



EC—Iran Sanctions by May 22

At their meeting in Naples on May 17/18 EC Foreign Ministers re-affirmed their position stated in the April 22 Declaration (see below), and noted that despite certain developments which could prove important for the release of the American diplomatic hostages, no decisive progress had yet been made

The EC was thus imposing sanctions

EC Declaration on Iran

April 22, 1980

This is the full text of the declaration by EC Foreign Ministers of their decisions, announced on April 22, to adopt economic and diplomatic sanctions against Iran

1 The Foreign Ministers of the nine member states of the European Community meeting in Luxembourg on April 22, discussed the implications of the recent events in Iran in the light of the reports by their ambassadors following the demarche to the President of Iran decided upon by the Foreign Ministers at their meeting in Lisbon on April 10.

2 The Foreign Ministers expressed the solidarity of the Nine with the Government and people of the United States at this time of trial

3 While welcoming the visit by the ICRC (International Committee of the Red Cross) to the hostages on April 14, and noting the assurances given by President Bani-Sadr as to the living conditions of the hostages, the Foreign Ministers expressed their profound regret that the Iranian Government has been unable to give precise assurances about the date and methods by which the hostages would be released. The Iranian Government continues to ignore the clear call of the United Nations Security Council and the International Court of Justice to bring to an end a flagrant violation of international law and release the hostages

4. Since the hostages were first detained, the Nine, fully respecting the independence of Iran and the right of the Iranian people to determine their own

with the objective of hastening their release

The Foreign Ministers welcomed the decision to charge Mr. Ajib Daoudy, member of the UN commission of enquiry, with the mission to take up contact with the Iranian Government to re-activate the work of the commission

future, have insisted that they must be released. The fact that after six months they are still detained, despite the efforts of the Nine and the clear condemnation by the community of nations, is intolerable from a humanitarian and legal point of view.

5. The foreign ministers of the Nine, deeply concerned that a continuation of this situation may endanger peace and security, have decided to request their national Parliaments immediately to take any necessary measures to impose sanctions against Iran in accordance with the Security Council resolution on Iran of January 10, 1980, which was vetoed, and in accordance with the rules of international law

They believe that these legislative processes should be completed by May 17, the date of the Foreign Ministers' meeting in Naples. If by that time there has not been any decisive progress leading to the release of the hostages, they will proceed forthwith to the common application of the sanctions.

Steps will be taken within the Community in order that the implementation of the measures decided upon should not obstruct the proper functioning of the Common Market. The Ministers consider that, as of now and pending the entry into force of the measures mentioned above, no new export or services contract with persons or organizations in Iran should be concluded

6. The Foreign Ministers decided meanwhile to put into effect without delay the following measures, to the extent that they are not already in force.

- (I) Reduction in Embassy staffs in Teheran.
- (II) A reduction in the number of diplomats accredited by the Government of Iran in their countries.
- (III) The reintroduction of a visa system for Iranian nationals travelling to member countries of the Nine.
- (IV) The withholding of permission for the sale or export of arms or defense-related equipment to Iran

7 The Foreign Ministers instructed their ambassadors to return to Teheran in the interval in order to convey the present decision to the Iranian Government, to follow the situation, and to undertake all possible efforts to alleviate and improve the living conditions of the hostages pending their release. They expressed the hope that the Iranian authorities would act along the lines suggested in this statement

8 The Foreign Ministers of the Nine, believing that this situation should be a matter of concern to the whole international community, call upon other governments to associate themselves with these decisions.

9. The Foreign Ministers decided immediately to contact the Government of the United States through the presidency (of the EEC Council of Ministers and to inform it of the decisions taken by them

This decision was confirmed by the European Council (summit) meeting held in Luxembourg, April 27-28.

Oil Supplies and the EC

In a press conference held in Brussels at the end of April, Energy Commissioner Guido Brunner said that the European Community was in a position to do without oil from Iran if the American hostages were not released and sanctions were imposed. In answer to questions he pointed out that the Foreign Ministers had set their deadline for the middle of May to allow enabling legislation to be adopted by the national legislatures, and in the hope that Iran would release the hostages and respect the normal bases

for international law and human rights.

Brunner said that the Community had 122 days reserve oil in stock, and that present world oil markets are not facing shortages. Iranian production, he added, had dropped to around ½ million b/d compared to about 2½ million b/d last year.

The Commissioner expressed confidence that the IEA countries would be able to handle any situation providing there was no panic buying, and consequently the crisis mechanism would not be triggered. However, Brunner stressed that more could be done in concert with the United States and Japan to handle the contingency of shortages—notably energy savings and a refusal to pay higher prices on the oil spot market, and by the adoption of agreed policies of oil substitution to alleviate reliance on imported oil.

