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## **THE INCREASING IMPORTANCE OF THE EUROPEAN ECONOMIC COMMUNITY**

### **THE RISE OF THE EUROPEAN PARLIAMENT**

#### The Budget Issue as a Mark of Ambition

In the final month of the decade, the foreign ministers of the world, and the peoples of Europe, were suddenly made aware that a new and important political institution had emerged out of the previously dry and infertile political wasteland of the European Economic Community. That institution was a European Parliament which was, for the first time, prepared to assert its unique role in the EEC as the only directly-elected assembly. It served notice on the other European institutions, such as the European Commissioners and the Council of Ministers, that it would not debate uselessly while the real decisions were made by non-elected bodies and by the bureaucrats in Brussels. If the Parliament continues to assert itself, it could grow into a powerful and centralized European legislature, with responsibility for the formulation of policy on energy, defense and foreign trade among other things. It is, therefore, important for the rest of the world to understand what is happening in Europe, and to understand in particular this interesting institution which has astonished Europe itself.

When the Parliament was elected in early June, few commentators thought that it would do any more than its predecessor, a collection of parliamentarians appointed by member governments. But the June Parliament was the first to be directly elected in each of the member countries of the EEC, and from the 175 million voters in Europe. Since taking office, it has been anxious to show its teeth, and has expressed its opinions and recommendations on European policy in many new ways. As the only directly-elected body in the complex politics of the Community, it has seen itself with a mandate and a right to represent the wishes of the Europeans themselves, over the heads of their national governments.

The first major break came only five months into the Parliament's term of office. On December 13, 1979, the Parliament passed a resolution to reject the 1980 budget of the EEC. The size of the majority left no doubt that the Parliament meant business. The 288 Members who voted for rejection constituted more than a simple majority of the 410-Member Parliament, and only 64 representatives voted against, a figure not without its psychological importance. The rejection of the budget was a vote of protest against the sizeable increases in the budget proposals, against the fact that three quarters of the EEC budget is distributed to farmers, and that since the total spending on agricultural subsidies (designed to protect farmers in the event of a surplus of production, and falling of prices) could not be computed until harvests were collected, the budget amounted to a blank check. The Parliament had seen enough of "butter mountains" and "wine lakes" to know that if over-production is subsidized, then there will be over-production; and it asked for limits on the total subsidies, which the Ministers refused to agree. Indeed, the Ministers were proposing new subsidies, which might well add more than a billion dollars to the total 1980 budget.

The Ministers proposed some schemes to help avert a collision between them and the Parliament, but it was to no avail, and - with the notable exception of the French Gaullists, who recognize the importance of farm subsidies to the heavily agricultural French economy - MEPs from all sides voted for rejection.

Naturally, the entire budget and spending of the EEC does not stop just because of one vote; there is an emergency procedure, under which the programs of the Community can continue, but with monthly spending constricted to one-twelfth of last year's levels. This means, of course, that some projects which require more cash in some months than others will soon be starved of funds, while others which will require a constant but greater expenditure than last year will be similarly squeezed. There is little doubt that the Ministers will come up with more compromise proposals which will be acceptable to the Parliament in the near future. Given the sympathy of the Ministers for agriculture, this will certainly be arranged long before the harvests are reaped and the subsidies become payable in the summer.

For a Parliament made up from many different nations, with many political parties of wide-ranging outlooks, the scale of this rebellion from established practice is remarkable. It is perhaps symptomatic of a determination to take more powers in other areas as well.

#### Powers of the European Parliament

On paper, the powers of the European Parliament are limited, and are defined in the Treaty of Rome, which set up the EEC. As such, it is unlikely that major changes in these powers will occur soon - it requires only the veto of one country, and France has been reluctant to allow any increase in the Parliament's

powers, which could threaten the farm policy which it enjoys so much.

The Parliament is only one of many institutions governing the EEC. The executive work is performed mostly by the Council of Ministers, and the EEC Commission. The powers of the Ministers have been growing, and it is with them that most of the larger decisions lie. The Commission, a council of 13 representatives (two from the larger countries, one from the smaller) is a statesmanlike body, serving to iron out disputes and to pilot through the long-term strategic policies of the Community. In addition to this, there is the European Council, the summit meeting which takes place three times each year; and the European Court, in the Hague, which is supposed to decide constitutional and other cases which are governed by the Treaty of Rome and its many volumes of regulations.

It is notable that the Parliament has, in fact, the power to remove all the members of the Commission. This power has not yet been used, and there is some reason to believe that it will not be used in the near future. The Commission is falling into second place behind the Council of Ministers, over whom Parliament has no power; and main quarrels seem to be between the Parliament and the Ministers, and not with the Commission. The removal of all members of the Commission would be such a spectacular insult to the national governments which appointed them, that it would be justified only in the most extreme circumstances.

On the other side of the coin, the Commission will, next year, come to the end of its four-year term of office, and for various reasons the final year of the Commission's term has never been very productive - eyes are focused on new appointments, and the old appointees are slotting themselves in to other positions. Furthermore, there is nothing to stop a national government from simply re-appointing Commissioners who have been removed by Parliament. These facts, jointly, make the Commission a good target for Parliament's muscle-flexing; and it would well be that the power of removal, which has existed since 1952, may well be used for the first time just to show once again that the Parliament means business. If it is used, the attention of the world will focus upon a continuing struggle which the Parliament could well use to its own advantage. The balance of powers within the EEC, and therefore the determination of all of its policies, could be changed permanently.

