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Article — Digitized Version

The state and prospects of the mediterranean policy of the EC

Intereconomics

Suggested Citation: Regul, Rudolf (1977) : The state and prospects of the mediterranean policy of the EC, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 12, Iss. 1/2, pp. 19-25, <https://doi.org/10.1007/BF02929166>

This Version is available at:

<https://hdl.handle.net/10419/139442>

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The State and Prospects of the Mediterranean Policy of the EC

by Rudolf Regul, Baden-Baden

After the European Community's agreement with the Maghreb countries and the Lomé Convention the trump cards have been played in the game of the EC's Mediterranean policy in the traditional sense. A new game is starting now, and the distribution of the cards is different.

The present state of the Mediterranean region is the outcome of a decolonization process in the fifties and sixties which does not seem to have run its course yet. The superseding of Anglo-French predominance has brought a number of new states to life but their stability seems in some respects insecure. It should or could be the objective of a Mediterranean policy of the European Community to restore former links with these areas and to establish a new partnership devoid of the slightest semblance of subordination let alone neocolonialism. Even to conceive this objective however is difficult — to put it into effect must be even more difficult, for geographical, geopolitical and economic reasons.

The geographical demarcation of what we call the Mediterranean region is necessarily somewhat arbitrary. One could confine oneself to the littoral states but would presumably have to include Portugal as it is part of the Iberian peninsula. France and Italy can be counted among the littoral states for 10 and 40 p. c. respectively of their lands but, being also EC members, they are at one and the same time partners and rivals. Whether Jordan, a part of former Palestine, can be considered a littoral state is in dispute; if Jordan is included, as in the present article, the geopolitical implications must be borne in mind.

The decolonization affected only the countries on the southern shore of the Mediterranean. Implicitly a distinction is made here between the countries on the northern shore, which form part of the western world, and those on the southern shore, which belong to the Arab-Moslem civilization, while the place of Israel is left in doubt. Such a classification is however of little help for an understanding of geopolitical and socioeconomic aspects. Of

the northern countries Yugoslavia and Albania are communist People's Democracies and as such outside the economic hemisphere of the West and akin to the monolithic systems of some Arab countries. Yugoslavia does however belong to GATT, an international organization founded on market economy principles. If Jordan with its place in the Arab civilization is deemed to be a Mediterranean country, the other Arab states and Iran must also be considered for inclusion. The Arab summit in Algiers which was held before the oil crisis of 1973 declared indeed: "Europe is linked to the Arab countries across the Mediterranean through cultural affinities and vital interests such as develop only in the compass of trusting co-operation and mutual benefit."¹ The European-Arab dialogue which started in 1976 began indirectly from this statement. The Mediterranean complex presents itself today as a mosaic with indistinct borders. As against a little under 259 mn inhabitants of the Community of the Nine there are 77 mn people living in non-EC countries on the northern littoral of the Mediterranean and 38 mn in Turkey while the countries on the southern shore have a population of 80 mn. If the eastern Arab countries and Iran are included, the total number of "partners" rises to 355 mn.

Power Changes

About the end of World War II the predominance of the European Great Powers, France and Great Britain, was still intact. By the spring of 1947 the United Kingdom Government saw already reason to inform the President of the USA that Great Britain was no longer able to bear the financial

¹ European Assembly, Memorandum of the Group of European Progressive Democrats, For a Mediterranean Policy on a European Scale, Luxembourg, p. 14.

burdens of military aid in the Greek civil war. President Truman's prompt response marked the beginning of American predominance in the Mediterranean region which manifested itself chiefly by the presence of the US 6th Fleet. The Suez adventure, launched with very little forethought in 1956, ended with the inglorious retreat of the two western powers involved and Israel. It gave the Soviet Union occasion to send a fleet into the Mediterranean. Thus began the confrontation between the two super-powers in the Mediterranean region which has gone on until today but seems to have taken a new turn of late. In the autumn of 1976 Gen. A. Haig jr., Nato's US C-in-C in Europe, stated that the USA had lost the unique status which it had during the first post-World War II period. The shift in power which had taken place since no longer allowed the USA to decide the issue of global events unilaterally as it liked. The nature of the threat to the industrialized nations of the West had thereby also been changed fundamentally. A multipolar view had to be taken of the present situation in order to cope with it. One of the root causes of this change was *inter alia* the upheaval in the western market economy system.

