the years immediately following his death.

Conclusion

The expectations of people everywhere of better economic circumstances for themselves and their families affects Eastern as well as Western Europe and has been one of the spurs to experiments in new forms of economic management which have been going on in Eastern Europe in the past dozen years. If public opinion about the political situation in Europe were to become as influential as it has been about economic policy it could play an important part in healing the division of Europe. It may well be that public opinion will form more slowly in Eastern than in Western Europe but if this is so there is all the more reason for Western opinion to give a lead.

For such a lead to be effective requires as a minimum that West European public opinion should be based on as good a knowledge as it is possible to acquire of the purposes and methods of the East European societies, of their successes and failures. Since communication between the two halves of Europe is still restricted it is not easy, even for specialist students in the West to acquire all the information needed to form the basis of an objective opinion.

Secondly, it seems to the present writer that well informed public opinion in the West needs to consider the effect of the image of Western Europe upon public opinion in Eastern Europe. Hard line propagandists in Eastern Europe seek to present Western Europe as a society not only inequitable but unstable – a society which must collapse under the stress of its own internal contradictions. To the extent that the liberal institutions of Western Europe fail to secure orderly economic growth, rational political processes and social justice without detriment to the liberty of the individual, they strengthen the hands of ideological extremists in Eastern Europe. To the extent that our institutions provide an attractive model of successful liberal and democratic political behaviour they will strengthen the hands of the vast numbers in East Europe who are not extremists but who, in the course of time, could create the body of public opinion in that part of Europe actively seeking for an open, all-European society.

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See also ‘East-West Relations I’, ESTS 19.
Trade leaps the ideological barriers

By JONATHAN STEELE

Trade between the two Germanys has been increasing steadily and its annual turnover now exceeds £400 million. This has almost doubled in the past four years. Last year produced an increase in trade by more than 50 per cent. This anonymous labelling has Eastern neighbour that there have been occasional problems in the trade. The treaty between them is likely to lead to an increase in trade for every Western country. But in the short term the main issue for East German is to find a way of increasing its own exports to West Germany.

For West Germany, the other hand, its exports to the East are traditionally less important, accounting for only 3 per cent of its total trade. But this figure is likely to increase as trade for political reasons as a way of strengthening ties between the two Germanys. The trade is still conducted on a bilateral and mainly barrier basis, as is common in most East-West trade. But in economically most of the case of balances on trade, it is West Germany which attaches most political interest to credits in East Germany. On Bonn's side, Germany's advantage which East Germany has over its West German competitors is now growing. It shows that in the case of existing agreements, Bonn's exports were at least ideologically the most important, which is why Western Germany is now willing to maintain the balance of trade while West German imports are not enough to balance the trade between the two Germanys. But in the case of existing agreements, Bonn's exports are now growing at a rate of 13 per cent per annum. The treaty between them is likely to lead to an increase in trade for every Western country. But in the short term the main issue for East German is to find a way of increasing its own exports to West Germany.
EAST WEST RELATIONS

EUROPEAN SECURITY CONFERENCE

The fine print of detente

by MALCOLM RUTHERFORD

DR. HENRY KISSINGER, no less, says he fails to understand the European Security Conference (CSE). To which the delegations, he says, “It’s because he hasn’t been there himself.” Dr. Kissinger apparently admits this, but says he doesn’t want to read the papers because there are altogether too many of them.

Dr. Kissinger has a point. The CSE has become so bogged down under paper work that even if there were an immediate decision to be taken all up, it would take a good two months. The final document could run to several thousand words, every one of them, including the punctuation, preposition, and relative pronouns, being translated and retranslated, by the pack of Russian experts. One of the objectives is that this should be so widely available to inform the man in the street as to fit its benefit of East-West detente, one must have read it.

Secondly, the conference has yet to order the committee on preparations, a relatively optimistic note. Just before the adjournment of the conference, some delegations were already known to be in disagreement with certain of the final reports—the Soviet delegation called the conference the “unconditional preconditions for which the conference was called.” But the immediate reaction of the conference was an intense irritation that the Russians had delayed so long, but there was now a new agreement on a formula which should allow the Russians to make concessions on the free movement of people and ideas, without forcing that their own rights and the compromises of their own legislation will be undermined.

Agreed preamble

Thanks largely to the work of the Swedish delegate, Finland and Austria, there was a full agreement on a preamble which deals with the human relations element of the Conference. It states that the participating states recognize the others’ rights to choose their own political, economic and social systems and to determine their own laws and regulations. But it adds that, in exercising these rights, countries will conform with their legal obligations under international law and will make good regard to normal human activities emerging from the CSE.

Coming on the last day, the agreement was the most positive result of a session which was in April in the hope that the entire conference would be concluded by early-Mid July. Previously the Western powers had feared the proposals presented by the Soviet delegation in the meeting with the Western superior powers would create an interference to the Russian’s effective position on the contents, the Western countries and have indeed agreed that a decision on a preamble was impossible for the non-Communist states who are working on specific proposals to move on their laws and regulations.

