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EC — Great Britain: Diminishing demands

Intereconomics

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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.