Apart from this curious power, the Parliament can do little. It does not even have the power to initiate legislation. It cannot overturn the decisions of the Council of Ministers. It considers all legislation which is binding across the Community as a whole, but it cannot delay them, stop them or advance them. It can suggest amendments to the legislative proposals of the Commission (the real legislative center at the moment), but the Commission does not have to accept them, although in practice it does take the majority of amendments offered. There are also



some informal powers; by discussing and passing a resolution on a particular subject, the Parliament can prompt the Commission into initiating a new policy.

The committees of the Parliament have a power rather similar to the congressional committees found in the United States. Once again, although they have not been used so far with any great effect, there are signs that the Parliament proposes to use this power in the future to haul Commissioners and other EEC decision-makers into the public gaze. The Parliament has not been shy about publicity, and the more that it can keep itself before the public, the more influence it has. This is why one of its major strengths is the power it has to publish figures and details about the administration of the Community, and its ability to question officials from other bodies. If things were really bad between the Parliament and the Ministers or the Commission, there is, furthermore, nothing to prevent Parliament from pleading its case at the European Court, which would be rather like using the Supreme Court in the United States to sort out a constitutional matter. Once again, as the Parliament is determined to show its strength, this could well occur, but the feeling is that the Treaty of Rome is so stacked against the Parliament that it would have little to gain in trying to wrest powers from other bodies by taking them to the European Court. If it does happen, it will be a powerful sign for the future.

But perhaps the principal power, formally stated, of the Parliament is its budgetary control; and since the annual budget of the EEC is about \$20 billion, this provides a fair measure of muscle. Even this is limited, however: the Parliament has no power to establish or alter taxes, and is therefore completely devoid of authority over revenue questions. Furthermore, a large proportion of the budget, perhaps three-quarters, cannot be altered because it is an obligation contained in the Treaty of Rome and other foreign treaties. The budget of the Common Agricultural Policy, for example, is nearly all contained in this portion. Since the Treaty of Rome is protective of EEC agriculture, there is little way of circumventing the expenditures which it dictates.

For the remainder of the budget, the Parliament can recommend changes, and it is difficult for the Council of Ministers to resist the change, although once again there are complicated rules for determining the maximum increase which can be proposed through this method.

It is only since 1975 that the Parliament has enjoyed its power to reject the whole budget. As December 1979 showed, this proved to be a very useful weapon in the arsenal of the Parliament.

#### Elections of the Parliament

None of the European institutions is marked by unity and consistency, since they represent different countries, with

different histories and cultural backgrounds, some of which have been in war against each other quite recently, and with a number of different languages confusing their deliberations. For this reason, the EEC is quite unlike the union of states in the U.S., for example, being more like NATO or the Organization of American States in its construction.

The recent elections to the European Parliament bear out this problem. Although the Treaty of Rome is quite specific that the election procedures - and many other procedures - within the Community must be similar, this proved impossible to do and "harmonization" (to use the EEC jargon) of the many different electoral practices failed. In Britain and in Greenland (which elects only one member to the Parliament, and is not a full member of the Community), MEPs were elected by the first-past-the-post system, which is used in their national elections. This has meant that the victorious parties are slightly over-represented in these countries, while third parties come nowhere in the seat stakes. Despite the British Liberals polling 12½ percent of the vote in that country, they were awarded not a single seat in the European Parliament, out of the 78 which go to the British.

The British system has the advantage that its MEPs all represent specific districts, despite the problems of proportionality. Other countries have tried to compromise between the systems; Italy's MEPs, for example, are elected by the country, the allocation being made in proportion to the parties' polling in each region. Belgium, which has long been a nation divided quite dramatically between the Flemings and the Walloons, not to mention the city of Brussels, which is something of a law unto itself, divided its seats according to language. Germany devised equally ingenious electoral systems, and Berlin's MEPs were appointed, not elected; but other countries adopted a more straightforward system of proportional representation.

It may be an advantage of the British system that it gives less say to third parties, as far as the European Parliament is concerned. Rarely can two countries in Europe reconcile their party differences, since their different heritages have led to the largest right-wing party in, say, Germany standing for ideals and policies quite different from the right-wingers in France or Ireland. This awkward alignment of parties, together with the proliferation of smaller parties represented in the Parliament, builds in an obstacle to unity in the debates, a phenomenon which has paralyzed the construction of a single-minded European Community up to now.

The largest coalition in the Parliament are the more conservative forces, the Conservatives from Britain, together with the German Christian Democrats, the party of Giscard in France, and so on. The most impressive delegation of Conservatives comes from Britain, but Germany and Italy sent sizeable numbers, as did the smaller countries of Ireland, Holland and Belgium.

Nevertheless, the largest single amorphous group in the Parliament is the socialists, who claimed 112 of the seats in the 410-strong Parliament. The Christian Democrats come just behind with 99. Both parties come from many different countries. Next, the Conservatives have an impressive showing, with a total of 63, coming only from two countries, Britain and Denmark. Liberal representatives from the larger countries occupy the next largest group of 47 seats.

