

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

EC association negotiations: A display of discord

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1974) : EC association negotiations: A display of discord, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 09, Iss. 4, pp. 100-101, <https://doi.org/10.1007/BF02927313>

This Version is available at:

<https://hdl.handle.net/10419/138996>

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COMMENTS

European Community

A New Start?

After the European Community, at the peak of the so-called oil crisis, had conformed to the motto "every man for himself" and thereby revealed more than clearly its desolate political state, it now appears to face a new start in energy policy. Walter Scheel, the German Minister of Foreign Affairs, being this term's president of the EC Council of Ministers was authorised by the Community at the beginning of March to contact representatives of twenty Arab countries and to offer them extensive economic cooperation. This approach is to be followed by discussions of experts within a European-Arab working group with the objective to prepare a conference of the foreign ministers of Europe and the Arab states.

At first sight, this approach seems to be right and praiseworthy, but doubts crop up when considering the fact that the possibility of cooperation with the Arab oil countries had already been discussed among the major industrial states of the West and had been agreed upon by the EC member states, except for France. In this light, the European initiative must be considered as a critical solo run, which can only be understood as a political concession made to France.

The Community would be ill-advised, however, if it were to continue this course and secure its energy supplies without harmonising its policy with the USA as well as Canada and Japan. At least the USA is economically and politically too important to be ignored. Moreover, the EC does not obtain its identity by persistent delimitation vis-à-vis the USA, but rather by solidary cooperation in international committees and institutions. This does not preclude that the Community should give thought to its future position in the Arab world and develop its own long-term policy vis-à-vis these states, duly embedded, however, in its development and association policy pursued hitherto.

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USA

Trade Bill Controversies

Hearings concerning the Trade Reform Act have opened in the Finance Committee of the US Senate: the discussion of the new US trade bill is thus in its final stage. The bill, which passed the House of Representatives in December last, gives the US President far-reaching powers on tariffs and non-tariff obstacles to trade for the coming multi-lateral GATT negotiations. One of his main requests, however, that for grant of most-favoured-nation treatment to the Soviet Union and other communist states, has been turned down until

now because of the restrictive emigration policy of the Soviet Union towards its Jewish minority. The majority in the US Senate seems to agree with the House of Representatives on this issue: so there is reason to expect a prolonged tug-of-war.

Besides, several other factors can be discerned which may endanger or at least delay the passing of this legislation: while previously attention had been focused on secure and free access to export markets for the USA, more concern has been shown for safeguarding raw material supplies since the Arabs imposed an embargo on oil. Accordingly, it is proposed to insert in the trade bill an authorisation for retaliatory measures against countries which deny the USA access to their raw material markets. The passing of the bill may be further delayed by the mounting opposition of the US trade unions to a liberal trade policy. Finally, the Senate Finance Committee has already indicated its intention to give priority to new tax regulations on foreign profits of multinational corporations as soon as these are placed before it. This would cause the discussion on the trade bill to be postponed indefinitely. Against a background of declining economic activity there is a danger of the protectionist elements gaining much more influence in the meantime.

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EC Association Negotiations

A Display of Discord

Seven months after they opened, the association talks between the EC and 43 countries of the Third World are still showing no sign of progress. The clashes among the developing countries which some observers expected and hoped for have, for the time being, failed to materialise. Instead, their self-assurance has grown since the oil crisis. They have become aware of their monopoly position as suppliers of several important raw materials, and they show even less inclination to deviate from their demands on the EC than when the negotiations started.

The EC's offers to the association partners are still vague and incomplete, which makes it easy for the African countries to accuse the EC of delaying tactics. Their complaint is indeed justified, for the discord between the EC partners has worsened also in regard to the policy of association. This emerges especially clearly with regard to the system for stabilising the export earnings for a number of important raw materials of developing countries. On this, by far the most important demand of the association partners, three different views are held in the EC Council of Ministers.

