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## France: Silver lining on the horizon

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# COMMENTS

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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-

nounced on June 12 will slow down the growth rate, it is more difficult to see how it will reduce inflation. Eight days later the anti-inflation plan was followed by a social plan in order to realise the promised "radical social change". It remains to be seen whether or not the trade unions will honour this scheme.

As far as foreign policy is concerned, it is one of the coincidences of history that the affairs of government in the most important EC partner country were at the same time taken over by a man who resembles the new French President in many ways and with whom Giscard d'Estaing can work well together. Although personal friendship between statesmen does not mean much in politics when countries have different interests, it can make many things easier. Giscard and Schmidt have had an early meeting and covered many topics. Little has leaked about the results of their talk except that the French economy will not receive direct German aid, at least not in the near future. But since Schmidt is known to want good relations with the USA and Giscard also intends to talk to Washington in a friendlier tone, the American-European relationship could quickly improve further, and as both statesmen want to coordinate their efforts for the EC and Great Britain also appears to moderate its stance, the Community may also soon see better times. hg.

#### OECD

### Members on a Ferris Wheel

The declaration on which the OECD Ministers agreed in Paris is designed to stave off the danger of a general disintegration of the world economic system. The declaration amounts in the main to a standstill agreement on trade to run for one year, coupled with a pledge to consult in good earnest in case of need, and the members' avowal of willingness to search for means to redress the balance of payments disruptions caused chiefly by the oil market situation. The euphemistic declaration conforms to the OECD's general cooperation philosophy.

There was a general desire to keep member states threatened by external economic difficulties from seeking to save themselves by unilateral action. Whether this aim will be achieved by a mere declaration is doubtful; for even the established European free trade zones, the EC and EFTA, have lately witnessed significant protectionist infringements, as can be shown by the examples of Italy, Denmark, Portugal and Iceland. The OECD members presently lack sufficient strength to re-establish a viable monetary structure. A serious view was therefore taken in Paris of the danger of arbitrary escalation of protective measures against other countries, which do not solve the stability

problems of individual countries any more than they help towards viability of the world economy. Not without reason did import and above all export restrictions receive attention in the discussion on protective measures.

The joint declaration is intended to act as a dam against contractive effects on foreign trade. This dam is not likely to stand up to pressure, for without discipline in the domestic economies there exists no prospect of a permanent restoration to health of the world economy. It is as if the members of the OECD had mounted for one year one of those giant fairground wheels. It pivots upon a declaration which is as hopeful as it is non-committal: each passenger is free to leave his gondola when he pleases, and if he does, it will still go round and round even though it is empty. iwe.

#### EC – Great Britain

### Diminishing Demands

It was at the beginning of April when the British Foreign Minister Callaghan required new negotiations about the terms of his country's accession to the Common Market as a precondition for further membership in the EC. Only two months later, on the session of the EC-Council of Foreign Ministers, Callaghan appeared much more obliging by indicating the willingness of the British Labour Government to reach the desired improvement only within the framework of the present integration treaties and the agreement about Britain's entry. The demands and ideas for modifications concerning the budget of the Community, the common agricultural, commercial, regional and industrial policy did not seem to be regarded as strong reasons for modifications of the agreement with Britain. Only a proposal for procedures about the budget of the Community has been agreed on. Further British desires and points of view should however be stated in connection with the corresponding subject.

This result permits various possibilities of interpretation each depending on the requirements of political expediency. While Callaghan was content about the conclusion and looked at the solution as the first phase of a mutual discussion of the problems, his EC-partners underlined that every member-country has always had the right to make new proposals to the Council of Ministers, and the British demand for renegotiations must be looked at in the normal framework of forming a common opinion, too. Against this, a change of the agreement itself would be out of the question. One can only hope that the European Community will take more often such an unanimous and clear position which has been greatly missed last but not least in its relations with the USA and the oil producing countries. zz.