#### THE SHAPE OF THE EUROPARLIAMENT

##### Number of seats by party groups

	Christian				Progressive			Total
	Socialists	Democrats	Liberals	Conservatives	Communists	Democrats	Others	
Britain	18	--	--	60	--	--	3	81
France	22	--	25	--	19	15	--	81
Germany	35	42	4	--	--	--	--	81
Italy	13	30	5	--	24	--	9	81
Holland	9	10	4	--	--	--	2	25
Belgium	7	10	4	--	--	--	3	24
Denmark	3	--	3	3	1	1	5	16
Ireland	4	4	--	--	--	5	2	15
Luxembourg	<u>1</u>	<u>3</u>	<u>2</u>	--	--	--	--	<u>6</u>
Total	112	99	47	63	44	21	24	410

Liberal total on this table assumes that all French Giscardian list members will sit with Liberals. Some may sit with Christian Democrats.

The left-wing parties, then, are a minority; the Socialists and Communists sit in 156 seats, while the main right-wingers, the Liberals, Christian Democrats and Conservatives, have a total representation of 209. It remains to be seen, however, just how closely the right-wingers will cooperate; in the past there has been much more cohesion among the left-wing forces. In particular, the Christian Democrats, despite pressure from their younger elements, have been reluctant to pitch in with the British Conservatives. The Liberals, the main third grouping, cover many shades of opinion, from the rather left-wing British Liberals to the much more right-wing party of Belgium; but again, the influence of the other minor parties, and just how far they will side with the main groupings, could have a great influence on the future of the Parliament.

The Parliament is not lacking in its big names, which might serve to increase its reputation and status among the European institutions. In Germany, Willi Brandt is matched by Otto von Habsburg, the son of the former Emperor of Austria, and a staunch supporter of Franz Josef Strauss. In Britain, Lord St. Oswald, who has long championed the cause of Europeanism, is now a member,



as is former health minister Lady Barbara Castle from Britain's Labour Party. Another former health minister, Simone Veil, was top of the the Giscard list in France, while Francois Mitterand's Socialist party is well represented. Leo Tindemans in Belgium showed a powerful personal following. In addition, the new Parliament is packed with former MEPs and experienced members of the Parliaments of each member country, giving it a substantial weight of experience and authority.

### Troubled Beginnings of the Parliament

This being said, there is no doubt that the rather disappointing poll which elected the Parliament will count against it. Of the 175 million electorate, only 110 million, or 61 percent actually voted. In some countries, such as Italy (which recorded an 86 percent turnout) voting is strongly urged, and continued abstinence from voting is censured, and in Belgium, voting is obligatory and a single omission can be punished by a fine (Belgium recorded a 65 percent poll). In Luxembourg, the poll was higher. But all of the larger countries recorded polls which were much below their national election norms. At the bottom was Britain, with a 33 percent turnout, although the proximity of the European Parliament election to its own Parliamentary election could explain some part of this.

As the Parliament opened, a Northern Ireland representative, Reverend Ian Paisley, began the controversy by protesting that the Union Jack had been flying upside down. He made further protests the following day, during a speech by the Irish Prime Minister Jack Lynch. One of the Radicals from Italy stood up to complain against the system used in the election of MEPs. The election of a President, which turned out to be Mrs. Simone Veil was hotly contested, and there were repeated arguments about the membership of each of the 12 committees of the Parliament. There were more arguments about the membership of the Parliament itself. A member from Britain who had broken a trifling but definite election rule found her election declared void and was forced to run again. In France, Mrs. Veil's party objected to the fact that 70,000 Giscardian votes had been disqualified, after enthusiastic Giscardians had used a bogus "ballot paper" which appeared on the party's election leaflets. Despite the fact that it was impossible to determine how many voters had mistaken this for the genuine article, and how many had voted with it and with genuine paper, the authorities transferred a seat to her party from that of M. Mitterand, who promptly resigned his own seat in protest. Eventually, the disputed seat was given back to the Socialists. This kind of altercation, naturally enough, did nothing to help the early reputation of the Parliament.

There were, in addition, a number of other wrangles over the powers and privileges of party groupings inside the new Parliament. The larger groups can claim an allowance of \$50,000 a year, plus almost \$4,000 per MEP that it has. Another fund, totalling nearly \$700,000 is divided between these groups, as is office

accommodation, secretarial assistance and other perquisites. By staging a lengthy filibuster, uncommon until then in the Parliament, some of the smaller parties were able to refer the distribution of these allowances to the Rules Committee for further scrutiny. All in all, when this and the other difficulties of the early Parliament are considered, it seems that the new Parliament is a much more political body than the old. Its members fight determinedly for their beliefs, and are anxious to make changes, rather than being simply the delegates of their governments.

### Issues in the First Six Months of the Parliament

The Parliament wasted little time in getting down to a discussion of a number of important topics, first and foremost among which was the budget, upon which the Parliament was later to register its protest. The debate was begun by the publication of a controversial report by Lord Bruce, which complained that the Council of Ministers, and the Commission, conspired together in a number of ways to reduce the influence of the Parliament over the budget, and that even when the Parliament did register any feelings about the size of the EEC spending program, these were usually ignored.

