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REPORT ON A STUDY TOUR OF THE EUROPEAN COMMUNITIES*

* The report contains the observations of Mr. Isaac Cohen Orantes, functionary of CEPAL, to a study tour organized under the auspices of the European Parliament. The opinions expressed therein are of the exclusive responsibility of the author and may not coincide with those of the Economic Commission for Latin America.

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/1. Introduction

1. Introduction

On an invitation of the European Parliament, through the Latin American Visitors Programme, the author visited for 32 days some of the member countries of the European Community to obtain first hand knowledge of its functioning. The main subject around which the visit evolved was to assess the possibility of arriving at a cooperation agreement between the European Community and the Central American integration process.

This report is divided in three parts: the first one refers to the present state of the European Community; the second, to the relations between the Community and the Central American integration process; and the last one, includes some observations on the Latin American Visitors Programme, which might be useful to future participants.

The author would like to express his gratitude to several persons who contributed to making the visit more fruitful: Mr. P. Barker-Jones and Mrs. J. Crumpton, of the Secretariat of the Latin American Visitors Programme; Mr. John Horton, of the Directorate General for Information of the European Parliament; Mr. Salvatore Cornado, of the Commission's Office in Rome; Mr. Lewis Armstrong, of the Commission's Office in Paris, and Mr. M. H. Pelly, of the Central Information Office of the British Government. These persons arranged the interviews held in the countries and institutions that were visited, while Mr. Barker Jones was in charge, with impecable efficiency, of the organization of the programme as a whole. Finally, special thanks are due to Mr. Arturo Fajardo, Guatemalan Ambassador to the European Community, for the collaboration he granted to the author during his stay in Brussels.

/2. Some

2. Some observations on the present state of the European Community

Before stating these observations, it should be mentioned that they are necessarily partial and that they reflect only the author's points of view. Some of them probably reveal the impossibility of understanding a process, as complex as the European, in the brief period which the visit lasted. Therefore, they must not be considered definitive, since they try only to describe some of the facts which allowed the drawing of some conclusions on the present state of the European Community.

a) Progress

At the time of the visit, the European Community was facing two important issues, both of which are indicative of its present situation: first, direct elections to the European Parliament and second, ongoing negotiations with Greece, Portugal and Spain that could lead to a widening of the Community.

The possibility of direct elections to the European Parliament is perceived as a significant progress in the institutional development of the Community, despite the fact that they do not entail an increase in the powers of the Parliament, because the representatives will be invested with the legitimacy that will grant them their designation through popular elections. Eight of the nine member countries had already approved the internal legislation required to carry out the elections by the middle of next year. Only the United Kingdom had not done so, because the legislation became a subject of internal political discussion; but very few persons doubted that it will do it, although it was not known if in time to participate on the general election. Thus, from the perspective of the Community's institutional development, it was hoped that by next year it will have the first institution representative of the populations of the member countries, in contrast with the present situation in which those responsible for the different Community institutions are appointed by the participating governments.

The fact that the new Parliament, directly elected, will not be granted more powers is interpreted - by those responsible of organizing the election -

/as a tactical

as a tactical concession to avoid a premature discussion on such powers that could hinder the possibilities of holding the elections. At the end, what is being sought immediately is the popular and direct election of the representatives, while the granting of more powers to the Parliament will have to be faced later, bearing in mind the delicate equilibrium of the present institutional framework.

The issue of widening the Community by means of negotiations to include as members other countries such as Greece, Portugal and Spain will raise, among others, a problem on which Latin American economic integration efforts have some experience; that is, the one arising from differences in levels of development among the participating countries. Up to now, the problem of balanced growth within the Community has been dealt as one of depressed regions within each member country, although it is recognized that the presence of Ireland constitutes already a case of lesser relative development. But there exists the awareness - particularly among some of the functionaries of the Commission in charge of external relations and regional policy - that the presence of the three countries mentioned above, with a level of development lower than that of the other members, will bring forward more acutely the distributive aspects of integration.