Energy Council Meeting

At their May 13th meeting in Brussels, EC Energy Ministers agreed on policy-objectives to be charted over this decade

The chief points to their agreement are commitments to —use energy more efficiently, reduce the share of oil in total energy uses to around 40% (from about 55% at present), use solid fuels and nuclear power for 70-75% of electricity production by 1990. The Ministers also agreed on the importance of ensuring compatibility between pricing policies and these commitments

Energy Situation in the EC

Oil

According to provisional figures recently released, oil consumption in the nine Member States of the EC, having declined consistently between 1973-78, rose by 2.7% in 1979 to about 10 million b/d, net imports rose only slightly from 9.05 million b/d to 9.1 million b/d

The rise in consumption was attributed largely to the severe winter of 1979, and consumption for 1980 is forecast to be

lower at 9.9 million b/d, whereas net imports for the current year are estimated at 8.8 million b/d.

Indigenous crude oil production in the EC covered 16% of total oil requirements in 1979 and rose by 40% to 1.7 million b/d; the increase mainly reflects the first full year's production from the four North Sea oil fields—Dunlin, Heather, Ninian and Thistle.

Natural Gas

Total consumption of natural gas has increased by about 5% within the EC to about 173 million tons oil equivalent (mtoe) in 1979. Overall, natural gas showed an increase in the share of primary energy consumption from 17.1% in 1978 to 17.5% in 1979; this upward trend is forecast to continue—rising to an 18.2% share in 1980.

EC natural gas production edged up 3% in 1979 to 137 mtoe. Production in the Netherlands, which accounts for almost half of the European Community's production, rose by 6%; production in the Federal Republic of Germany rose 3%, but France, Italy and the United Kingdom reported declines of 2%, 5%, and 1% respectively.

Member States of the EC are increasingly turning to imports of gas from outside the Community; these grew by 23% in 1979 (following an increase of 75% in 1978). Norway accounted for nearly half of the imports, while the USSR supplied about 38%. Forecasts for 1980 predict a leveling off of Community production and a 20% growth in natural gas imports.

Coal

Hard coal consumption in the nine Member States reached 191 mtoe in 1979—an increase of about 16 mtoe. EC production, for the third year in succession, was around 148 mtoe in 1979. In face of the stable production, the rise in consumption boosted coal imports by some 20% in 1979 to about 38 million mtoe. The predictions for 1980 do not anticipate substantial changes in EC coal production, but expect imports to rise a further 15% to around 41 mtoe.

Nuclear Energy

In the course of 1979, installed nuclear capacity in the EC rose by 2,800 Mega-

watts (MWe) to 28,000 MWe. In the current year, more nuclear plants are expected to come on stream—particularly in France, where electricity production from nuclear power is forecast to increase 50% over the 1979 level. For the EC as a whole, installed nuclear capacity should reach 30,000 MWe, which is likely to correspond to the equivalent of 13% of total electricity production in 1980.

EC—Brazil

The EC and Brazil recently initialled a framework agreement on trade and economic co-operation. This framework agreement (still to be ratified) established a Joint Committee, which will have responsibility for the development and diversification of trade and economic relations between the two parties. Moreover this committee will provide the institutional basis within which the EC and Brazil will be able to discuss bilateral issues.

The agreement runs for five years and provides for automatic extension, year by year,—unless opposed by either party.

EC—Global Negotiations

The UN Committee of the Whole was finishing its second preparatory meeting in New York this month.

At the opening of the first substantive session Mr. Catani, speaking on behalf of the Community, made a statement outlining the broad Community view. The following is an extract from that statement:

“The prospect of a deep, prolonged world recession constitutes a real and grave threat. It must be our common aim to prevent this happening, to deal with the problems of inflation and to find new paths to growth based on stable and balanced economic relations. Only in this way will it be possible to make full use of the human and technological potential which today is underemployed,

and find an answer to major problems like hunger and poverty.

Analysis of the problem facing all of us today reveals that no one country or group of countries, by unilateral action, can trigger a return to world growth. Worse, in today's climate of uncertainty, each country's distorted view of the problems and options of the others could result in the adoption of policies which limit the risks for individual countries, but damage the collective interest because they involve restraining growth, for example, or taking protectionist action

In the countries of the European Community the recrudescence of world inflation, the trend of energy prices and the need for restructuring of the industrial fabric is making those in charge of the economy reluctant to risk deflationary measures in a climate of uncertainty as to prospects for both internal and external economic equilibrium. The other industrialized economies are suffering to a greater or lesser extent from the same type of problems. Even those which are the least dependent on international trade developments cannot free themselves in isolation from the many uncertainties over energy supplies which are holding back their growth

In addition to uncertainty about the future supply and price of imported energy resources, the developing countries are faced with worries about the effects that inflation in the industrialized countries may have on the prices of their imports of agricultural products and manufactures, particularly capital goods

For most of the developing world, faster growth, or indeed the continuation of any attempt to achieve growth at all, depends on the state of their capacity to borrow, which means, in the last analysis, on the maintenance of terms of trade favorable to their commodity exports and on the development of foreign markets for their manufactured output. Such development in turn depends to a large extent on growth and successful adjustment by the developed economies. For some of the most disadvantaged countries, any growth at all, far less faster growth,

depends on assistance from the international community with their vitally-needed imports of foodstuff and energy.

