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EC: A common bazaar?

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Monetary Policy

Impracticable Parallel Currency

Parallel Currency“ is the new magic formula for the realization of the European Economic and Monetary Union. In spite of all the verve with which this idea is being advocated by its creators, there are, however, deep-grounded doubts which let its chances of success appear hardly any more favourable than those of the foundered Werner Plan.

The additional costs and efforts required by double currency bookkeeping, calculation, and price marking in production and trading firms alone give rise to doubts in the practicability of this concept. Moreover, the consumer, too, would have to make double calculations — at any time he would have to be aware of the current exchange ratio in order to be able to check, and secure, the promised stability of value of the parallel currency. Even if the consumer should be capable of matching this task, there remains the question, whether the stability of value, which was meant as an incentive, would not immediately force the new currency out of circulation since its attractiveness as a store of value is considerably higher than as a medium of exchange.

However, it is not only doubtful whether the parallel currency could be imposed on day-to-day economic processes; it seems equally unlikely that the economic authorities will agree to this plan. True, it is expected of them “only” that they permit the use of the new currency, but this would also mean a gradual giving up of their monetary autonomy in favour of a unified monetary policy. The latter would have to be accompanied with a harmonization of economic policies. As in the case of the Werner Plan, however, nobody is willing and prepared to take such a step. Should the will exist, there would surely be a simpler way to achieve the Monetary Union than through the introduction of a parallel currency. bk

Greece

A Long Way to Europe

The wish of Greece, officially formulated by Prime Minister Konstantin Karamanlis last summer, to exchange as soon as possible its status of an Associate of the European Community for full membership has met — at least outwardly — with a friendly reception. It was only recently that Giscard d'Estaing and Harold Wilson promised Greece their support in this matter. Yet, quite apart from political considerations such as for instance that it can hardly be in the interests of the Community to allow itself to become entangled in the Greek-Turkish conflict, particularly in

the Cyprus problem, Greece's full membership would in the foreseeable future raise considerable economic problems for the Community as well as for Greece itself.

For one thing, Greece's admission would lead to a further increase in the supply of various agricultural products on the Common Market. Moreover, the relatively poor country would also gain access to the Community's regional, social and agrarian funds, and this would mean that a country like Germany would have to accept responsibility for the development of Greece to the same extent as for its own backward regions. Besides, one may ask, would Greece's industrial structure, characterized as it is by a great preponderance of small family enterprises, be in a position to stand up to the competition of the other EC-countries? Under the terms of the present agreement, Greece may export all its industrial and farm products into the Community duty-free, whereas it is still entitled to impose duties on a number of imports from EC-countries. After due consideration of all these problems, even optimists must come to the conclusion — dulcet tones from the mouth of politicians notwithstanding — that it should still be a long way to Greece's full membership of the EC. ch

EC

A Common Bazaar?

Once more, the EC has survived only by the skin of its teeth when it proved possible to bridge the chasm yawning between the UK and the other Eight. Yet the results produced by the deliberations of the European Council in Rome are much less than enjoyable — because the whole meeting was only a continuation of the perennial European poker game, pointing to the weakness of the foundations upon which the EC of the Nine rests. Helmut Schmidt described the outcome as a “wise compromise” — and in so far as Bonn succeeded in making a deeper impression with its insistence on the Community operating more economically, he may have been right, for restrictions of the EC budget, a budget commissioner and a comptroller's commission will soon teach the EC's institutions to spend their monies more modestly. It is also the declared intention of the Nine to call a European Parliament through direct elections as from 1978, and to issue a European passport.

However, the main burden was the question of a common energy policy, the determined refusal of Harold Wilson — understandably from his point of view — to operate in a common front with his eight partners during the forthcoming energy dia-

logue at Paris. The UK has one foot already in the camp of the OPEC which, as Wilson observed in Rome, is not a joke for the EC, because its own interests and those of OPEC are directly opposed to each other. In the long view, it is true, there are a few hopeful prospects contained in the compromise resolution; including a floor price for crude oil, and the willingness of France to cooperate in setting up an emergency programme. For the time being, the "wise compromise" does not mean at all that the EC will make itself heard at the Paris "North-South" Conference with a single voice. The EC will only be represented there by a single delegation of nine delegates — but the sum total of them will be 1 plus 8, and it is not impossible that further splinters will break up the nine into more splinters.

In view of the unending conflict of interests within the EC, it is only to be hoped that, in the long run, the sarcastic pun of Gustav Thörn, President of the UN General Assembly, will not always remain a portrait of the truth: "Many UN delegations do no longer speak of the Common Market but of the Common Bazaar." hg

Energy Policy

Iranian Natural Gas for Western Europe

Towards the end of November, after hard bargaining an agreement was concluded in Teheran about the supply of Iranian natural gas to Western Europe. The gas is to be delivered by pipeline via Soviet Russia and Czechoslovakia. Signatories to the deal were Iranian, Soviet, Austrian, French and German representatives. The value of the supplies to be delivered until 2003 is in today's prices somewhere in the neighbourhood of DM 40 bn; roughly DM 10 bn must be spent on the pipeline system.

That the negotiations could be successfully concluded is essentially due to the fact that each of the partners will profit by the deal: Iran will have an assured market for some 13 bn cubic metres of its gas, the Soviet Union through the proposed pipeline network increases its transport flexibility in the South and South-East of the country and the West European states make sure of part of their energy requirements. The Federal Republic of Germany, being one of the leading pipe producers, has the additional possibility of making money by selling pipes. It is therefore hardly surprising that after the signing of the deal satisfaction reigned allround.

Inside Germany, however, critical voices were heard pointing to the renewed danger of becoming dependent in the vital field of energy. But this need hardly be taken seriously. For, in the first place, the share of natural gas in the primary

energy consumption of 1985 will be no more than 15 p.c. to 18 p.c., and, secondly, only 7 p.c. of Germany's total consumption of natural gas will come from Iran. A more positive attitude towards the new pact would seem to be more reasonable, for the agreement has laid the foundation of a new international interconnected system. For the sectors of railway and electricity such an interlinking has long become a much-praised blessing as much as a matter of course; why should it not be possible and desirable in the field of natural gas? iwe

East Africa

Afro-Chinese Brotherhood

If Tanzania had its way, it would sooner or later establish a socialist community of states with Zambia and Mozambique. Agreement in outline has already been reached between Tanzania and Mozambique on what forms such cooperation should take.

That Tanzania should seek closer links with its southern neighbours is only natural, for both these adjoining states steer a socialist course on the lines of the Chinese People's Republic. In this area China's rating is high, and this not only on account of the Tanzam Project. It looks as if the Africans would warmly welcome cooperation with the Chinese, not least because China, being itself a "non-European developing country", is showing them a way towards economic development. This, it is felt, is in tune with their desire for Africanization. China may well be the example which proves that loyal cooperation at all levels, mutual understanding, organizational talent and labour-intensive development aid are together more effective than individual capital-intensive and technically perfect prestige projects.

The question then arises to what extent it will be possible to reconcile Tanzania's new plan with its membership of the East-African Community (EACSO). There can be only one answer to this question — not at all. For the constant political row with Idi Amin's Uganda and the antagonism between Kenya and Tanzania over the infrastructural establishments the two countries run jointly show that EACSO is destined to break down; only the date of the divorce has not yet been fixed.

From a purely economic point of view divorce from Kenya may be a mistake, for, although Tanzania's social structure would seem to be much fairer, the standard of living of its people has hardly risen in the past ten years, in marked contrast to living conditions in prosperous Kenya. What political and economic consequences a co-operation between socialist Afro-Asian brother-nations will produce remains to be seen. zz