Anyway, without underestimating the economic and institutional issues that will raise the widening of the Community, the decision is conceived fundamentally as political, since what is being pursued is the preservation of democratic regimes in Western Europe, and in such conviction can be found the main justification for the negotiations. Even so, the execution of this decision, in the words of a functionary of the Commission, "is not for tomorrow", and that is the reason why it can be expected that some time will elapse before the negotiation leads to a "Community of 12". Optimistic estimates in this respect point to 1982 as the most probable date in which these three countries will be able to become full members.

/b) Stagnation

b) Stagnation

The two issues briefly described above are the fields in which progress can be expected in the relatively near future of the European Community. There exist other areas in which prospects cannot be as optimistic and whose development is, up to a certain point, stagnated for reasons that will be described hereinafter.

The economic situation - illustrated by relatively high rates of inflation and unemployment - which is affecting the member countries of the European Community with different degrees of intensity, constitutes at the present time one of the main obstacles to the adoption of coordinated policies in certain sectors and common activities, such as capital mobility and monetary integration. In these areas, the restrictive measures adopted by almost all the member governments have decisively affected the possibilities of promoting further progress.

Furthermore, among some functionaries of the Commission, it is considered that not much can be done on the subjects of monetary union and capital mobility as long as inflation continues affecting the member States with different degrees of intensity. It is also believed that economic instability has even negatively affected the degree of capital mobility that prevailed before the present situation. The free flow of capitals is considered to be closely linked to the perspectives of monetary union; that is why it is presently estimated impossible to push forward in the first one of these fields, until monetary union has been attained, which is perceived as able to occur only by the end of the integration process.

This less optimistic perspective regarding monetary integration and capital mobility is supported by what is considered the prioritary need of stabilizing the economies, particularly of those countries considered most seriously affected, as the United Kingdom and Italy. That is, the main objective presently is to try, above all in these two member countries, that inflation does not go beyond rates incompatible with the integration process, to preserve the existent level of interdependence, instead of trying to execute global plans for monetary union.

/The following

The following question arises from the previous assertions: which are the measures adopted at the Community level in order to contribute to the stabilization of the economies most seriously affected by the crisis, with the purpose of avoiding rates of inflation incompatible with the level of interdependence already attained? In this sense, the Monetary Committee - where in the past were coordinated the member countries' common positions regarding the reform of the international monetary system - is attempting the unification of criteria to elaborate indicators of growth of the monetary means of payment, and to identify the criteria to establish ceilings to the levels of global credit in the different economies. On the other hand, the Commission is promoting a more intensive utilization of the European unit of account in all Community transactions. Finally, the need is recognized that those member countries relatively least affected by the crisis, should contribute more to its solution, by stimulating their own economies, although it is admitted that for this last purpose the Community has only persuasive powers. In brief, it can be stated that in the field of monetary integration, global schemes of unification have been set aside, to administer monetary matters to avoid the negative consequences that they might have on the level of interdependence already reached. Which translates itself into what an observer called "a barroque institutional construction" in the monetary sector, due to the absence of a global framework. Thus, for instance, there exists the already mentioned Monetary Committee, with a mixed composition that includes representatives of the Central Banks and of the Ministries of Finance - at a level of Deputy Governors and General Directors - whose secretariat is performed by the Commission. Then, the Central Banks meet in Basel in their own Committee of Governors and the secretariat is entrusted to the Bank of International Settlements, without the Commission having any participation. There also exist three committees on specific subjects at a technical level on short term, medium term and budgetary policies. Finally, there exists the European Fund for Monetary Cooperation, created by decision of the Council of Ministers of April 3, 1973 with a provisional siege in Luxembourg, although in fact the book-keeping and administration of the loans that it has granted takes place in Basel.

/To conclude

To conclude, it should be said that this relatively pessimistic perspective on the possibilities of monetary union in the European Community does not seem to be shared by the political leaders of the Commission, among whom there seems to be emerging a new proposal for monetary unification. Unfortunately, it was not possible for the author to obtain more details on such proposal, but it was understood that it tends towards the creation of a common currency whose utilization would be parallel to the national currencies of the member States, that is, it tends towards the establishment of a dual monetary system. It was also impossible to ascertain the proposed date when the Presidency of the Commission would launch such an initiative.