France supports the proposal of the EC Commission for a stabilisation fund to prevent the commodity prices from falling below a certain minimum level — a rare instance of agreement, albeit at the expense of all the Community's taxpayers, between the bureaucratic perfectionism of the Commission and the aims of the French Africa policy. This automation however is rejected by the other EC states, Italy excepted: evidently taking warning from the similar design of the common agricultural policy, they favour special decisions in each case subject to an overall ceiling, and they want to make sure that resources of the stabilisation fund are only used to improve production structures. Italy wants long-term supply and purchase contracts instead of a stabilisation fund, with both sides giving guarantees on quantities and on prices or earnings. With such a display of discord in the EC it is difficult to believe in successful conclusion of the association talks by next autumn. kw.

Mineral Resources

New Measures in Germany

In West Germany, as in all industrialised countries, the energy crisis has given rise to second thoughts on energy and raw material policy. The dependence on imported raw materials is felt to create a critical situation. It is to be lessened in future: a secure raw material basis is the aim. In line with the concept for safe raw material supplies it is intended to further international cooperation and set up more production plants with German participation in raw material producing countries. The exploration promotion programme is also to be extended to improve the supply of mineral raw materials. Selective research, prospecting and exploration are to be covered by guarantees and tax incentives.

In its raw material policy, and more particularly in its oil policy, the Federal Republic's approach has on occasion been somewhat unfortunate. One often hears of the disadvantageous division of the seabed of the North Sea: the German sector seems to be rather barren. But why should so much weight be attached to this fact when the North Sea — with 1 p.c. of the world's oil and 3 p.c. of its gas reserves — counts for so very little on a world scale. More subtlety could have been shown when Deminex went for a participation in Abu Dhabi: given a proper structure, this joint enterprise of German mineral oil firms which was formed in 1969 could yet become a suitable instrument for securing oil for the Federal Republic.

The Government took a new step to carry out its energy programme when it took over the majority of the share capital of Gelsenberg for the state

and merged the company with Veba, another enterprise under state influence. The intention is presumably to create a mineral oil group under state influence. Such a group could certainly be more easily guided in international negotiations. Whether it constitutes a commendable solution for the dilemma created by Germany's dearth of mineral raw materials, however, is another question. iwe.

Commodities

Flight in Precious Metals

Venerated by some as the ultimate standard for valuing all means of payments, disqualified by others as a barbaric metal and relic of a feudal age — gold is experiencing an undreamt-of renaissance in its function as a means of hoarding capital. Huge turnovers amidst scenes of panic and speculative boom in precious metals were a feature of the worldwide flight away from paper money and into commodities.

The market price of gold which had already broken through the record mark of \$ 100 per ounce during the 1973 boom went up by about 50 p.c. in the first two months of this year. The prices of the "white" metals, silver and platinum, doubled at the same time. That they soared so much higher is attributed to the impact of speculation: metal market facilities for speculation are available in these metals — in contrast to gold — and they are not subject to any restrictions.

The flight into the precious metals is degenerating into an international mass movement. Terrified by the galloping money depreciation and frequent monetary crises or else emboldened by the hope of profits from lucrative speculation, versed big investors and small savers alike are turning their backs on paper money and putting their trust in precious commodities. The traditional forms of investment in the stock, bond and property markets ceased long ago to offer a credible alternative to those who, for reasons of safety or speculation, want to put their money in real assets. The higher prices of precious metals are, besides, backed by sound calculations based on stagnating production, rising operational costs and growing demands from industry.

A threat is, however, emerging for the silver market through the easing of the Indian export regulations for silver and the lifting of the US embargo on the holding of gold. The price of gold, on the other hand, would be hit severely if the official price were raised and the monetary authorities were to sell gold in the market. The central banks, which hold about half of all gold stocks, could try this way of countering balance of payments difficulties and foreign currency stringencies resulting from the massive oil price increases. zz.