The connections between the economic and political stability of a political system, on the one hand, and its military defence capability, on the other, is often advanced as an argument in support of larger arms appropriations or closer arrangements between allies. Similarly, mutually escalating distrust between opposed military blocs may be awakened and used to prevent cuts in defence expenditures at the least. The concern of the US C-in-C in the present case may also spring from the inner weakness of Nato as shown by a lack of willingness to carry out interrelated armament projects. Another factor is that the trans-Atlantic alliance has been loosened — US interest in Europe has dwindled — but it is difficult to gauge the various elements accurately. If the continuation of the American predominance in the Mediterranean region as formulated by Haig is truly in doubt, the EC would be faced with a political task which it has not performed in the past or at least not very convincingly.

Too Little Harmonization

In a memorandum on "Community cooperation with the developing countries" ² dated July 27, 1971 and February 2, 1972 respectively the EC Commission underlined that the most important denomi-

nator of Mediterranean solidarity was probably a want of security in the Mediterranean region. This statement is unfortunately of little practical validity, for the Treaty of Rome limits the powers of the EEC to economic issues. It does not even hint at foreign-political aspects. The Community can therefore do no more than establish external economic relations with Mediterranean countries which are not originally members, and this it has done on the basis of Art. 113, 131 ff, 227 and 238 of the EEC Treaty. In any such actions it must always pay attention to their compatibility with GATT regulations.

It is true that slight signs of a foreign-political rapprochement between the member states themselves have been discernible in regard to the Community's external economic policy in the past ten years, but the prospect is not particularly good for political-institutionalized advances. On the contrary, several test cases — the energy policy, the economic and monetary union, and the almost complete disregard of the recent Middle East conflict — have manifested the absence of anything like solidarity in the Community. The present political situation can perhaps be best described by saying: "It is a miracle that the Community, exposed to so many great causes of tension in recent years, has not gone to pieces."

As far as specifically foreign-political issues are concerned, one can at least point to the conferences of heads of state and government in The Hague in 1968 and 1970 which agreed on "European political cooperation". Procedures have been evolved for the harmonization of national policies in certain respects, and the "Council of Europe" was established in 1974. It provides a modicum of harmonization through pragmatic regulations. Its proven achievements however do not match the anticipatory acclamations. It suffers from a serious drawback in that it has not been linked up with the EC either functionally or institutionally.

The "counterpart" of the Mediterranean partnership is the Arab League of at first seven and now twenty states. It originated from a decision taken in 1944 and was actually founded in 1945. From the outset it suffered from severe internal strains. The conflicts of interest between the member states of the League have hindered it until now from developing a life and activities of its own.

Socio-Economic Data on the Mediterranean Countries

The following brief summary of relevant data on the socio-economic structure of the Mediterranean countries is in this context of significance: ³

☐ Not a single Mediterranean country belongs to the group of industrially developed countries

² EC Commission, Memorandum on Community Cooperation with the Developing Countries, Brussels, July 27, 1971 and Febr. 2, 1972, p. 161.

³ The following is taken from: Rudolf Regulet et al., Die Mittelmeerpolitik der Europäischen Gemeinschaften (The Mediterranean Policy of the European Communities), Baden-Baden, to be published in spring 1977; cf. also: Eurostat, Basic Statistical Data of the Community 1975-1976, Luxembourg 1976; also United Nations, Yearly Reports; and World Bank Atlas, Population, Per Capita Product and Growth Rates, Washington D.C., 1972.

although Spain, Greece and Israel are approaching — and will soon pass — the threshold level which we put arbitrarily at a per-capita GDP of \$ 1,700.

