



European Communities Newsletter

Nov.-Dec. 1983

Vol. 6, No. 5

December 20, 1983

The Athens Summit and After

The Heads of State or Government of the Member States of the European Community, meeting in Athens on 4-6 December 1983, failed to achieve the objectives they had set themselves at their previous meeting in Stuttgart in June 1983. At Stuttgart a number of fundamental issues were identified and set up for final decision in Athens: the reform of the Common Agricultural Policy, the launching of new policies, the creation of new Budget resources, a greater budgetary discipline, the definition of a precise objective for the accession of Spain and Portugal, a final formula for the correction of budgetary imbalances, and the reform of the Structural Funds. Despite the enormous job done through special procedures at technical and political level in preparation for the deliberations expected in Athens, the European Council was unable to reach agreement on these major topics. In consequence, at the end of the discussion, the Greek Prime Minister, Mr. Papandreou, acting as current President of the Summit, felt it was impossible to draw any conclusions.

But "The failure of a European Council session is not the failure of the Community, let alone the failure of a historical process that is to ensure the prosperity and strength of Europe", reacted the Commission of the European Communities in a declaration issued in Brussels shortly after the Summit had closed its debates in Athens. The Commission stressed the disappointment which had been aroused and declared that the existing difficulties had been aggravated. It called vigorously upon the institutions of the European Community — i.e. the Council of Ministers and the Parliament besides itself — to return "to the Treaty procedures, the only ones wherein the higher interest of the Community can once again be made central to the debate."

Addressing the Plenary Session of the European Parliament on 13 December, the President of the European Commission, Mr. Gaston Thorn, developed this position further, stress-

ing the importance of the Commission's exclusive right of initiative in submitting proposals within the Community decision-making system. Denouncing the progressive erosion of the capacity to take decisions which had resulted from the increasing abandonment of the existing rules, President Thorn declared that there were three essential orders of questions that needed to be addressed in order to ensure the necessary definition of the Community and command of its future. These were: the share of the Budget burden among the Member States; the financial guidelines to be applied by the budget authority of the Community (i.e. the Council and the Parliament, subsequent to the Commission's proposals); and the scale of the increased Community resources needed for its development and for its enlargement to include Spain and Portugal. The European Council as such could not be expected — emphasised President Thorn — to discuss matters of a technical nature or of a lower political level, which properly fell within the competence of the Council of Ministers acting in accordance with the EEC Treaty.

President Thorn addressed a specific appeal to the European Parliament to make the ongoing government of the Community possible, despite the failure of the Stuttgart-Athens exercise, by adopting the Community 1984 Budget.

The 1984 Budget was voted on by the Parliament in Strasbourg and subsequently adopted. It now totals some 25 billion Ecus (equivalent to some \$22.5 billion) of which 16.5 billion Ecus are for agriculture. This takes the Community to very near the ceiling of its resources under the existing rules. 350 million Ecus of the sum allotted to the FEOGA guarantee, a principal item of agricultural expenditure, has been placed in reserve by the Parliament and 1.2 billion Ecus to provide compensation to the United Kingdom and Germany for budget imbalances in 1983, has likewise been reserved by the Parliament.

The pressure thus remains strong on the Community institutions and the Member States for a solution to be reached on the outstanding issues.

Acceleration of Tokyo Round Reductions

The Council of the European Communities adopted a declaration on 19 December 1983, approving a Commission proposal concerning the acceleration of the application of the Tokyo Round results.

The text of the declaration reads:

"Having regard to the forecasts of economic growth of the Community in 1985 which are presently of the order of 2%, and subject to the forecasts of these economic trends being confirmed in the course of 1984, the EEC will on 1 January 1985 accelerate the Tokyo Round tariff reduction by one step, provided that its principal trading partners in the OECD will do likewise.

The Council will decide on the implementation of this declaration on the basis of a Commission proposal at the beginning of Autumn 1984.

In parallel, the Council will eliminate to the maximum possible extent quantitative restrictions on imports from the least developed countries."

The Development of a European Community View on International Trade in Services*

There is as yet no developed international consensus on how trade in services should be handled in the coming years, and in particular, on the question of how far such trade can, or should be expanded through the creation of a suitable environment involving conformity with an appropri-

ate set of rules. We in the Commission have an open mind. I personally think that the Community could benefit significantly from moves of this nature.