It has been pointed out that the Parliament can do little about the great bulk of the budget, which is "obligatory" in nature, and that it can alter the remainder only within fixed limits. But even when it did suggest changes in spending plans to the Commission, it turned out that most of the recommended amendments to the budget in previous years had been ignored. In 1977, for example, 21 out of 29 amendments which the Parliament made to the budget were not implemented. Five more were implemented, but by less than half of the amount voted. Only one, reported Lord Bruce, was implemented in full. To a Parliament which is noted for its propensity to spend, this came as something of a shock when the figures were analyzed. Although the Commission and the Ministers, and notably the EEC Budget Commissioner, Christopher Tugendhat, argued that these criticisms were misguided, and were caused by the length of time it took to effect budgetary proposals, there is no doubt that the Parliament was deeply irritated by the facts which emerged from Lord Bruce's study.

The Budget Committee of the Parliament, under a proposal by Pieter Dankert from Holland, proposed to start the contest by cutting food subsidies and increasing taxes on agriculturalists. Although the Parliament has no revenue powers, the tax on milk production, which is designed to reduce oversupply, is regarded not as income but as a negative outgoing, over which the Parliament can have control. This unusual situation led to the threat that the Parliament would begin to meddle in the details of the agricultural budget, something which had not previously happened. In the end, as has been related, the Dankert proposal was lost under the onslaught of the more major rejections of the whole budget because of its large agricultural elements.



On a related subject, there has been much discussion over the proposal to sell butter to the Soviet Union. This is by no means the only product which is sold to Russia, and certainly pales into insignificance when put alongside the American sales of grain to the same customer, sales which are very much larger and a great deal more regular than the erratic EEC trade deals with them. Even so, the Russians had bought some 100,000 tons of butter in 1979, before, in September, the chairman of the Agricultural Committee of the Parliament registered a protest about the sales. Britain's agriculture Minister, Peter Walker, joined Sir Henry Plumb in the complaint.

Once again, it struck the Parliament's officers as somewhat odd that the Commission appeared to be able to do nothing to prevent the sales. The Common Agricultural Policy is designed to protect European farmers by raising prices of agricultural produce for the consumer, and guaranteeing prices for producers through large subsidies. The inevitable surpluses are disposed of outside the Community, and, in fact, a further subsidy is paid to allow their export. In other words, the sale abroad allows the Russians to buy butter at a price lower than that charged to the European consumer! It is perhaps hardly surprising that the Common Agricultural Policy has come in for much criticism in Britain and in other member countries, and it is likely that there will be a major revision in the Policy before long.

The Parliament has also come into conflict with the Commission on the question of product liability, which is modelled directly on the American laws. The Parliament's view is that these proposals are too strong, and that it is unreasonable to expect a manufacturer to be responsible for every unforeseen upset which his product may cause. Already, some countries have more or less strict rules on this. The German law on pharmaceuticals, for instance, is very tough, whereas Britain suffered the Thalidomide disaster only a short time ago. Under the Commission's bill, producers could face up to \$30 million compensation liabilities, even if they are not negligent. The Parliament had objected to similar proposals before. Believing that smaller producers and product innovations would be at risk, the Parliament preferred a requirement that negligence be proved. Interestingly enough, the Commission adopted the Parliament's view - but only in respect to agricultural, arts and craft goods; everything else, they said, would be covered. Fortunately, perhaps, the wheels of the EEC grind slowly, and decisions are now needed from the Council of Ministers, which is unlikely to countenance any anti-industry proposal during a time of economic restraint.

On the subject of defense, the Parliament has considered its position with respect to NATO, but it is clear that the EEC as such is not about to involve itself in European defense questions; while individual members are very concerned about this, the Community has no policy as a group. In particular, the various socialist and communist groupings, not to mention a considerable proportion of the French, voiced in the Parliament last September

their bitter opposition to any talk of establishing an EEC defensive unit and troops to maintain it. In particular, there is concern about the role of Germany, which is not at the moment in possession of nuclear arms technology. Naturally, a closer standardization of the weapons systems between the various countries could amount to savings from higher production runs and a more sensible strategy in terms of supplying forces in the field; at the moment, British shells will not fit into French cannon, and so on, which poses considerable logistical problems for Europe's conventional defense forces. While the Parliament is clearly concerned about Europe's shabby defense position, this is probably a question which will be left for further discussion within the NATO Alliance, rather than in EEC circles.

These, then, are some of the key issues which have been brought to the attention of the Parliament. Undoubtedly the new institution is about to turn its attention to many more and will be increasingly reluctant to shelve such questions as defense or foreign policy.

#### Faltering Progress of the Commission

Another factor which has improved the power of the Parliament as an institution to be dealt with in world politics is the rather faltering career of the European Commission. Nominally the supreme legislative assembly of the EEC, it has come under much criticism in recent months, and the existence of a questioning Parliament has exposed its decisions to much disagreement. In addition, the heads of state of the member countries have been more than usually active in their summit meetings, which again has stolen some of the Commission's thunder.