In the same manner that the economic situation prevailing in the Community was an obstacle to monetary integration and capital mobility, other areas of regional activity or common policies were found to be experiencing a state of relative stagnation, although in these other cases it was due to different reasons than those already pointed out.

For instance, in the case of the Community's regional policy, or of those common actions aimed at the compensation of the unbalanced distribution of the benefits of the process among the depressed regions of the member countries, the existence of some contradictions was noticed among Community institutions which might explain in some cases the relatively weak impact of this policy.

The Community's regional policy includes two basic elements. First, the coordination of incentives to investment in those regions considered depressed, as with a member country as a whole such as Ireland, or in some regions such as Greenland, the South of Italy or the North of England. Second, the existence of the Regional Development Fund, which amounts to roughly 10 per cent of the national budgets for regional policy (around 500 million dollars a year).

Nevertheless, there exists very little or almost any coordination among the disbursements of the Regional Development Fund - that are used to support national public expenditures of regional aid - and the lending policy of the European Investment Bank (EIB). Despite the fact that the

/Bank owes

Bank owes its creation, and has as one of its objectives, to contribute to the regional development of the Community, and despite the institutional links which could suppose a greater coordination between the Fund and the Bank, the author often found evidence of this absence of coordination among both institutions. Some persons, for example, complained about the inexistence of an investment policy in the Bank, which seemed to be confirmed by Bank's functionaries who considered that it should not assume a promotional role but only respond to the demands addressed to it. Then too, while some officials expressed the need for the existence of a promotional entity within the Community to identify and promote projects of common interest, others considered that such need did not exist, since the national promotional institutions already deal with such tasks and these last should submit to the Bank the projects already identified by them.

For these reasons, the links of coordination among the Bank and the Commission do not seem sufficient to avoid this divergent conception of the Bank's role. These links include the presence of a representative of the Commission in the Board of Directors of the Bank, in addition to 17 governmental representatives. Then, there is the very important requirement that before the Bank adopts a decision on financing a project, the Commission is given a term of two months to state its opinion on the project, and in case of a negative opinion, the decision has to be adopted by the unanimous vote of the Board of Directors of the Bank. Finally, the Commission can submit projects to the consideration of the Bank.

In the meantime, while these problems of coordination subsist, among the Community's regional policy and the functioning of the Bank, the latter has widened its activities to the financing of projects in the countries associated to the Community by the Lomé Convention and also to some non-member countries, such as Portugal, Lebanon and Yugoslavia.

Finally, these limitations in the Community's regional policy can be explained by a divergence which exists in the conception of the policy itself. On one side are those member governments supporting a more interventionist or "didigiste" policy, which are some of the main recipients of such aid; on the other side are the net contributors to regional financing, who favor a more market-oriented policy.

/All these

All these elements have generated a regional policy of relatively limited impact and reveal the need to endow the Community with more powerful distributive instruments, if the participation as members of relatively less developed countries, such as Greece, Portugal and Spain, is achieved. Actually, the presence of Ireland already indicates the type of problems which will emerge when some of the members refuse the adoption of other Community decisions in exchange for larger concessions, or a greater participation in the distribution of the benefits of the integration process.

Other sectors or activities which appeared to be stagnated and in which there have been difficulties in the adoption of community decisions - even of very modest ones - are the energy and research and development policies. In these fields, unilateral temptations have proved impossible to control at a regional level. This is particularly evident in the field of energy policy.

c) Vitality

The foregoing considerations should not obscure or diminish the merit of those integrated activities where the process reveals a definite vitality. This last can be noticed in, among other fields, the discussions on the future of the Community, the functioning and autonomous financement of its institutions, its external economic relations, the manner in which the member governments have organized themselves to participate actively in the process, and in the mechanisms which allow the participation of different social sectors in the Community's decision-making process. These are the fields which, in the author's opinion, deserve to be pointed out as indicators of the vitality of the integration process of Western Europe, and which constitute good examples of imagination and creativity.