Why is it that we consider services so important? In short because they now make a considerably larger contribution to production and employment than either manufacturing industry or agriculture.

Why the subject should have come to the forefront at this particular juncture is a more complex question. The answer lies buried somewhere in the political biochemistry of organisations such as the OECD, the GATT and the UNCTAD.

A few words therefore on the principal players facing the Community. The United States have become one of the chief protagonists of a new international framework for the growing trade in services and of the initiation of negotiations aimed at a step-by-step reduction in trade barriers in this field. US efforts to gain universal acceptance for these ideas have not however, met with unqualified success. In the OECD, which brings together the principal developed countries, exploratory work on trade in services has now been underway for a good two years. In the wider context of the GATT Ministerial Meeting of November 1982, on the other hand a number of Third World representatives were strongly opposed to any suggestion of an international negotiation aimed at an unqualified liberalisation in trade in services. The fundamental reason was that countries perceived a potential threat to their own infant service industries from the well-established and efficient service industries of the developed world, and were, therefore, understandably reluctant to be forced into allowing a wider participation by the latter in their markets. The reservations of the Third World here should not be underestimated.

The work set in hand both in the OECD and among members of the GATT is aimed at reaching a better understanding of the workings of the world services economy and hence of the problems encountered there. So

far, the emphasis has been on fact-finding. At some stage, however, conclusions will need to be drawn. My guess is that a consensus will begin to emerge within the international trade community in the course of 1984 on whether or not a round of negotiations to establish a set of rules for trade in services should be held in the second half of this decade.

These are the international parameters of the debate. Obviously, the European Community is going to need a clear view of its own if it is to contribute effectively to this international process.

In looking at where the Community stands, we find the following broad picture. For trade in services proper, the Community is far and away the most important trading partner in world markets. The key question is whether our generally favourable position would be strengthened or undermined by international negotiations aimed at a certain liberalisation of trade in services.

A firm view of this overall issue has yet to be reached. One reason why it is not easy to come to a view is that we are still building up our experience and expertise in this area. The Community's involvement with trade policy in the field of goods goes back some twenty five years. Over this time its institutions have developed a collective memory, have accumulated experience and expertise and have gradually built on the achievements of the past. In services, on the other hand, we have to start from scratch. So there is very little conventional wisdom on the subject, and certainly no collective memory.

Let me look in greater detail at some of the issues we have been examining. The success of the GATT in the years since its foundation has been based on the shared experience that the liberalisation of trade in goods has been of enormous benefit to the world economy as a whole, and also to most GATT member countries individually. One of the difficulties facing us in services is that there is no general consequence as to whether similar considerations apply to trade in services.

On the other hand, it is difficult to deny that certain beneficial effects of international trade in goods should normally apply to international trade in services. On the other hand, many service sectors are currently regulated by governments to a greater or lesser extent, and far more extensively than is the case for goods. This is usually defended by pointing to certain wider policy considerations. Few people would deny that there is a legitimate need for at least a certain degree of interference with market mechanisms in a considerable number of service sectors. Once we admit that a certain degree of regulation is desirable, we cannot at the same time demand complete liberalisation of trade.

This does not mean that we cannot realise the economic benefits of increased trade in services, while still respecting the legitimate concerns which led governments to regulate certain service sectors. But we then have to ask ourselves what sort of international negotiation could achieve this, and assess the likelihood of its succeeding.

What is clear is that, unless the world's main trading partners believe that the sort of economic benefits I have described can be realised through establishing rules for a more liberal regime for trade in services, the necessary complex negotiations will not succeed. So we must be convinced that we could bake a cake which could be shared out internationally.

I have now sketched out for you the main issues which we within the Commission are seeking to clarify, prior to coming forward with cut-and-dried proposals for Community action. To sum up, our first aim is quite simply to reach a deeper understanding of how the international service economy works.

Our second aim is to assess the possibilities in the various service sectors for creating additional economic welfare through encouraging greater international trade.

Our third aim is to be clearer on the extent to which such general economic benefits would accrue to the

Community in particular, for example through increased exports by its services companies.

If the result of this analysis is that a certain degree of liberalisation would be in the European Community's interest, we would then have to ask ourselves whether, and in what form, an international agreement would lead to this, and whether the considerable resources which would have to be devoted to such a major round of negotiations would be justified by the likely results.

