

European Communities

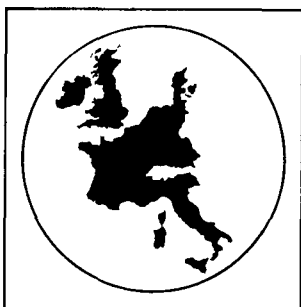
**Delegation of the Commission
of the European Communities
to the United Nations.**

1 Dag Hammarskjöld Plaza
245 East 47th Street
New York, NY 10017
Telephone: (212) 371-3804

Information Service

Newsletter

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A European Monetary System

A new European Monetary System (EMS) is in the making. The reasons are to be found in the breakdown of the post World War II Bretton Woods System, the dollar crisis, in the disruptions in the world economy and, most particularly, in the economic situation of the present Nine, and future Twelve, EC states.

Varying rates of inflation, unemployment, production, trade balances and currency exchanges have been creating varying and mutually disadvantageous national economic policies in the Community countries. There has been a demand from all sides for some kind of action

Although the call of EC Commission President Roy Jenkins in October 1977 for a revival of an Economic and Monetary Union was greeted with scepticism, the idea gained support. By April, 1978, when the heads of government of the EC met in Copenhagen, German Chancellor Helmut Schmidt was ready with proposals

At their July summit in Bremen the heads of government agreed to instruct their finance ministers to formulate guidelines for discussion and elaboration by the competent Community bodies. It is their aim to be able to make definite commitments when they meet again in December

Three committees have been given responsibility for working on the problems involved.

The EC Economic Policy Committee to study how to facilitate participation in the EMS of countries which are economically weaker than others, to devise a system that allows resources to be transferred smoothly.

The Committee of Central Bank Governors to give opinions on the practicality of various schemes proposed for achieving EMU.

The EC Monetary Committee to deal with the technical details of elements fundamental to the system:

— a single currency unit (ECU) to act as the pivot for the whole system, the value of the unit to be determined by a weighted basket of European currencies, much like the present European Unit of Account.

— rules for determining exchange rates that will link EC currencies more closely together

— the evolution of the ECU as an international reserve asset alongside the hard-pressed dollar.

— a European Monetary Fund (EMF) to provide credit where needed, the fund to be made up by pooling a percentage of each country's reserves plus a matching amount of its national currency.

Will the work of these committees and that of the finance ministers meet the deadlines set for them?

What degree of success will this major European initiative have?

Most observers do not think that Jenkins' advocacy of "a great leap" to full monetary union will be taken all at once. Controversy over technical details may well cause delays and compromises which will impose a slower and more gradual approach.

Can a gradual approach have the important consequences which advocates of monetary union seek for Europe and the whole world?

Optimists in the European Commission and the Community as a whole have faith that even a gradual approach will help harmonize European economic policies with subsequent easing of inflation, unemployment and trade deficits. They believe it will bring some relief to the world's balance of payments problem. They believe, too, that it will advance the cause of European political integration.

Renewal of the Lomé Convention

Negotiations have opened for the renewal of the Lomé Convention which expires on March 1, 1980. Since 1975 this agreement has provided the basis for growing economic cooperation between the European Community (EC) and those developing

countries in Africa, in the Caribbean and in the Pacific (ACP) which have historic links to EC member countries

The task for the two groups during 18 months of negotiations is to make adjustments and improvements needed for continuing this cooperation.

Some of the matters to be negotiated are:

—**An enlarged membership**

The ACP group has grown from its original 46 members to 53. The EC is prepared to welcome to the negotiations other newly independent countries

—**The period of time during which the new Convention will be in force**

The EC is willing to consider the ACP request that the new Convention be drawn up for a longer period than the five years originally projected

—**Improved arrangements for consultations on trade and industrial cooperation**

Free access to the Community market has contributed to a faster increase of trade between ACP and the EC than between the Community and any other group of countries. Mr. Claude Cheysson, EC Commissioner in charge of development, has suggested that, if free access to Community markets for ACP products is to be consolidated, it will have to be taken into account in advance of industrial programming. More consultation would then be required in industries where opportunities for the ACP and difficulties for the Community—textiles, for instance—are to be found, consultation based on improved and updated information on market and production trends and on export capacities. Without consultation and coordination massive imports into the EC might result, making inevitable recourse to the safeguard clause with all its undesirable consequences.