□ The countries of the southern littoral belong for the most part to the group of developing countries, partly to the poorest of them, with per-capita incomes of less than \$ 500 (in terms of GDP which is however a doubtful yardstick of prosperity; Libya has an average per-capita income of \$ 1,700 but must nevertheless be classified as a developing country).

□ In many countries the population is growing at a rate of 2 p. c. annually, or even more, and with that exceeds, particularly with high inflation rates, the GDP growth rates in real terms.

□ The economic structures are lop-sided: The rural population is large but agriculture makes a very small contribution only to net domestic product at factor cost. There are few exceptions from the preeminence of the small enterprise with its archaic production methods and consequently low efficiency. A similar disparity is evident in the tertiary sector.

□ In industry food and textiles are predominant (apart from Libya and Algeria of course), and the export trade accordingly centres on products of these two industries. Large mineral oil and natural gas exports put Libya and Algeria in a special position among southern countries while Spain is standing out as an exporter among the northern countries owing to the country's advanced production structure.

□ Economic dependence, dependence on external aid and, as a result, high foreign debts are common features.

□ Social as well as economic disparities show up in wide income variations and, likewise, in structural unemployment among the peasants. The strains are causing migration to the towns, "Bidonvilles" typifying these movements and, last not least, emigration.

□ Illiteracy is still fairly wide-spread while the emigration of better educated people is at the same time causing a constant "brain-drain"; those who have been studying in the USA or Europe try to stay there as their home countries do not offer them commensurate employment opportunities.

Inadequate External Economic Relations

These structural data allow certain general conclusions about the foreign trade. The Intra-Mediterranean trade is rather unimportant. Most of the countries produce the same kind of agricultural products: olives, oranges and other citrus fruit, wine, early vegetables, and some also tobacco.

There are no significant comparative cost advantages between the non-members of the EC while France and Italy are competing with them in the market for these same agricultural products even though they are not very competitive. The problems raised by this will have to be discussed later. As for the disposal of energy and raw materials for industry, the Mediterranean market itself is — for the present — too small while the enlarged Common Market is on their door-step. As a matter of fact the EC is drawing in considerable imports from the Mediterranean countries in the narrower sense (excl. the Arab oil countries); at over EUA 15 bn (the figure refers to 1974: 1 EUA = \$ 1.2) they are of the same magnitude as the EC imports from the USA. The imports from the Mediterranean are not widely diversified: Energy materials account for EUA 7 bn, agricultural produce for EUA 2.3 bn and industrial raw materials, chiefly phosphates and ores, for EUA 1.7 bn. The EC exports to Mediterranean countries amounted in 1974 to about EUA 20 bn — i. e. 15.8 p. c. of all EC exports to external destinations.⁴

It will be seen that the economic relations between the EC and the Mediterranean countries are structurally characterized by a very few basic features: a large balance of trade deficit, to which mineral oil and natural gas have made little difference; natural conditions imposing narrow limits on an extension of the range of goods on offer; concentration in the supply of manufactures on textiles (except for Spain). Nevertheless, the Mediterranean region is relatively important for the EC's export trade and may attain yet greater importance if the EC is able to pursue an appropriate external economic policy.

A Policy of Small Uncoordinated Steps

Various points in the EEC Treaty show traces of the efforts made to maintain or else establish "special relationships" between the member states of the EC and the Mediterranean countries.⁵ Matching remarks have been made by politicians on both sides, and these have been summed up in catchwords like "Eurafrica" and "Europa Mediterranea".⁶ Concrete results have not sprung from them. More recently the Arab League has made itself the spokesman for demands some of which

⁴ Cf. Eurostat, The Trade of the EC according to categories of goods and important partners 1973/74, Luxembourg 1975.