Symptomatic of the problem has been the long wrangle over the Commission's own budget and allowances. A confidential report from the auditors of the Community, which was leaked in a West German magazine in August, commented on the Commission's expenditures over the financial year 1978. Each Commissioner receives an emolument of about \$120,000 per annum, and the 13-man Commission shared expenses and travel claims totaling \$1,400,000. In particular, the use of private air travel, at a cost of about ten times the equivalent of scheduled airlines, accounted for about \$600,000 in the Commissioners' expenses. Within the figures are some remarkably high individual claims. Wilhelm Haferkamp, the German Commissioner who deals with external affairs, was specifically censured - his spending on hotel bills was one-third of the total for the Commission, and his telephone bill amounted to two-thirds of the total on that item, a sum of \$4,000.

There have been proposals to make the Commission less unwieldy and inefficient, and to slim it down - in particular, a report commissioned by the President, Roy Jenkins. At the moment, the larger countries appoint two Commissioners, and it is suggested that there should be only one from each. The present five vice presidents would be reduced to one. There were also proposals

that the Commission should rely more on a permanent secretariat, instead of inexperienced aides to individual commissioners, and that the division of responsibility according to nationality, rather than to merit, should be brought to a close. It is likely that some or all of these reforms will be adopted, but they will take time to rehabilitate a Commission which has been losing strength and vision over the last few months.

Another area of doubt surrounding the Commission is the choice of a new President at the end of this year. There is a strong possibility that Roy Jenkins, from Britain, will be asked to continue, but he is undecided. His prospects in Britain, as a right-wing member of the Labour Party, are currently bleak because of the left-wing domination of that Party; there is speculation that he will return to found a centerist party, but that has never worked in Britain, and Mr. Jenkins must be none too optimistic about his prospects. So unless he defects to the Conservatives, or is elevated to the Peerage (both of which are possible), he seems to have little political future in his home country, and may decide to stay on. Should he not, then the countries which have not yet provided a President of the Commission would be the most likely recruiting grounds for his successor. Luxembourg and Denmark have their own favorite candidates, but these lack the weight inside European circles to be taken very seriously. Ireland might be more promising. Jack Lynch is now looking for a job, and political circumstances are such that Garret Fitzgerald might advance himself as a candidate. But all this speculation does nothing to unite the Commission itself.

#### EEC TRADE ABROAD

Like the United States, the EEC is suffering under the impact of large trade deficits with Japan. In January 1978, the Japanese refused to accept any agreement for a cut in its global trade surplus, and later in the year, they refused the EEC request on the same issue. Again, while Japanese trade was giving them approximately \$4 billion surplus each year, they agreed to reduce this to less than one-half, but the cut was not made effectively. Trade with the EEC alone accounted for something like \$6.4 billion of the Japanese surplus in 1978. As with the United States, trade with Japan was hampered by complicated tariff arrangements and strict controls on the quality of imported goods. Although the tariff barriers were reduced in 1978 and 1979, strict controls on foreign imports to Japan have remained an obstacle to the traders of the EEC and the U.S.

Nevertheless, trade with Japan accounts for only 3 percent of the Community's foreign trade bill, and the value of imports from Japan increased in 1978 at only 26 percent, compared with an increase in the EEC's exports to Japan of 45 percent over the same period. The strongly-expressed sentiments of the Commission, and of Summit meetings, in 1978 did force the Japanese to make some concessions and to deliver what they promised. The Japanese



imported an increasing proportion of manufactured goods, ordered six A300 airbuses, and eased the controls on the importation of European cars. Nevertheless, the Commission considered the possibility of controls on imports from Japan in early 1978, something which had not been advanced before. This was particularly embarrassing to the Japanese in the light of the Tokyo summit of the same year.

The position of the EEC with respect to Japan has been less successful than that of the United States. Despite the promising moves from the Japanese, the EEC deficit in trade with them remained large in absolute terms, and there is no doubt that the Japanese have the edge in new-technology trade, microprocessors and the like, which is a section of trade likely to increase rather than diminish. The crucial difference in the success of the U.S. and the EEC in countering this trade problem might be attributed to American ingenuity and innovation, which causes new technology to be more readily available in the U.S. and therefore more competitive than Japanese attempts; but it is more likely that the Japanese are well aware of the importance of the American connection for their domestic safety. The importance of American defense systems to Japan has led to a positive discrimination by the Japanese in favor of some American products, while the EEC has been less fortunate. In real terms, Japanese trade with the U.S. is 2.5 times that with Europe; and they are likely to protect such a valuable market, even at the expense of sacrificing some connections with the EEC.

It is well known that the Japanese make extensive use of what might be called non-tariff trade barriers. The extensive testing of imported goods, even though these might have been tested to similar standards in their country of origin, is one such method, and by this means the Japanese can slow down the importation of anything from chemicals to electrical appliances and automobiles. The Japanese, on the other hand, have long criticized the EEC for its own impressive array of barriers, which are probably more numerous than those deployed in Japan, and they cite the lack of initiative in EEC business salemen as the root of the West's problems.

A look at the EEC position on the standards of parts used in the automobile industry is a case in point. Each of the EEC countries has its own standards and tests to ensure the safety of consumer products - in this case, items such as the toughness of car windshields, the quality and roadholding powers of tires, and other safety items. The Commission, and to some extent the Parliament, has long been concerned that these safety standards do not match up between the various countries, so that a manufacturer of automobiles in, say, Germany, cannot export them without modifications to other countries such as Britain. This imposes a strain on the industry and a costly duplication in labor. Between them, Germany and Britain launched a major drive to push through a harmonization program, which the Commission had been working on with the characteristic slowness of EEC legislation, since 1969.