—**Increased efforts at trade promotion**

The ACP has requested support for promoting their products. The EC hopes that more States will take advantage of the resources already available for this purpose from the European Development Fund (EDF).

—**Adjustments in the export earnings stabilization system (Stabex)**

The EC will examine ACP requests for an enlarged list of products to be covered by Stabex. One suggested product that gives special concern to the EC is copper. Except for iron ore, mineral products have not been included in the present Convention. According to Mr. Cheysson mines are largely run by multinational companies which often belong to outside countries. The EC has

serious doubts that it should compensate such firms for losses in revenue. The EC also considers that some products, like rubber, are better left to international agreements on the world level

—**Increased financial and technical cooperation**

Commission proposals include assistance for small and medium-sized firms, as well as for very small projects, and also the use of a larger proportion of funds from the EDF for regional purposes. Better definition of the measures that favor co-financing have also been proposed, as well as provisions for private investment

—**Special attention to the problems of the least developed countries.**

—**Renewal of and adjustments in trade agreements**

The ACP would like 1) free, unrestricted access for 100% of their products in EC markets. Restrictions now exist only on about 1% of the total ACP exports to the EC, on products protected by Common Market agricultural policy. 2) a relaxation of the rules of origin. The EC has agreed already to consider ACP countries as a single customs area. 3) long-term arrangements for those products on which special provision has been made, such as sugar and beef.

The EC would like to include in the Convention: 1) provisions that accord with GATT rules on abnormal competition practices, such as dumping and export subsidies, and 2) minor amendments to the safeguard clause to make it similar to the formulation in agreements with other developing countries

Greek Entry Talks on Schedule

The President of the Commission, Mr. Roy Jenkins, has just paid an official visit to Greece which, along with Spain and Portugal, is deeply involved in negotiations to join the European Community. During his visit Mr. Jenkins met with the leading Greek political and economic figures, including the Prime Minister, Mr. Konstantinos G. Karamanlis.

At the end of his visit, Mr. Jenkins summarized the current position as follows:

"I am glad to say that the negotiations are proceeding according to the timetable which Mr. Karamanlis and I discussed during his visit to Brussels at the beginning of the year. I am equally glad to be able to say that the Prime Minister and I believe that the timetable

we foresaw remains realisable and can be kept to. We still have broadly the same dates in mind.

"In other words, it should be possible to conclude the negotiations on all the major issues by the end of this year, by Christmas. This is what I have called 'breaking the back' of the negotiations. There may be a few small questions left to be settled in the early months of 1979

"I did not conceal from my hosts, nor do I conceal from you, that November and December are likely to be difficult months as the negotiations reach a climax, and flexibility will be required from Greece and from the Member States in order to achieve our timetable. I can well understand and sympathise with the Greek wish that her entry and her full integration into the Community should not be unduly delayed, and I stress in this context that whatever the length of the transitional period or periods in different sectors, Greece will be a full member with full political rights from the moment of her accession to the Community.

"I should like to repeat, as I repeated to my hosts, the Commission's commitment to the success of the negotiations and our welcome for the prospect of enlargement of the Community. I have been encouraged in this context by the support of the Greek government for the strengthening of the Community and their interest in the proposed European Monetary System. This, I believe, will come into operation at the beginning of next year and will represent a most significant advance. We are on the threshold of a new period in the life of the Community, and I look forward to Greece as its tenth member playing its full part in these developments."

When the EC Speaks as One—The role of the EC in international negotiations

Whether it be trade negotiations with China and Japan, political issues such as southern Africa and the Middle East, negotiations with developing countries over textile imports or views expressed in the General Assembly of the United Nations, the Nine member countries of the E.C. (France, Germany, Britain, Italy, Belgium, Netherlands, Luxembourg, Ireland and Denmark) are increasingly adopting a common Community voice. Some of these international negotiations, such as those concerning textiles, steel, tariffs or raw materials supply,

have direct implications for people in the European Community both as producers and consumers. So there are big advantages to be gained from a united Community stance in defending the interests of individuals and industries in the member countries.