⁵ Cf. Heinz Andersen, Über die Verwirklichung einer gemeinschaftlichen Mittelmeerpolitik (On the Realization of a Common Mediterranean Policy), in: Europa und die arabische Welt, Bonn 1975, p. 293 ff.; and the same author, Zur Konzeption einer gemeinschaftlichen Mittelmeerpolitik (On the Conception of a Common Mediterranean Policy), in: Hajo Hasenpflug (ed.), Europäische Gemeinschaft und Dritte Welt, Hamburg 1975, p. 854.

⁶ Cf. Die Assoziation der Maghrebstaaten im Lichte einer Mittelmeerpolitik der Europäischen Gemeinschaften (The Association of the Maghreb States in the Light of a Mediterranean Policy of the European Communities), in: Africa Spectrum, Hamburg 1970, p. 27-41.

have been raised in previous EC negotiations with individual Mediterranean countries. They are in part on the lines of the general postulates which took the centre of the stage in the talks at the "International Conference on Commodities", the so-called North-South dialogue. Typical of the wishes of the Arab League are the demands for better terms of trade — to be achieved in the main by raw material price indexation, for non-reciprocal removal of tariff and non-tariff obstacles to trade, for export earnings stabilization, for a common customs area as regards the origin of goods, and finally for financial cooperation with massive (50 p. c.) participation by the EC.

A first glance already shows that some of these demands overlap or coincide; others, especially the one for the creation of a legally and economically differentiated area, may not be compatible with the GATT regulations. Questionable is also how such demands can be reconciled with the provisions of the EEC Treaty. Which agreements can be concluded by the Community and which only by the member states? This is a question which arises especially for coal and steel, the products for which the European Coal and Steel Authority and not the EEC is competent. The wide range of individual issues in question explains why the EC policy vis-à-vis the Mediterranean countries has so far been a policy of small and uncoordinated steps and why the Community can no longer stave off the demand for a global concept. This issue shall be discussed now.

Problematic Preference Agreements

To start with, I shall call to mind a few general principles:

Generalized preferences have as their characteristic feature:⁷

- ☐ Non-reciprocity: the favoured countries are under no obligation to grant tariff preferences of the same kind in return;
- ☐ Non-discrimination: the preferences are granted to all developing countries;
- ☐ Generalization: the preferences are granted by all industrialized countries.

These conditions have all to be fulfilled to comply with GATT. Specialized preference agreements are discriminatory and do not conform to GATT. So, if the Community makes concessions to individual Mediterranean states — e.g. to Algeria in return for supplies of mineral oil and natural gas — equal preferences have to be granted to all the Arab countries and to Iran. This example shows why the distinction between littoral states in the narrower

sense and the Arab countries has a geopolitical significance which transcends strictly geographical terms. Another problem arises in this context from the concessions to the northern tier of Mediterranean countries, especially those clamouring for full membership. Greece, for instance, enjoys the same tariff concessions as the countries of the Community grant each other whereas Egypt and Spain have received only partial tariff reductions under their agreements. A distinction must also be made between industrial products, especially the insensitive ones, and agricultural products. Many Mediterranean countries, it was mentioned, produce the same agricultural products as Italy and the southern region of France — and do so more competitively. Special provisions are therefore constantly urged for Italian and French agricultural products. They can relate to the exchange dealings directly or — more usually — to the margins of preference for the Italian and French production.⁸

New Formula: Association

Attention has lately concentrated on association agreements. These are either open to all countries, in accordance with Art. 238 of the EEC Treaty, or else "Associations of overseas countries and sovereign territories" as covered by Art. 131–136. These latter articles were originally a substitute for a Community development policy, which was not mentioned specifically or dealt with in the Treaty. In the five years to which the validity of these Articles was limited there arose of course the question what was to be done about the former colonies and mandated territories now that they had gained their independence, how they were to be treated as independent states. There were divided counsels about this point and opinions also differed at times about the question whether association agreements were to be signed only with the countries which were potential candidates for later accession to the Community. Among the Mediterranean countries there is a tendency to separate the countries north of the Sahara from those to the south of it. The Community seems to have acceded to this demand tacitly, for in its agreement with the ACP countries, the so-called Lomé Convention, it avoided speaking of "Association" while its predecessors, the Yaounde Conventions, had still contained the term "Associated Countries" in the preamble.⁹

The real predicament in the whole debate is that there is no definition of the term "Association" to

⁷ Cf. EC Commission, *The Generalized Preferences of the European Community*, Information, August 1974.