Even the centrally planned economies, which are starting to become involved in the circuits of world economic interdependence, are in their turn feeling the effects of the crisis, for example the growth rate in East European countries fell to less than 2% in 1979.

Though the oil producing countries, especially those with a substantial balance of payments surplus, would at first sight seem to enjoy greater freedom of action in their export and import policies, they are all aware that their prosperity is ultimately dependent on some degree of stability in international relations and on continued expansion of the world economy. Their particular situation confers on them certain responsibilities to that economy which, in the absence of concerted international action, may sometimes be difficult to reconcile with their legitimate desire to manage their resources soundly.

In the light of such close interdependence between our economies and the threat of further deterioration of the world situation, it may be regretted that the machinery for concerting action among the world community is not sufficient to ensure that each country pursues its policy in full cognizance of the interests and options of the other protagonists on the world economic scene

The global negotiations offer an opportunity for far-reaching cooperation between all parties involved in order to work out ways and means of redressing the situation and improving international economic relations. The coming negotiations, being global, will allow an integrated approach to problems and shed light on their interaction

This opportunity must not be lost nor must time and energy be squandered trying to cover all subjects. In our view, the future negotiations will stand no chance of success unless they concentrate on the truly fundamental aspects of North-South relations, bearing in mind both the various interrelationships and the interests of all parties involved. If a choice has to be made, we consider

that there are currently three outstanding issues that must be tackled.

- *Widespread recession*, which would hit the entire world, but especially the weakest countries, must be avoided. The support that needs to be given to world activity and demand raises a number of questions concerning the stability of international monetary relations, the financing of balances of payments' deficits and resource transfers, as well as world trade patterns
- *Famine has to be fought back throughout the world.* The problems with which the world economy is having to contend must not obscure our obligation to meet so vital a need. The threat of hunger is undisputedly the least bearable of all forms of insecurity
- *Action must be taken to organize transition to a world economy less dependent on oil supplies* since, here again, uncertainty affects the great majority of countries. In this field, as in others, a concerted effort by all countries, consumers and producers, is needed to reduce insecurity and inflexibility and ensure more rational and predictable patterns

It is the awareness of the urgency of these problems and the conviction that the development of the third world depends on their rapid treatment which leads the European Community to propose the following agenda for the global negotiations,

- external balances
- food
- energy.

This agenda will make it possible to meet the pressing needs of the situation and, taken as a whole, it is a demanding and ambitious collective venture in itself. In addition, it is well-balanced since the main concerns of each party, and particularly those of the most disadvantaged, will be reflected in one or other of these themes."

European Council April 27/28

As was widely reported in the press, the EC Heads of Government failed to reach an agreement at their summit meeting in Luxembourg on matters of significance for the functioning of the European Communities notably the question of the British contribution to the EC budget, agricultural prices, sheepmeat, fisheries and certain energy questions.

These issues will now be referred to the respective EC Council of Ministers meetings. The EC Foreign Ministers will meet in Naples on May 17/18 for an informal meeting, and are likely to take up several of these matters—including the question of the British budget contribution. Providing progress is made at that meeting a special EC Ministers Council session could be called to approve the necessary decisions.

With regards to energy matters, the EC Heads of Government agreed at their Luxembourg meeting on the need of not only a joint approach in the event of any oil-supply shortfalls in the near term, but also on the paramount importance of establishing a coordinated energy policy within the EC (*cf EC Newsletter, March 1980, Vol 3, No 3—'Towards an EC Energy Policy')

The EC Heads of Government have asked the EC Energy Ministers, who met on May 13, to examine national energy programs in order to determine means of achieving the objectives of a coordinated strategy.

The EC Heads of Government will take up energy issues again at their summit meeting scheduled for June 12/13 in Venice.

EC—International Development Strategy

The Preparatory Committee for the new International Development Strategy (for the Eighties) held its fifth session in New York, April 14-25. The focus of the session was on 'Policy Measures'—the concrete tools to implement strategy.