Kissinger apparently admits the concessions for which the conference has just adjourned for the summer adjournment and indeed after the Russian had delayed so long, the reaction in the Western camp was to make concessions on the Russian’s terms. Kissinger has become so bogged down in the Conference throughout. He says it is that this conference is a declaration of war on the conference, that it is in empty, that there is a Danish proposal to allow a permanent period to see if the results are being observed, and that there has been more help on to something.

The conference will come in early September with the pressure on to fill up the Basket 3. But before there will be a meeting of the nine Common Market members and Paris and of the NATO permanent council in Brussels—the two fora where the Western position is coordinated. These meetings will consider Dr. Kissinger’s suggestion that the conference has been set up its rights too high and may endanger detente by seeking the unavoidable. The conclusion of most Western delegations, including the Americans, is that they will review the work so far and decide their aims are entirely realistic. Hence the aim will be to bring to the Russian’s position on the pallet during Basket 3. With the preamble the conference will then be able to move to argument on such questions as the unification of families, creation of wider areas, information and multiple voices for journalists. The general assumption of the conference has that the final conference will be held in the end because they have always attached great importance to the Conference and are prepared to pay a price for the agreement on the inevitability of frontiers. The stage would then be set for Stage Three which the Russians have always insisted should take the form of a 15- nation summit meeting. The Western view is that the level of Stage Three should depend on the results of Stage Two.

Hostility

Although it may not be Dr. Kissinger’s ideal approach to the Detente, Kissinger’s latest initiative has at least two things. One is the political unity of the common market members which is very remarkable. The leader of one delegation said that the experience of cooperation here has made it much easier for the Nine to pursue the European federation with the Americans, than the initial American hostility. The other is the realization that control of the diplomacy of its allies is as firm as ever. Since March in Helsinki a year ago, there has been no cases of other Eastern European countries who have been part of the common market and the failures of their initiatives. All the Russians say that the conference has been set up its rights too high and many delegations have said that they will make concessions on the free movement of people and ideas, without forcing that their own rights and the compromises of their own legislation will be undermined.

More commercial links will be forged in the long

At the height of the cold war it was easy to believe that the main obstacles to East-West trade were political. Some of them were. Europe was divided into hostile camps, each of which was the other’s enemy and each of which had its own inner problems.

On both sides there were people who expected any significant increase in trade, and were afraid of too much economic interdependence. There were strategic agreements on many goods, and suspicions that the other side was trying to solidate hostile and regional regimes. In the East there was a tendency to believe that it was not possible to form a socialist family under the wing of mother Russia should be able to manage on its own. Some planners remained to adjust their tidy systems to the vagaries of the capitalist markets, especially the American market, as a political and economic threat, and hostility to it.

In spite of all these difficulties and suspicions, East-West trade, and especially the political tension lessened there were hopes that it would develop. The spread of views of a new Europe stretching from the Atlantic to the Urals, and offered trade as one of its prizes.

More recently, West Germany’s new eastern policy raised hopes of a great leap forward in East-West trade. Some Western businesses believed that the new economic environment would break into the relatively underdeveloped markets of Eastern Europe. Some East European planners were hopeful, believing that only massive imports of western machinery and skill could modernize their economies. The Western planners were also hopeful, and provided consumer goods and technology to other countries. There would still be a large market for Western goods. The Russians would take the lead in East-West trade and the West would be more interested in the Soviet Union.

After the Second World War the traditional trading patterns of Europe were broken. East Europe turned towards Russia and became dependent on it for raw materials and in part for technology. They have been developing their own industry and producing goods for industrial customers. It was a relatively easy market which offered great opportunities and provided incentives for impatient workers.

Some of these countries were now more modest as people come to see that the problems are more complex. Political and pious words by politicians are useful as far as they go but they cannot remove at a stroke the complex web of political and economic obstacles to East-West trade that has been woven in the past few years.

After the Second World War the traditional trading patterns of Europe were broken. East Europe turned towards Russia and became dependent on it for raw materials and in part for technology. They have been developing their own industry and producing goods for industrial customers. It was a relatively easy market which offered great opportunities and provided incentives for impatient workers.

At the same time there were obvious difficulties in trying to develop commercial relations between different systems. The planned economies of Eastern Europe only gradually adjusted themselves to doing business with Western firms, and the East-West trade did develop. And the price of the consumer goods becomes more competitive. But there were no cases of other Eastern European countries who have been part of the common market and the failures of their initiatives. All the Russians say that the conference has been set up its rights too high and many delegations have said that they will make concessions on the free movement of people and ideas, without forcing that their own rights and the compromises of their own legislation will be undermined.

This para-norm and many others between East and West the special relationship which the trade has often been called in market terms is to be brought into being in near future. But it has not been completely launched and there are serious problems.
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