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Middle East: Complicated oil deals

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COMMENTS

EEC

A New Crisis In Sight

The French Government seems determined to cooperate in the removal of the last internal customs barriers within the EEC—due to take place on July 1—only on one condition: the Common Market agreements on beef and milk must become effective at the same time. The Community is thus threatened with a new crisis, quite apart from the still smouldering controversy about the entry of Great Britain and other states. The still unimplemented agricultural agreements—so the French Government points out—should have come into effect by April, 1, 1968.

Strong language has been used by the French who seek to establish an indissoluble link between the Common Market for industrial goods and that for farm produce, and these harsh words lead one to expect one of those controversies between France and the five other countries which by now have come to be a feature of the partnership. National advantage seems to be the sole determining consideration, and everybody, but France in particular, believes that concessions must always be made by the other side. Regarding the EEC France has clearly the better tacticians, if not the better arguments, which its partners are unable to match as far as tenacity of purpose and negotiating skill are concerned. The unyielding manner in which harsh demands are insisted on without regard for the interest of others has lately done nothing to promote a community spirit among the Six. It has, on the contrary, strengthened that policy of mutual obstruction which must ultimately kill the idea of a United Europe. re.

Association

Spain In Front of a Closed Door

Negotiations have been going on since 1962 on Spain's application to join the EEC as an associate member. The only result has been so far that Spain no longer insists on a formal association, which is being opposed particularly by the Benelux countries, but would be content with a preferential trade agreement. Negotiations for a wider agreement broke down because of Spain's far-reaching demands. The Span-

iards believe that the big deficit in their trade balance with the EEC can be wiped out only through a drastic increase in their exports. They therefore insist on an immediate abolition of EEC customs duties on industrial goods and on those farm products which are not subject to any market regulations, while reserving the right to protect their own economy by erecting customs barriers.

Failure to conclude a preferential trade agreement between Spain and the EEC is due to two causes: For one thing, there is the rejection for political reasons of the Franco-régime by trade unions and all left-wing parties, and for another, there is the seeming impossibility of reaching agreement on farm produce. 60 per cent of Spain's agricultural exports consists of citrus fruit, the demand for which is covered within the EEC by Italy and other Mediterranean countries. Moreover, Morocco and Tunisia have also submitted applications for associate membership—countries whose export structure is similar to that of Spain and whose wishes must likewise be given consideration.

A solution to these problems cannot be expected in the foreseeable future. The present round of talks between Spain and the EEC is unlikely to lead to anything more than a renewed confrontation of respective points of view. ri.

Middle East

Complicated Oil Deals

There are occasions when even the williest of foxes is compelled to recognise that sweet grapes have the awkward habit of hanging rather high. Take the case of France for instance: The fifty Mirage fighters which Israel ordered as long as two years ago have been subjected to an embargo though they had been almost fully paid up only shortly before. Reason? Israel was one of the belligerent parties involved in the Near-Eastern conflict. On the other hand, no embargo was imposed on the 52 Mirage aircraft which were ordered only a few weeks ago by Iraq and which had been bombing Israel. The machines in question are by no means the same, but are different types.

The reasons for this are to be found less in moral scruples as to who was actually the aggressor in

last year's lightning war between Israelis and Arabs, but in concrete economic facts. France had been hoping that Iraq would reciprocate by allowing it to exploit the rich oilfield of North Rumaila—the oilfield which Iraq had taken over from the Iraq Petroleum Company (IPC) by way of expropriation. But a nationally conscious Iraq had other ideas, announcing that its own oil company, the Iraq National Oil Company, would undertake the exploitation of the oil field.

The strangest aspect of the deal, which had been intended as a reciprocal arrangement, is however the fact that the French partner, the *Compagnie Française des Pétroles*, though itself member of the Western IPC syndicate, was trying to gain possession of oil deposits of which the IPC still regards itself as the rightful owner.

But Iraq, too, is faced with a dilemma. There is little doubt but that the Iraq National Oil Company will be able to exploit these oil deposits without difficulty. To do this it only has to make arrangements with Western, including French oil companies who will be only too glad to lend a hand. The question is simply how to dispose of one's commodity on an already saturated market without upsetting the international price structure and, thus jeopardising one's own revenues.

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Austria

The Battle Against Stagnation

The Austrian Federal Government held a special meeting towards the end of April, at which a new economico-political concept was formally adopted. This is the "Koren-Plan", named after its author, the Austrian Minister of Finance, Professor Stefan Koren. It has as its centre piece a number of measures which are designed to have two effects: accelerated growth and, in the long run, a change in the country's economic structure, for the authorities in Vienna are no longer willing to combat the persistent stagnation with nothing but the traditional means of influencing the economic trend.

Only the future can show whether the chosen means will prove effective in achieving both the short-term and the long-term objective of the plan, i.e. economic growth. What seems certain is that in planning to raise taxation the authorities had traditional and purely fiscal considerations uppermost in their minds. By increasing taxes the incomes available to private households will be diminished with the result that a damping effect on demand may be expected from this side. But if the increased tax revenue were to be spent wholly by the state, the effect of further contracting demand on an already shrinking market would be largely avoided. What would seem de-

cisive is what influence the economic policy as a whole will exercise on the decisions of business men. A fact that any policy aiming at stimulating economic growth must take into account is that the entrepreneurs' propensity to invest is the most unpredictable factor when it comes to assessing economic prospects. However, not only short-term influences are at stake, the right economic decisions must be taken today which will determine the future, and in this respect the "Koren-Plan" would seem to answer both purposes inasmuch as it should strengthen the entrepreneurs' propensity to invest while at the same time providing them with better opportunities to do so.

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Scandinavia

Nordic Integration

The representatives of Denmark, Finland, Norway and Sweden met at Copenhagen in April for a Nordic Summit Conference. The course and the result of these negotiations show clearly the interests of the Scandinavian bloc, on the one hand, and those of the individual participating countries, on the other.

The Nordic states are agreed on the need for a common market embracing all Europe as a long-term aim. What they are concerned with is to find a way towards that aim—a way that offers them the greatest advantages. Confronted as they are with the "all-powerful" EEC they are not strong enough either as individual countries or as EFTA members to hope to derive from such a merger the greatest possible benefit. For this reason they are trying to bring about a Scandinavian power bloc, capable of taking up a strong position in the negotiations with "the rest of Europe". This they seek to achieve, to begin with, through cooperation and then by a step-by-step approach towards full integration.

But there are obstacles in the way of these endeavours. For one thing they must have regard for their existing obligations as members of EFTA and for another not all the four Scandinavian countries have an equally strong interest in integration. While Denmark and Sweden could expect to benefit from Nordic cooperation in the agricultural and industrial sectors, respectively, Norway and Finland adopt rather a waiting and critical attitude towards a rapid and far-reaching liberalisation.

At Copenhagen, every step in the direction of cooperation and integration was hotly contested. The ultimate aim of a great European market, which would include Scandinavia as well as Great Britain, was however firmly kept in mind, for only through closing the gap that at present divides Europe economically can its political position vis-à-vis other world economic powers be strengthened.

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