Eventually, nearly all of the 36 major European safety standards which have been devised for the auto industry had been agreed upon by the nine countries.

There are similar proposals on a whole range of other products. Chemicals and domestic appliances take the lead in this, but there are further proposals for industrial machinery, agricultural equipment, and so on. But there is a strong feeling in some countries, notably France, that the harmonization program could be a double-edged sword. As well as making trade between the European nations far easier, it could mean that the Japanese or other importers, having been given an acceptance to import cars into one country, could then import them without further problem into others, whose standards are uniform. It could, then, be a change which would improve conditions and reduce the costs for EEC manufacturers, but would greatly expand at the same time the potential market of the Japanese traders. Accordingly, the proposals for harmonization are in a rather confused state at the moment, with some proceeding much faster than others. But it is questionable whether much progress will be made on the most important commodities.

#### TRADE WITH COMMUNIST AND LESS DEVELOPED COUNTRIES

There is a useful element in EEC trade policy as far as the U.S. is concerned. Like the U.S., the EEC has a very strong concern over the power of the Soviet bloc, including such countries as Yugoslavia, Hungary, East Germany and Czechoslovakia. Europe, however, is very much more concerned, perhaps, than the United States because these countries are literally on the border with some EEC countries. If the Soviet satellites are fully unified with thought and policy back in Moscow, it is an open door for the Russians themselves to march into Western Europe. The strategy, then, has been one of attempting to divide the Russians from their colleagues in the Warsaw Pact.

This is why the EEC has developed a number of interesting trade preferences with the countries of East Europe. In the Russian view of things, all trade negotiation would be carried on through the group of countries, Comecon, which is designed for the purpose and which is, of course, controlled by the Soviets themselves, but the EEC has persistently ruled out any trade through this organ. Yet the Warsaw Pact countries need trade with Western Europe, and so it is possible for the EEC to go directly over the heads of the Russians in establishing trade links. So the Soviets are finding that they have little control over their colleagues, despite their repeated attempts to bargain centrally and to prevent the Comecon countries accepting any individual settlements.

The policy to divide the Communist bloc through trade is well conceived, but has lost out in its engineering somewhat. Pressures from within the Community have made it impossible for

dramatic concessions to be granted, and this has caused several trade negotiations to fail. There is a further difficulty that most of the heavy industrial and agricultural products which the East would wish to export if it could are precisely those which the EEC has enough of, or an overcapacity in. While the whole world is moving from heavier to lighter industry, and to microtechnology, the economies of Europe have been forced to adapt; but all change is slow, and there is continuing dislocation and frequent redundancy in engineering and other heavy industry. The fact that the Western bloc would like to trade in such commodities does not strike the EEC as very attractive. Nevertheless, if the policy is to succeed, it may be that some substantial concession in this area might be made.

There is also an attempt to put pressure on the Russians by trading actively with China. Sales teams from most EEC members have been frequent travellers to the People's Republic, and the Chinese have sent representatives of the highest rank to the EEC countries. Not just Western technology for industry has been the object of their visits: the Chinese have been looking at British and other defense hardware also. The European view is that a strong China will tie down Russian troops on their shared border, and will make the Soviet power to invade Western Europe just that bit weaker. But again, there are problems, this time from within the Community - France, for example, has tried to limit certain imports from China which will affect its own employment problems.

The EEC also has a close relationship with the African, Caribbean and Pacific Countries. A number of goods, mostly agricultural products, are directly subsidized by the EEC as a sort of foreign aid to these countries. If one of the ACP countries is dependent upon these goods for its export trade, the Community will help out when sales are low. Naturally there is great pressure from the ACPs to increase the range of EEC aid to cover many things other than agricultural produce, such as tobacco, chemicals and minerals. In theory, no subsidy is payable unless the country concerned can show that its output has been lost for some reason, such as flooding or any other natural disaster, and if world prices are low. Furthermore, the subsidy is repayable when trade improves - although things have not always worked out so neatly. Under the agreement currently being ratified by member Parliaments, only a small drop in production is needed to qualify for a loan, and the less wealthy countries can qualify if their income is only 2 percent down on normal. The richer countries are given seven years to repay the loans, but the poorer ones may take longer.

In step with the prevailing fashion, the EEC's aid to these less developed countries, some 57 in number, will be linked to certain human rights agreements, although some of the ACPs have resisted this move as being foreign interference in their affairs. At the same time, the ACPs are arguing for a liberalization in EEC trade tariffs to their countries, although the EEC claims that nearly all of their imports to the Community are not subject



to tariffs because of the current liberality of the regulations. All in all, the offer made to the ACPs at a convention in May 1979 would offer loan and other aid approaching \$6.8 billion, together with a promise for a 100 percent increase in the numbers of EEC bureaucrats working in the ACP countries.

But this offer was not accepted by the ACPs, who wanted almost twice the amount, which was something that few of the EEC governments - all, particularly Britain, being under pressure from their electors to cut public expenditure - could agree to. Nevertheless, the EEC offer was raised to give the ACPs a total of \$7.6 billion, three-fifths in loans and two-fifths in direct aid. Ten extra products were added on to the list of commodities which could benefit from loans, although minerals continued to be excluded. And in addition to this form of aid, ACP countries will be able to obtain loans at very low interest to help develop their mining concerns; the figure likely to be agreed on is 1 percent interest, but such loans will be possible only if there is a sizeable cut in mineral supply to the EEC.