⁸ Cf. Wolfgang Müller, *Zölle in Assoziierungsabkommen, Mittelmeerländer (Customs Duties in Association Agreements, Mediterranean Countries)*, in: R. Regul (ed.), *Steuern und Zölle im Gemeinsamen Markt*, Part IV E/3, Vol. 6, Baden-Baden 1976, p. 1-16.

⁹ Cf. Daniel Dignes, *L'Association des États Africains et Malache à la C.E.E. (The Association of the African States and Madagascar with the EEC)*, Paris (no year), p. 11.

be found in the Treaty while in other areas — linguistic, political, economic — it is defined in various ways. In the international organizations of the classic type associate status is identified as incomplete participation by a state, a combination of states or an international organization in the obligations and benefits of an existing institution. The associate is not under the same obligation as a full member to participate in constitutive acts or secondary decisions of this institution, but is also not a member of its governing or decision-making organs and is in no case entitled to vote. Art. 238 of the EEC Treaty lends itself more or less to this kind of interpretation although other formulae have emerged in the discussions, for instance that "association means political commitment and institutional involvement of a kind (which is) not always desirable".¹⁰

Motives for the conclusion of association agreements can be the wish to enter into cooperation with a community or to take initial steps towards full membership at a later date.¹¹ The Mediterranean policy of the EC has to do with both these variants. European countries only are eligible for full membership according to Art. 237 of the EEC Treaty, and countries with other than market economy systems, like Yugoslavia or Albania, would probably not qualify even if they wished to join. Whether Turkey can become a full member of the EC must remain in doubt. The decision rests in all cases with the Council, which must take its decision unanimously.

Inter-State Cooperation Agreements

The term "Cooperation" introduces into the debate a concept which is not mentioned explicitly in the Treaty but employed on an increasing scale in practice. It forms indeed a convenient bridge to new forms of external economic policy. In early Commission documents it was put to use to make it easier for commercial enterprises, especially small and medium-sized ones, to work together, and more recently it has also been employed to cover collaboration between states. It might be questioned whether Art. 228 of the EEC Treaty can be given a sufficiently wide interpretation to include cooperation agreements. It is important to distinguish between cooperation and normal trade agreements according to Art. 113 of the EEC Treaty. The latter generally apply to the free exchange of goods between the Community and third countries. Cooperation agreements on the other hand pertain in principle to a particular object and thus comprise many other matters for cooperation, e. g. cooperation on industrial projects which may

include barter arrangements; they can also relate to capital participation, transfer of technical know-how, collaboration in scientific research and development and may take in arrangements or agreements on migrant workers and their social security. Arrangements on migrant labour or joint investment projects can be the subject of cooperation agreements, but not of trade agreements.

Cooperation abuts upon Association and to some extent overlaps it. According to Art. 238 Association is open to other countries whether eligible for membership or not. Both, Cooperation and Association, are by their nature bilateral: the Community establishes relations with individual third countries. The agreements with the Maghreb countries — Morocco, Algeria and Tunisia — are typical: their text is identical or almost identical but they were concluded with each of these countries separately. In practice this means that in each case a link was established between a joint group of states — the European Community — and individual third countries, a relationship of a permanent and institutional and yet essentially bilateral nature between unequal partners.