(*) Excerpts from a speech by Mr Leslie Fielding to the conference of the Chambers of Commerce of the North Sea Ports, London, 21 October 1983. The full text is available upon request

Central America

A statement was made on behalf of the Member States of the European Community during the General Assembly's consideration of the item "The situation in Central America". In the speech delivered in the Plenary by the Greek Representative on 9 November 1983, the Ten stressed once more that "the crisis in Central America is closely related to the processes of change, in which the countries of the region are immersed. The endemic social inequalities, injustice and economic underdevelopment are at the root of the present crisis, which is aggravated by outside interference". While the situation in Central America was particularly threatening because of the risk of a more comprehensive armed conflict, the Ten believed that "the problems of Central America cannot be resolved by military means but only through a political settlement springing from the region itself". At the meeting of the European Council in Stuttgart in June 1983, the Heads of State and Government of the Ten had stated the principle on which a peaceful solution should be based and expressed their full support for the efforts of the Contadora Group. The Ten had noted with appreciation the suggestions contained

in the Cancun Declaration of 17 July 1983. The document of objectives which had subsequently been elaborated by the members of the Contadora Group and their colleagues from Central America contained, in the view of the Ten, "many essential elements and constitutes a very helpful regional framework, within which the countries of the area could promote a peaceful dialogue which could lead to a solution of their differences".

The Ten concluded by reiterating their "readiness to contribute, in whatever way they can, to the further development of the area in order to promote progress, which is the only road to stability". It was recalled that to this effect direct contacts had been established with the Contadora Group and that the Foreign Ministers of Greece, France and of the Federal Republic of Germany, and the President of the Commission, had met in New York on 29 September with the Foreign Ministers of Colombia, Mexico, Panama and Venezuela.

Cyprus

In statements issued on 16 November the Commission of the European Communities and the Ten Member States rejected the declaration purporting to establish a "Turkish Republic of Northern Cyprus". Unconditional support was expressed for the independence, sovereignty and territorial integrity and unity of the Republic of Cyprus. The Government of President Kyprianou was the sole legitimate Government of the Republic of Cyprus and the only one recognised by the European Community.

The Commission for its part remains anxious to achieve the objectives of the Association Agreement, which concerns trade and economic relations between the EC and Cyprus, and the accompanying Financial Protocol. Mr. W. Haferkamp, the Vice-President of the Commission, visited Nicosia on 2-3 December in order to hold discussions with President Kyprianou on the implementation of these two Agreements.

Middle East Issues

During the 38th Session of the General Assembly the Member States of the European Community set out their common position on Middle East issues on a number of occasions. In a statement made on behalf of the Ten on 9 December 1983, accent was laid on the dangerous situation which had arisen in Lebanon.

“Lebanon has found itself in the throes of a conflict which could have led to its disintegration. The Ten firmly support the independence, sovereignty and territorial integrity of Lebanon and the authority of its Government. The Ten express the hope that the dialogue initiated in Lebanon will lead to national reconciliation and ensure the unity of the country. They also stress the need for early process towards the complete withdrawal of all non-Lebanese forces with the exception of those whose presence might be required by the Lebanese Government. The Ten are ready to work for these objectives, jointly and individually.”

The Ten were “deeply preoccupied” by the hostilities in northern Lebanon, which had caused intolerable suffering and considerable loss of human lives among the civilian inhabitants of the region, both Palestinian and Lebanese. They recalled their statement in Athens of 9 November 1983 on the subject and they condemned “all bloodshed in Lebanon, whether it comes through internal strife or external acts of violence”.

One regrettable consequence of events in Lebanon had been to make progress towards settlement of the wider Middle East problem even more difficult.

“The Ten continue to be deeply conscious of the importance that the problem of Palestine holds for the future peace and security of the Middle East. They firmly believe that a just solution of this problem is an essential element for any comprehensive peace settlement of the

Arab-Israeli conflict. The Ten’s commitment to the right of Israel to live in peace and security is fundamental and unwavering. In parallel, they further confirm that there can be no real peace or stability in the region unless the legitimate rights of the Palestinian people are recognised. In particular, self-determination for the Palestinian people, with all that this implies, remains an essential element of any comprehensive, just and durable settlement of the conflict.”