A broad consensus seems likely on social development and environment issues. Such questions as international trade, industrialization, finance for development or the reform of the international monetary system will need more discussion. On the question of new funds, proposed by the Group 77, for instance the European Community expressed the opinion that existing bodies and institutions should be better used and called for greater flexibility.

A major issue which will require more work is the demand to increase the Official Development aid to a level of 1% of GNP of donor countries by the end of the decade. Here most industrialized countries, because of their economic situation, saw themselves in a position to agree only to a rise of 0.7% of GNP. It was pointed out, that as far as available data shows, the Eastern Block gives far less than other industrialized countries.

The Preparatory Committee discussed the whole range of policy measures and had a first exchange of views on the review and appraisal mechanisms.

At the conclusion of the session, the chairman was asked to provide the next session with a text for the whole strategy, so that the Committee may be in a position to finish its work by the next session and submit the concept for the new International Development Strategy to the Special General Assembly in August.

Amendment to EC Draft Mergers Directive

The EC Commission has recently amended its draft for a Directive on taxation applicable to mergers*, and the amended draft will be discussed at the EC Ministers for Fiscal Affairs meeting on May 19, 1980.

The Draft Directive is designed to defer taxation that would otherwise occur when two companies from different Member States merge, the effect would be to remove certain tax obstacles to company cross-frontier co-operation. The draft directive was first formulated in 1969, and most technical problems have been resolved except for the concern by several Member States that once tax obstacles to cross-frontier mergers are removed, companies may transfer their corporate headquarters.

To counter this concern, the amended version of the draft introduces safeguard clauses designed to enable a Member State to suspend the provisions of the Directive should the application of the Directive lead to an unacceptably high proportion of mergers taking place unilaterally to the detriment of that Member State.

*Proposal for a Council Directive on the Common System of Taxation applicable to Mergers, between Companies of different Member States. EC Official Journal No C39 of 22 3 69.

EC—Andean Pact

The first Ministerial meeting between the European Communities and the five member Andean pact countries took place recently in Brussels; this unprecedented meeting was a prelude to negotiations on a trade and co-operation agreement.

The Brussels meeting adopted a joint declaration on foreign and economic policy matters and indicated interest in developing closer economic and trade ties between the two groups. The Andean pact countries—Venezuela, Peru, Colombia, Bolivia and Ecuador—underlined that such ties should be linked to their South American context.

EC—UNIFIL

Irish soldiers shot

The following is the full text of the EC Foreign Ministers' Statement, issued at their April 22, 1980 meeting on the UN Peace-keeping force in Southern Lebanon (UNIFIL).

1. The Foreign Ministers of the Nine Member States of the European Community meeting in Luxembourg on 22 April considered recent developments in relation to the United Nations peace-keeping force in Southern Lebanon (UNIFIL).

2. They expressed their profound revulsion at the recent killing of soldiers of the force and especially at the brutal and cold blooded murder on 18 April by the irregular forces of Major Haddad of two unarmed members of the Irish contingent.

3. The ministers recalled their statement of 11 September 1979 reaffirming their support for the independence, sovereignty and territorial integrity of Lebanon and calling on all parties to give full assistance to the UNIFIL operation and to respect the decisions of the Security Council. They express very serious concern that armed attacks continue to be made on the UNIFIL troops, installations and equipment and that obstacles continue to be placed in the way of the force in its efforts to carry out effectively and throughout the whole of its area of operation, the peace-keeping mandate it received from the Security Council.

4. The Nine believe it is vital that steps be taken to insure that UNIFIL is permitted to carry out fully the tasks assigned to it and they support the efforts of the troop-contributing countries to insure that this will now be done. They note that it is the intention of the Security Council as stated on behalf of its Member States by the President of the Council on 18 April to take such de-

termined action as the situation calls for to enable UNIFIL to take immediate and total control of the entire area of operation up to the internationally recognized boundaries.

5. The Foreign Ministers of the Nine call strongly on all concerned to give their fullest support to measures decided on by the Security Council so that UNIFIL may be in a position to carry out in full the important peace-keeping mission with which it has been entrusted on behalf of the international community.

EC—Zimbabwe

—ACP

The official request by the new Government in Salisbury, Zimbabwe, to join the Lome Convention (and thereby become a member of the African, Caribbean and Pacific countries group—ACP) won the approval of the joint EC-ACP Ministerial meeting held in Nairobi, May 8/9. Now an accord between the EC and Zimbabwe will be drafted, and with the successful conclusion of that agreement, Zimbabwe will become the 60th member of the ACP group.

Also on the agenda for the APC meeting was a discussion of interim measures to bridge the gap between Lome 1, which expired February 29, 1980, and Lome 2, which has not yet come into force; discussion also ranged over several specific problems raised by the ACP countries—including the commodity additions to the Stabex system under Lome 2, and sugar quotas.