A Comprehensive EC Policy for the Mediterranean

In private as in public life partnership implies at any rate a relationship between unequal parties, and the discussion is not about this inequality but about the individualized approach of the EC which continues to be a feature of its Mediterranean policy. It gave the European Assembly in 1971 already cause to urge the Commission and the Council to formulate aims and instruments of a comprehensive Mediterranean policy. The theoretical definition for an all-inclusive concept was presented by the Commission in 1972 and adopted by the conference of heads of state and government in The Hague in November of the same year. According to this the Community is willing to conclude comprehensive agreements with all the states which border on the Mediterranean so as to open the entire Common Market to their industrial products, except so-called sensitive products, to give them preferential access for agricultural produce and to provide economic cooperation and financial aid as well as what is known as technology transfer. The European Assembly apparently thought that this did not go far enough and postulated a general harmonization of the EC's foreign policy vis-à-vis the Mediterranean countries, Community involvement in technical and financial assistance and reciprocal concessions in the agricultural sector. However, for the reasons mentioned, the harmonization of foreign policy is for the present merely wishful thinking.

It is in the nature of such demands that they are to a certain extent declamatory and encounter prac-

¹⁰ Cf. Stanley Henig, *External Relations of the European Community*, London 1971, p. 50.

¹¹ Cf. Pierre Pescatore, *Les Relations Extérieures des Communautés Européennes* (The External Relations of the European Communities), Leyden 1961, p. 142 ff.

tical difficulties when they are to be put into effect. The demand for a comprehensive concept raises afresh the question of geographic-geopolitical delimitation which has been mentioned several times already. If cooperation agreements are concluded with countries on the southern shore of the Mediterranean such as Algeria, Arab states demanding equal treatment cannot very well be excluded. This fact provided a genuine incentive for a European-Arab dialogue. After protracted difficulties in the incipient stage agreement has been reached in the meantime on at least a kind of agenda for such talks.

It would be wrong to see the European interest in this dialogue as confined to the one-way road of oil supplies. The price and income elasticities have been found to be rather low in motor traffic, and the oil crisis has not had the dreaded consequences. But there is another, no less important side to the dialogue which concerns the recycling of the petrodollars via the Euro-money markets, the erection of refineries, the establishment of investment goods industries and the effectuation of infrastructural investments in the Arab countries. The EC is bound to give great and acute attention to these matters even though it is thereby entering a — politically and economically — explosive field.

The hazards arise in part in the foreign policy field. If Gen. Haig jr. was quoted accurately and a less predominant role of the USA in the Mediterranean forces the Community to shoulder political tasks, it will find itself in some way in the position of confrontation with the Soviet Union which was hitherto the USA's. It is impossible at present to say how and indeed whether the Community as a whole can cope with such specifically foreign-political tasks. The doubts arise from the very nature of the Community, from its inner cohesion or lack of it and from the different views which the member states take of the relative importance of the Atlantic line of direction in their foreign policy, on the one hand,

and the Mediterranean bent, on the other. It is only natural that Denmark, Great Britain and Ireland are attaching more importance to the trans-Atlantic alliance and France and Italy to Mediterranean issues.

Competing Competences

The different interests of the member countries present another problem in the rivalry between the Community and its members in regard to their respective competences. It is a subject which has given rise to different views: One side wants the member states to retain their own rights of competence as long as the Community is unable to exercise them itself. This corresponds to the reality as it has presented itself until now. The cooperation with the Mediterranean countries — and incidentally with developing countries generally — is in large parts given effect by private enterprises of the individual European countries or through direct aid by the national governments. The opposite view is that anticipatory renunciation of the exercise of common competences is irresponsible because it will be very difficult to regain later any competences which have been transferred — i. e. in concrete terms: left with the national governments — if they can be recovered at all.¹²

From the point of integration policy this is the better-founded view. The Commission tried to forestall mistaken developments by a decision — hence approved by the Council — on the "Introduction of consultative procedures for cooperation agreements of the member states with third countries". Unfortunately it is inadequate because it does not stipulate Community authorization to any member state concerned. Under integration policy aspects the Lomé Convention may be thought to be a step along a better road but the Mediterranean

¹² Cf. Christoph Sasse, Kooperationsabkommen und EG-Handelspolitik (Cooperation Agreements and EC Trade Policy), offprint from: Die Außenbeziehungen der Europäischen Gemeinschaft, Kölner Schriften zum Europarecht, Vol. 25, Cologne 1975.

