

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

Article — Digitized Version

EC: Customs union in danger?

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1974) : EC: Customs union in danger?, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 09, Iss. 7, pp. 200-,
<https://doi.org/10.1007/BF02929082>

This Version is available at:

<https://hdl.handle.net/10419/139035>

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COMMENTS

EC

Customs Union in Danger?

The European Communities have had to face up to a number of crucial tests in their history. The crises of the past however always concerned spheres in which a common policy had yet to be evolved. Now that Italy, as the first EC member to do so, has for all practical purposes suspended Article 9 of the Treaties of Rome which forbids the charging of customs and other duties between member countries, the customs union which was until now the mainstay of the EC is facing a threat of rupture.

In view of Italy's precarious balance of trade position it may, from its point of view, at a first glance make sense to impose a 50 p.c. cash deposit on imported merchandise. For the EC Italy's action involves the danger that other states may emulate its example. That such fears are not groundless became clear a few days later when the Danish Government took fiscal measures to curb imports of consumer goods.

In the medium and long term however import restrictions will do these countries more harm than good because they will sooner or later force other states to take similar measures. The high inflation rates in these countries, which are the principal cause of the balance of trade deficits, would not be eliminated. In this kind of situation limited foreign exchange credits by partner states, such as the Federal Republic, bring no relief if they do not go hand in hand with rigorous economies inside the countries.

Some members of the Italian Government had realised this fact — but unfortunately not all. And so the Rumor Cabinet resigned. Italy's President, however, did not accept this resignation and asked Mr Rumor to form a new government — an event singular of its kind in Italy's post-war history. Simultaneously the French Government also announced an extensive savings policy programme in order to check inflation and to improve the French balance of payments situation. Thus the hope seems to be justified that other countries, too, will take similar measures. kw.

UNCTAD

Code of Conduct for Liner Shipping

A diplomatic United Nations conference in Geneva, which the OECD states, the developing countries and the state trading countries attended, has by an overwhelming majority established rules and regulations for the operation of liner services which are covered by the international conferences. It thereby has partly helped to dig the grave of what

some western countries claim and practise as "the freedom of the seas" and others — chiefly developing countries — scorn and sabotage. Under pressure from the "group of 77" in particular, binding guidelines have now been drawn up on conference membership, cargo quotas, freight-rate fixing, and the operation of consultation and arbitration procedures between ship-owners, shippers and governments.

The clear majority of the voting however is deceptive in that it suggests a degree of agreement in regard to ideas on shipping policies between all the participating countries which never existed and does not exist today. In the form which has emerged from the negotiations crucial passages of the code will, moreover, call for interpretation, and its application in practice will consequently still give rise to much friction. If, for instance, freight rates are to be as low as possible and yet ensure "adequate profits" for the shipping lines, the question of what are adequate profits will certainly become a matter of controversy. And the observation in the code that outsiders (lines which are not tied to conferences) may operate without hindrance as long as they engage in fair competition on a commercial basis prompts the question who is to check their practices and how and when. These and similar vague formulae nevertheless offer a chance of retaining at least some important elements of a free sea-going world trade. The way in which practical effect is given to them by the individual conferences will play a crucial part in determining whether the international liner shipping industry can live with this compromise code. wa.

France

Silver Lining on the Horizon

A very small majority has brought President Giscard d'Estaing to power for seven years. That nearly half the vote went against him is a challenge which will claim all his abilities. So far he has made so auspicious a start that even the left can hardly deny it. He immediately ordered the illegal telephone tapping to be stopped, for instance, and promised to give the opposition much more consideration in the work of Parliament, on state radio and television, and by keeping it better informed on the reasons for important decisions, especially in foreign policy.

The greatest difficulties in the near future will be in the economic field where the President must honour his promises of a "more equal society". It seems quite impossible to reduce the current rate of inflation, over 15 p.c. a year, and simultaneously seek to maintain a high growth rate. And although the package of economic measures an-