Clearly, the new policy represents a major amount of aid from the EEC to the African, Caribbean and Pacific countries which are favored by the Common Market. Given the political persuasion of many of them, however, and the interests which the United States has around the Caribbean, and even in Africa, this aid must on occasions give the State Department a good deal of concern. It is surprising that the United States has not at the very least insisted on much stronger human rights proposals in the policy, since the present suggestions are pitifully weak and will be difficult to enforce; in fact, many ACP countries have objected to them most strongly.

## EUROPEAN ENERGY POLICY

There have been disagreements between the EEC and the United States in the development of a European Energy policy. The Community has been forward in building nuclear reprocessing plants, and in processing nuclear waste from a great many countries, including Japan, at great benefit to member countries. At the moment, America is uneasy about nuclear fuels, and this has led to the conflicts. In 1978 there was a dispute when Congress passed a measure which demanded American consent before American nuclear fuels could be reprocessed - something which the EEC was doing quite freely under the 1970 Euratom Treaty with the EEC and the United States. Since the U.S. was supplying all of the highly-enriched uranium used by the EEC, and most of the other uranium, this was a considerable problem, and was resolved in the opposition of the French, who have tried to run down the EEC's common nuclear policy.

Euratom is one of the older institutions in the Community, dating back from 1958, and is a monopolistic agency which can control nuclear sales in the EEC and to EEC countries, as well as

having some responsibility for development of nuclear fuels in the Community. The European Court of Justice in 1978 made the powers of the agency, which was by that time absorbed by the European Commission, much more definite and wide-ranging than they had been supposed, and Euratom was ruled to have responsibility for nuclear safety and in the negotiation of nuclear policy with outside countries. It has never been an easy agreement, however, since France has always insisted on making its own negotiations with other countries for nuclear materials, and some countries have been inclined to pull out of a common nuclear policy altogether under the influence of strong anti-nuclear lobbies. The French have, before now, interrupted the policy by the use of the veto sustained over long periods, although they have recently backed down, having won a debate to revise the Euratom agreement in rather broad terms. Quite what the agreement will reveal, or even when it will be decided, cannot be predicted; if the French have their way, negotiations on nuclear materials will be much freer, and will proceed from each EEC country rather than from a central team, and this could mean that U.S. exports of nuclear fuels could benefit from a decline in international bureaucracy.

As regards other sources of energy, most EEC countries are in much the same position as the United States. The EEC's dependence on imports of energy has dropped since the oil crisis, from about 63 percent of its total in 1975 to just over 50 percent of total needs now. The only country which is self-sufficient in oil is the United Kingdom, although some other countries in Europe also have benefited from the North Sea discoveries. France has a large nuclear program, but for others the continuing increases in oil prices pose a major difficulty.

At the moment, the main vehicle for the West's decisions on oil and energy policy is the International Energy Agency, which is largely dominated by the United States. There is some pressure from within Europe, notably from France, to have future policy decided by the EEC for itself. At the beginning of 1979, the French were pushing for a ceiling on oil imports to be adopted across the nine EEC countries. The crisis in Iran, which occurred at that time, would not have made a serious impact on oil supplies, accounting for only five or six percent of total oil imports. Some of the smaller countries, however, are less able to sustain an increase in the price of oil than the larger countries such as Germany - where Chancellor Schmidt publicly questioned the need for reductions in oil imports. So there is a good deal of tension in the Community concerning the right policy.

The Iranian crisis proved, however, a great concentrator of the mind of the European nations, and this was made evident at a meeting of the nine energy ministers of the Community, held in Brussels on March 27, 1979. The resistance of the Germans and other forces withered as a wide range of energy proposals, including the famous 5 percent cut in oil consumption immediately, were decided. Further stimulus was given to other sources of energy,

such as coal, in a series of policies reckoned to cost over \$200 million. Some two-thirds of the total budget is being spent on alternative sources of energy, while energy saving campaigns account for the remainder.

For the United States, there continued to be problems, and one of the most major was the fact that the EEC was diverting heating oil to the spot markets in Europe, notably the largest European port, Rotterdam, where high prices could be solicited from the energy-starved countries of the northern part of the Community. In the end, the EEC Ministers arranged a deal whereby EEC oil imports would be reduced provided that the United States made efforts to reduce its own consumption and imports, an offer which was for the most part accepted. In addition, the Community put dampers on high spot prices for oil and announced further development of alternative energy sources. These proposals, refined at the Tokyo summit, were to form the backbone of an American-EEC energy policy.

The Community itself, however, would like to have done more. Yet there are complex institutional reasons why little more could be done. There is no set pattern to energy consumption in the EEC countries, with some importing much more oil than others, some coal industries - such as that of West Germany - being very much more important than the rest, and so forth. Some countries, such as Britain and France, have plans to develop high-technology fuels, while others would like to see more reliance on the European coal industry, which is a regular source of energy supply, despite cost. So while many politicians would like to see a common energy policy, this has proved impossible to achieve.