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ZUM VERHÄLTNIS VON AUSSENWIRTSCHAFTS- UND ENTWICKLUNGSPOLITIK

(On the Interrelation between External Trade and Development Policies)

Large octavo, 409 pages, 1975, price paperbound DM 46.—

ISBN 3-87895-130-2

VERLAG WELTARCHIV GMBH - HAMBURG

countries in particular do not regard it as a model to be copied.

Another Round of Negotiations Ahead

By concluding the agreements with the Maghreb countries — and also the Lomé Convention; a wider sweep is appropriate in this context — the EC has played its trump cards in its Mediterranean policy in the traditional sense. The Community is now about to start on a new round of the game in which the distribution of the cards is different. For one thing, the individual member states are starting from different base positions. They tend to stress their individual, more diverse interests. They are by no means all agreed on the wish of some of them that the circle of associated countries should be drawn very wide. Financial anxieties are intermingled with commercial interests. The Greek application for accession will provoke Turkish reactions which it is very difficult to appraise beforehand. Spain and Portugal also have the wish to join. Even if the Community cannot respond at once by opening negotiations, it will in the medium term have to face the fact that its enlargement calls for a strategy which suits as many parties as

possible and disadvantages as few as possible. The decision-making process will be the more fragmented and gradual the more parties have to be accommodated.¹³

The industrialized countries of Europe will find it difficult to avoid drawing the circle very wide and making room for the Arab countries in what has hitherto been too narrowly defined as "Mediterranean policy". The strains set up between a southward-pointing Community policy and one with a North Atlantic direction are likely to persist, but the cross-currents will be greatly influenced by the future orientation of US policy. In the North-South dialogue the Community is negotiating formally as one entity but the recent Nairobi conference showed that the Federal Republic went its own way on as important an issue as that of the Common Commodity Fund. This instance shows that the Community is not speaking with one voice. It must be admitted that on the other side there is also a chorus of many voices which is not always in full harmony. To conclude from such conjunctures that the Community will collapse would certainly be wrong but one has to acknowledge that the Community has not yet adapted itself to a novel situation, that it still lacks new and binding lines of direction for the whole sphere of development policy. The Mediterranean policy has its place in this larger sphere.

¹³ Cf. Ernst B. Haas, *The Uniting of Europe*, 2nd ed., Stanford 1968, p. 11; the same author, *Die Einigung Europas* (The Uniting of Europe), in: Sidjanski, Haas, Lindberg et al., *Erfolge und Krisen der Integration*, Cologne 1970, p. 38 ff.

Impediments to the Coordination of National Cyclical Policies in the EC

by Peter Gonschior, Cologne *

Compared with the issues of economic and monetary policy the EEC Treaty says little about a common cyclical policy, and no great advances have been made towards such a policy since the Treaty of Rome was drafted. Which impediments are holding up progress in this direction?

In the negotiations leading up to the foundation of the European Economic Community interest centred on the planning of the structure and order of a Common Market with domestic market attributes. Compared with general issues of economic and monetary policy, the cyclical policy received little attention. It was only said in Art. 103 of the EEC Treaty that member states shall consider their policy relating to economic trends as a "matter of common interest". The text of the EEC Treaty thus shows clearly that the

unwillingness of the founder members to accept concrete procedural regulations for cyclical policies left a gap which was bound to impede integration. A policy relating to economic trends was introduced into the Treaty text as a task to be kept in sight for later. But as it turned out it was a mistake to believe that one could start with monetary policy and think about coordinating the cyclical policies at some later date.

* Programm Angewandte Systemanalyse ("Applied System Analysis" programme) of the Arbeitsgemeinschaft der Großforschungseinrichtungen (AGF).