Regarding the discussions on the future of the European Community, a very net division was found among those who someone called "globalists and pragmatists". The first group favours the implementation of global schemes of unification which should be attained through previously agreed stages and terms. The pragmatists, on the other hand, wish to act upon those areas or sectors that are more susceptible to integrative decisions,

/even if

even if that requires the adoption of partial decisions, whose accumulation will lead to - in an indeterminate future - a common construction hard to conceive by present generations. They consider the process as of a very long term nature and hence, it is to the coming generations that corresponds the task of endowing such a common construction of a formal and global framework.

This discussion, at times, ressembles a great deal the one held some time ago by "federalists" and "functionalists". Nevertheless, it cannot be said that any of these two perspectives constitutes the official position of those responsible of running the Community's institutions. Rather, both tendencies coexist in a creative tension that reflects itself in subjects such as monetary union or direct elections to the European Parliament. Someone even went as far as to try to locate these tendencies among the personnel of the Commission, arguing that the functionaries entrusted with the execution of already adopted decisions favoured a partial or a step by step approach, while among the members of the cabinets of the Commissioners - charged with outlining the future of the Community - there prevailed a more globalist conception of this future. In this respect, the author found that the division did not show itself in terms as net as the ones described, and that both tendencies can be found at different hierarchical levels. What was evident is that this creative tension among both conceptions generates a constant discussion regarding the Community's future, which translates itself into the identification and elaboration of imaginative proposals that are often transformed into important decisions.

Another indicator of the vitality of the integration of Western Europe can be found in the functioning of its institutions. All of them have a wider margin of maneuver vis a vis the member governments in the degree in which their financial resources depend increasingly less from governmental will. The fact that the Community is at the point of reaching the total financement of its institutions and its programmes with its own resources, constitutes one element that helps to understand the dynamism which can be observed in the functioning of some of these institutions.

/Such dynamism

Such dynamism can be found, for instance, in the meetings of the European Parliament, despite the fact that it is endowed with relatively weak powers in contrast with the almost absolute ones enjoyed by the Council of Ministers. In the discussion of the 1978 budget, which the author had the opportunity of observing in Luxenbourg, the Parliament revealed a vitality that can be illustrated through the description of some interesting details. First, the representatives are grouped by ideological tendency rather than by country of origin. In this way, the Presidency of the Parliament - with the representatives of the Commission at its right and those of the Council of Ministers at its left - faces the following groups, from left to right, the communists, the socialists, the christian democrats, the conservatives and progressive democrats together and, finally, the liberals. Then, the discussion itself made evident, for instance, a sort of alliance between the Parliament and the Commission against the restrictive pretensions of the Council, without this excluding the expression of criticism by some of the group representatives against the budget proposed by the Commission, particularly due to the fact that it was considered that the proposal did not contain any new community activities, all of it in support of the need to approve an expansive budget for the coming year.

The functioning of the Commission - with its 10 000 persons, of which almost half are translation personnel due to the diversity of languages that prevails in the Community - can be described in the same way. The size of its personnel, the different opinions on the Community's future, as well as the discussions between globalists and pragmatists, are also evidence of the vitality which characterizes the institutions of the European Community. The same can be said of the Council of Ministers, in whose secretariat - functions which contrary to the case of Central America are not carried out by the Commission - work around 1 000 persons, which reflects the increasing importance on the intergovernmental organ of the process, and which in the end still preserves the decision making power. Unfortunately, it was not possible for the author to directly observe the weekly meetings of the Council and of the Commission, since they have a reserved character and only those persons directly involved in their functioning have access to them. Instead

/of this

of this, the author had the opportunity of interviewing some of the participants, by all means a poor substitute of the direct observation of their functioning.