Whatever the differences within the Community, to the outside world it is broadly accepted as an entity in its own right. This is so even where, in international organisations, the Community does not have the status of a member but only that of observer.

Economic and related agreements

The signing in Brussels of a non-preferential trade agreement between the EC and the People's Republic of China on April 3, 1978 (see below) is a recent example of the European Commission negotiating, with the approval of the Council of Ministers, for the Community on behalf of the Nine. The agreement which lasts for 5 years, includes a most-favoured nation clause, an agreement to try to promote a balanced level of trade, agreement by China to give favourable consideration to imports from the Community and by the Community to make efforts to liberalise imports from China, and the establishment of a joint committee to meet alternately in Peking and Brussels from time to time.

The Community increasingly speaks with one voice in a number of areas, including:

(a) of global significance

GATT: apart from current multi-lateral trade negotiations in Geneva the Community negotiated new agreements under the Multifibre Arrangement (MFA) designed to limit and control the import of textiles into the Community.

UNESCO: the additional Protocol to the Florence Agreement on the importation of educational, scientific or cultural articles.

(b) of regional significance

The Customs Cooperation Council: the Convention on the Simplification and Harmonisation of Customs Procedures and the Convention on international transit of goods.

The United Nations Environment Programme (UNEP): The Convention for the protection of the Mediterranean Sea against pollution.

The United Nations Economic Commission for Europe: Customs Convention on the International Transport of Goods under cover of TIR Carnets.

The Council of Europe: European Convention for the Protection of Farm Animals, European Agreement on the Exchange of Tissue-Typing Reagents, in addition to various Conventions relating to the protection of the environment: the Convention on the Prevention of Marine Pollution from Land-based Sources, the Convention for the Protection of the Rhine against Chemical Pollution.

- (c) **Commodity agreements** to be negotiated by the Community or to which the Community is a signatory:
- International Wheat Agreement (accession)
 - International Sugar Agreement (negotiations)
 - International Cocoa Agreement (accession)
 - International Coffee Agreement (accession)
 - International Olive Oil Agreement (negotiations)
 - International Tin Agreement (accession)

The Community is also taking part in negotiations relating to several products in connection with the UNCTAD commodities programme: bananas, bauxite, cocoa, coffee, copper, cotton and cotton thread, hard fibres, phosphates, rubber, sugar, tea, tropical wood, tin, vegetable oil including olive oil, and oilseeds.

Political Cooperation

The following are fora where the Community has been represented by one delegation or tended to speak with one voice.

Conference on International Economic Cooperation (CIEC), or the North/South dialogue as it is known. Here the Community was represented by a single delegation, including the Presidents of the Council and Commission.

Conference on Security and Cooperation in Europe (CSCE): the meeting for the Final Act began in Belgrade last October and came to an unsatisfactory conclusion in mid-March 1978. Although in session member States differed in their approach, Commission representatives spoke on behalf of the Community on any questions covered by the Rome Treaty.

Law of the Sea Conference: A Community delegation with observer status attended the sixth session of the Third UN Conference on the Law

of the Sea last summer.

United Nations: See "UNCTAD V." See "Namibia and South Africa." The E.C. participates in all Committees.

In 1977 for the first time a Member of the Commission, Mr. Claude Cheysson, addressed a key committee of the General Assembly (Economic and Financial Committee) where he outlined the Community's policy towards the Third World.

The Commission also participates as an observer in a variety of other UN bodies, including the World Food Council.