To some extent, this explains the marked indignation of EEC energy ministers when the U.S. Secretary of Energy, Charles Duncan, attempted to insist that the total figures on oil importation for each EEC country should be announced, in line with their broad promise of total reductions for the Community. In particular, there is disagreement because the larger countries in Europe intend to import more this year than in 1979 - contrary to the hopes of America.

Clearly, America is getting, and will continue to get, much more from the EEC in terms of goodwill and bold ambitions, rather than actual help. Because of the diversity of opinion within the Community, it is very difficult for the nine to reach agreement on much at all, particularly in the uncharted waters of energy policy. But there is a determination, almost as strong as that of the United States, to beat the energy crisis, and joint agreement cannot be far off.

#### NEW MEMBERS OF THE COMMUNITY

When America comes to deal with the EEC from January 1 next year, it will be dealing not with nine countries but ten, since



Greece will have been formally admitted by then. There are, in addition, other candidates for membership of the exclusive club, and their admission over the next few years could materially affect the balance of opinion within the Community.

The admission of Greece is to be something of a smack in the fact to the Marxist elements in that country, the Socialist Party of Andreas Papandreu, which is in opposition to the government of Mr. Karamanlis. The left-wingers are opposed to the "capitalist club" of the EEC, and have caused a rift in the Socialist party, which has been trying to attract moderate elements from other sources. A public confrontation in the Parliament, in which the Marxists emphasized their opposition to the Community and showed that they were not prepared to make any concessions to attract any moderates, has left them rather isolated.

The early relations between Greece and the Community have also been stormy. Their suggestion of Mr. Stavros Roussos as the Greek permanent representative in Brussels prior to full membership status, was ill received because of his connections with the previous regime in Greece, against which the pious Community often vented its anger.

The admission of Greece will also complicate foreign policy, particularly as concerns the status of Turkey. Some countries such as Britain and America are anxious to maintain sound relations with Turkey, while the Karamanlis government sees this as unnecessary, and a sign of American indecision in foreign policy. Turkey has opposed Greece being a full member of the NATO Alliance unless some strong conditions are met and, in particular, Turkey wishes to have a strong measure of control over events in the Aegean Sea. The Greeks have attempted to turn on the American pressure by threatening the future of American bases in Greece, scientific exchanges, the location of broadcasting and defense equipment in Greece, and other measures.

It is unlikely that Greek demands to control the whole of the Aegean will be met; but the Greeks have been turning to Moscow, perhaps as a show of their independence, and perhaps in an attempt to weaken the Soviet relationship with Turkey. There seems no doubt that Karamanlis is prepared to use other methods - including pressure upon the EEC of which his country will soon be a member - to achieve the same goal. The membership of Greece, then, could add a new dimension to American foreign policy and pose a number of problems for the U.S.

Economically, Greece is one of the poorer countries in Europe, with an income per head under \$3,000 per annum, behind Spain and not much in front of Portugal, the other two prominent candidates for election. It suffers high inflation and its export performance is not encouraging.

The economic question is a real difficulty for Portugal. Opinion both in Portugal and in Brussels is that the economy

there is so weak that it would be seriously harmed by a sudden exposure to the competition which is fostered by the other EEC members. The economic situation was not helped by the revolution in 1974, which was succeeded by nationalization, increasing public investment, and tariff barriers. Portugal would like the economic and political benefits of cooperation with the EEC, but seems too weak to accept the consequences of this; so it is likely that should the country be accepted for membership, the Commission might decide to impose special rules for the first decade or two of the country's membership.

Should Portugal and Spain join along with Greece, the tone of the Common Market will change markedly: up to now it has been only the wealthier countries, large and small, which have elected to combine. The poorest countries at the moment, per head of population, are Italy and Britain. The strong regional policy of the Community may have some impact in boosting the economies of the new members - as it has done, for example, in Ireland, where the importance of farming to that country has led to a major influx of funds from the rest of the Community, and greatly boosted the local economy. But the positive effects of regional policy are probably overstressed. Clearly, though, there will be some positive impact on the less wealthy countries of Europe when they gain admission.

## CONCLUSION

The most important conclusion is that the Common Market is beginning to be a force to be reckoned with in world affairs, despite its history of bickering and disagreement between member countries. Those disagreements, based on their different languages, cultures and histories, will still be apparent, and the EEC will continue to be a league of separate nations rather than the international "nation" which it was once supposed it would be. A "United States of Europe" is still a long way off.

The principal driving force in this change has been the European Parliament, recently elected for the first time, and armed with the belief that it can genuinely reflect the wishes of the ordinary people of Europe. It has been struggling to prove its power and its ability, and it will continue to do so. It will not be long before it moves into direct discussion of foreign relations, and attempts to get a uniform policy of the EEC on issues which will affect America and the rest of the world. Since the inception of the European Community, there has been a desire to see it as a third force between the powerful American and Soviet blocs, although this has been an ideological vision rather than a military one.

France has accounted for more than its share of the disunity within the EEC, but it now appears that the Parliament, angered at the proportion of the budget which goes to the agricultural sector (very important for France), is prepared to weaken the

role of that nation and slice its share of the budget. It may be that the position of France in the Community will continue to come under attack, and may decline. In this case, the increased harmony within the EEC could lead to its attention being turned increasingly outwards.

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