In this connection it was stated in a declaration made on 28 November that:

“The Ten wish to see the Palestinian people in a position to pursue their demands by political means and wish that the achievement of these should take account of the need to recognise and respect the existence and security of all”.

Negotiations, in the conviction of the Ten, were the key to the problem, and it was for the parties directly concerned to negotiate a lasting settlement. In the words of the statement of 9 December:

“These negotiations will have to embrace all the parties concerned, including the Palestinian people and the Palestine Liberation Organisation will have to be associated with them. The Ten call upon each of the parties to assume its international responsibilities without further hesitation. They stress the need for all the parties to abide by the resolutions of the Security Council and explicitly to make known their approval of these resolutions.”

Another aggravating factor in the Middle East was the continuing war between Iran and Iraq, in which the Ten “have been and will remain neutral”. The Ten strongly deplored the lack of progress towards the solution of the conflict, which constituted a serious threat to stability and entailed heavy suffering, and deeply regretted that none of the peace initiatives so far undertaken had succeeded in bringing the fighting to an end.

“They take this opportunity to call once more for a cease-fire, the cessation of all military operations and the withdrawal of forces to internationally recognised frontiers, and for a just and honourable settlement, acceptable to both parties.

Security Council resolution 540 could constitute a starting point of a process leading to peace. The Ten confirm their readiness, if requested by both parties, to participate in the efforts aimed at restoring peace in the area.”

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News in Brief

Emergency Aid for Lebanon

The Commission of the European Community decided in November to provide one million Ecu in emergency aid to Lebanon. The aid will be supplied to the International Committee of the Red Cross for use in its relief programme for the victims of the present conflict. This latest allocation comes on top of an emergency aid of 500,000 Ecu provided last September. In all a total of 23 million Ecu has been allocated by the Community for humanitarian and food aid in Lebanon since the Israeli invasion in June 1982. In addition 5 million Ecu in food aid has been given to UNRWA for Palestinian refugees in Lebanon.

Emergency Aid for Mozambique

Following an urgent appeal by the Mozambique authorities, the Commission has granted emergency aid in order to help deal with the suffering caused by severe draught conditions. Part of the aid will be used to provide medical and other forms of immediate relief assistance and supplied—for the first time in EC emergency aid policy—directly through Commission means. 20,000 tons of cereals, which are in addition to 40,000 tons furnished earlier this year, will be channelled through the World Food Programme.

Emergency Aid to Brazil

The European Commission has decided to grant an emergency aid of 750,000 Ecu to several regions of Brazil suffering from natural disasters. 500,000 will be contributed to the League of Red Cross Societies aid programme in favor of the North Eastern regions which are hit by draught and 250,000 Ecu, will be channelled by Medecins sans Frontieres and by Deutsche Welthungerhilfe to the Northern regions of the country.

Programme of Council Meetings during the first half of 1984

On 1 January 1984, France takes over the Presidency of the Council of the European Communities. The following schedule of Council of Ministers' meetings has been issued for the coming six months.

January 1984:

Agriculture (9-10th), Economy and Finance (9th), Consumer Affairs (17th), Industry (19th), General Affairs (Foreign Ministers) (23-24th).

February 1984:

Social Affairs (informal meeting) (2nd), Agriculture (6-7th), Economy and Finance (13th), Energy (14th), General Affairs (Foreign Ministers) (20-21st), Research (28th), Development (28th).

March 1984:

Environment (1st), Fisheries (5th), Agriculture (12-13th), General Affairs (Foreign Ministers) (12-13th), Economy and Finance (12th), European Council (19-20th), Agriculture (26-27th).

April 1984:

Economy and Finance (2nd), Industry (3rd), Social Affairs (5th), Agriculture (9-10th), General Affairs (Foreign Ministers) (9-10th), EEC-ACP meeting in Fiji (date to be announced).

May 1984:

Agriculture (7-8th), Economy and Finance (14th), General Affairs (Foreign Ministers) (14-15th), Transport (17th), Education (21st), Energy (22nd), Fisheries (24th), Research (29th), Agriculture (informal meeting) (28-30th).

June 1984:

Economy and Finance (4th), Agriculture (4-5th), Consumer Affairs (5th), Social Affairs (7th), General Affairs (Foreign Ministers) (18-19th), EEC-ACP Council (21-22), European Council (25-26th), Environment (28th).