EEC—China

An important event took place in the framework of the relations between the EEC and China since the opening of their trade agreement on June 1, 1978. Vice President Wilhelm Haferkamp of the Commission of the European Communities paid a far-from-protocol-type of visit to China from September 24 until October 2. He was accompanied by European captains of industry and prominent representatives of European economic and social entities such as:

Ottarino Beltrami (Olivetti)
Dirk de Bruyne (Royal Dutch Shell)
Hans Dedi (FRG Retail Trade)
John Donovan (IBM)
Helmut Maesgen (European Federation of Banks)
Baron Lambert (Bank of Brussels Lambert)
Rogert Martin (Compagnie de Saint-Gobain Pont-a-Mousson)
Mogens Pach (East Asiatic Company Ltd.)
Paul Provost (Union des Industries de la C.E.)
Herbert Redlich (M.A.N.)
W.J.L. Spit (ETUC)
Sir Peter Tenant (London Chamber of Commerce and Industry)
Emmanuel Tesch (ARBED)
J.F. Williams (Foster Wheeler Ltd.)

Serious discussions on economic matters were held in Peking with top Chinese leaders, including Chairman Hua Kuo-feng, Deputy Prime Minister Li Hsien-Nien, the Minister of External Trade Li-Chiang and the Deputy Minister of external affairs, Chang Wen Chin.

The visit should be seen as a logical follow-up to the conclusion of the trade agreement and the results of these exploratory talks should be used by European and Chinese representatives of industrial, economic and social circles to

give real content to the outline agreement. Several Chinese groups have already visited Europe to explore and buy. The E.C. group visited an industrial exhibition and several factories in Shanghai, spent some time in Hangzhou and celebrated China's national holiday in a peoples' commune in Canton.

A follow-up visit to China will be made by the President of the European Communities, Roy Jenkins, in February 1979.

Namibia and Southern Rhodesia

1. Speaking on behalf of the member states on the European Community on the question of *Namibia* in the General Debate of the 1978 General Assembly, Foreign Minister Hans-Dietrich Genscher of the Federal Republic of Germany referred to the serious situation following the decision taken by South Africa to hold elections in Namibia without the United Nations being involved. He stated that the South African Government had conjured up a new and serious crisis which called into question all previous efforts. The results achieved in laborious and complex negotiations involving African states, in particular the frontline states, were put into jeopardy.

Since then, the new Prime Minister of South Africa, Mr. P.K. Botha has opened the door for further cooperation with the U.N.

The Europe of the Nine supports the appeal made by the Secretary General to continue efforts to achieve a peaceful

solution to the Namibia problem on the basis of Security Council resolution 431 (1978) and on the basis of the report of the Secretary General, which the Nine feel is in line with the Western plan for a solution to the problem of Namibia.

The Member States of the Community thus fully support Security Council Resolution 435(1978) which was adopted on September 29.

On *Zimbabwe*, the European Community and its Member States hope that in spite of all difficulties it will still be possible to arrive at a peaceful settlement with the participation of all parties involved. They are convinced that the British-American plan for Rhodesia still offers the most realistic possibility for a peaceful transition into independence. The EC is ready to offer aid towards the development of an internationally recognised *Zimbabwe*.

UNCTAD V in Manila— Work Under Way

The way is now clear for detailed preparations of the fifth United Nations Conference on Trade and Development (UNCTAD V) which will take place in Manila next May. The western industrialised countries will be coordinating their preparations as they have done before previous conferences through the OECD in Paris.

The preparations of the developing countries of the Group of 77 will culminate in a ministerial meeting at Arusha, Tanzania, in February.

The whole gamut of UNCTAD staple

items figure on the agenda, ranging from the Integrated Programme for Commodities to the transfer of technology, shipping trade in manufactures and semi-manufactures, economic cooperation among developing countries, trade relations between the South and East, and special action in favour of the various varieties of least developed states. Developments in international trade following the conclusion of the Multilateral Trade Negotiations will also be discussed.

Two key agenda items caused delegates the most difficulty during a weekend marathon in September. The first is concerned with the evolution of the world trade and economic situation, and structural changes in the world economy, taking into account the inter-relationships of problems in the areas of trade, development, money and finance. Linked to this are the questions of the attainment of a new international economic order, a further evolution of the rules and principles governing the international economy that may be associated with this, and UNCTAD's contribution to the third international development decade.

The second key topic concerns monetary and financial issues. The Manila conference will consider the requirements of the international monetary system in fostering world trade and development. Increased and improved resource transfers are also covered under this heading, as are questions related to debt relief and a review of the present system of international financial cooperation in the context of world trade and development.

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