The most important elements of the Community's institutional equilibrium are constituted by these three institutions: the Commission, which uses intensely and frequently its power of initiative; the Parliament, which exercises its weak powers of control, consistent in the possibility of asking for the resignation of a member of the Commission and the opinion it has to give on the budget proposal which is not binding, and the Council, which preserves the decision making power, still exercised by unanimity given the resistance of some of the member governments against adopting the majority rule already agreed upon in the Treaty of Rome. This last was one of the reasons identified by a representative of a pressure group interviewed to explain some of the problems and the stagnation exhibited in some sectors by the European Community.

Indicators of vitality can also be found in other areas, not strictly institutional, as for instance in the way the governments are organized to participate in the process; in the mechanisms to allow the participation of different social sectors, and in the Community's external relations.

Regarding the first of these subjects, the author could obtain information on the functioning of mechanisms for the coordination of different government agencies affected by the integration process in the United Kingdom and Italy. Each one of these models of national organization - although different due to their adequation to the peculiarities of each one of these governments - represents an efficient way of performing this complex task of coordination, given the wide scope of community activities. Without going into the organizational details of each case observed, it can be said that the integrative process has required from the governments the establishment of such mechanisms for their adequate participation. The tasks which these mechanisms assume are basically those of coordinating the participation of different governmental agencies involved in a certain decision, and also those related to the elaboration of a national position of the government at an interdepartmental level. It could be established

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that in almost all the member governments - except in West Germany - mechanisms of this sort have been established for their internal coordination and the elaboration of a national policy.

Probably another interesting fact which illustrates the vitality of the integration process of Western Europe can be found in the participation of different social sectors in the adoption of decisions. The way in which this participation takes place goes beyond the formal mechanisms designed and established for such a purpose, as in the case of the Economic and Social Council. Several representatives of different pressure groups in charge of the offices that they have established in Brussels, indicated a preference for direct access to the Commission in the preparatory stage of decision making, instead of the more formal consultations which take place within the Economic and Social Council. This direct access and the need of expressing an opinion on the Commission's proposals, constitute the main factors which explain the creation of such offices in Brussels by different pressure groups organized in federations - and endowed with personnel of equivalent qualifications to the one found in the Commission - which are devoted to monitoring community activities, to warn the member organizations on the different decisions that can affect their interests, and to the organization of periodic meetings where the leaders of these national organizations have an opportunity to establish personal contacts. In some instances, it is the Commission which is interested in learning the opinions of the different national organizations, in which case it finances the travel expenses of the national leaders to bring them to Brussels and holds the necessary consultations. This is the preferred sort of access - that is, the direct one before the presentation of the proposals to the member governments - rather than the other more formal contacts through the Economic and Social Council, which, although perceived as another opportunity to express an opinion, seem to be considered less effective.

The author had the opportunity in Brussels of interviewing some of the functionaries in charge of the offices of the trade unions, the bankers and the savings and loans coops. Unfortunately, it was impossible to do the same with the industrialists, which seem to be considered one of the most powerful

/organizations

organizations. All persons interviewed agreed on the preference for the direct access mentioned above. They also added, among other interesting facts, that besides the tasks of pressure and information, one of the most important indirect benefits of the functioning of these groupings has been a certain learning process that has taken place among national leaders - mainly through their personal contacts - on the solution of common problems. Some persons even stated that such a learning process was as important as their pressure and information tasks.

A final interesting information on these organizations refers to their internal structure. Generally, it can be said that almost all of these organizations have a federal structure, that is, one representative with one vote for each national organization. But in none of the cases observed, supranational traits in their decision-making procedures could be found, - as in the case with Community institutions - the unanimity rule seems to prevail.

To conclude, a last indicator of the vitality of the integration process of Western Europe could be found in its external relations. First in the economic ones, with indicators such as a coordinated participation in the negotiations tending to the reform of the international monetary system, the multilateral trade negotiations (NTM) of the GATT, or the negotiatins with 45 developing countries that signed the Lomé Convention. Second, in the external political relations of the member countries, some evidences are beginning to emerge of common positions, as in the case of the coordination of the Nine in the United Nations General Assembly in New York, or in the issuing of some common statements on certain subjects of international actuality, as in the case of the relations of the Community with South Africa. These are some of the examples which can be mentioned in support of the possibility that the Community will express itself with a single voice in the international scene, and although many differences persist - particularly in relation to highly controverted issues - gradually and around certain subjects, the European Community is emerging as an actor in the present international system.

/It should

It should be mentioned that some of these common external activities are mentioned proudly as precedents of a common external economic policy. Such is the case of the Lomé Convention, which is considered an example of harmonious relations between developing and industrialized countries. This explains why some of the criticisms against the Convention, that mainly originate among the Latin American countries or among developing countries that do not enjoy preferential access, provoke a certain irritation among some of the Commission's functionaries. Anyway, let it be sufficient here to point out that the external relations of the Community are another example of the vitality exhibited by the Western European integration process, which can be better illustrated by the fact it is hoped that next year will witness the signature of a cooperation agreement with the People's Republic of China and the opening of negotiations with the member countries of the Council on Mutual Economic Assistance (COMECON).

d) Conclusion

The preceding examples of progress, stagnation and vitality in the European Community deserve that an attempt be made to draw some conclusions on its perspectives. The conviction that the process is of a long term nature seems to prevail among most of the functionaries of the institutions visited. The scarce probability that global solutions will be adopted in the near future causes the impression that the Community will continue evolving by the simultaneous occurrence of progresses, stagnations, and even setbacks. And that unless extraordinary circumstances occur, particularly in the international system, that would force the member countries to forego some of their exclusive or sovereign attributes, the present generation of Europeans has resigned itself to not witnessing in their time the construction of a larger entity or the emergence of a new actor in the present international system. In the meantime, there seems to prevail the conviction that partial progresses or advancements should be promoted to prepare the ground, until there exist more favourable circumstances, that will allow coming generations to deal with the task of constructing such larger entity. This seems to support the "pragmatists", since the final goal of Western

/European

European construction is perceived as far away and impossible to complete at the present time. As long as this holds, the Community will continue to be placed in an intermediate stage of a spectrum that goes from the separation of the member countries to the larger entity, difficult to characterize but exhibiting a vitality of its own, that at times exasperates those which would like to witness in their time the achievement of the final goal.

3. The relations

3. The relations between the European Community and Central America

The relations between the European Community and Central America should be analyzed within the larger context furnished by the relations of the Community with Latin America; and the latter, in turn, should be placed within the larger framework of the policy of the Community towards developing countries that do not enjoy preferential access. The Lomé Convention, whose renegotiation will begin next year, constitutes the instrument of the policy of the European Community towards those developing countries with which some member countries have relatively more intense links, such as the colonial past shared by France and England with some African and Caribbean countries. This instrument, as it was mentioned before, is considered an example of harmonious relations between industrialized and developing countries. The countries of Latin America are among those which do not enjoy preferential access to the Community, and other instruments constitute what can be considered the policy of the latter towards them. It can then be understood why it is convenient to review, even briefly, the utilization of these other instruments in the region, before considering the more specific problem of the relations of the Community with Central America.

It should be mentioned here that in the opinion of an acute observer of the external economic relations of the Community, these instruments hardly constitute a policy, since he considers - probably with some exageration - that their significance is almost of a laughable dimension. Which was explained and justified by arguing that the Community cannot grant the same preferences to all developing countries and that its interests are relatively more important in the countries signatories of the Lomé Convention. This observation illustrates the sort of difficulties faced by those developing countries that do not enjoy preferential access - among which are found those of Latin America - in their relations with the European Community.

/a) The Community

a) The Community and Latin America

Generally speaking, the instruments of the Community's external economic policy towards Latin America reflect the lesser priority that it grants to developing countries that do not enjoy preferential access. Nevertheless, it is not from this perspective that such instruments should be described, but from a Latin American point of view that will enable to explore later the possible links that could be established between the Community and Central America.

The above mentioned instruments are numerous and some have a procedural character, as in the case of the mechanism for dialogue in which participate the Latin American Ambassadors and the Commission. This mechanism allows for an opportunity, at least once every six months, for the Latin American representatives to express a previously agreed common position. The opinion was found, among some of the Latin American Ambassadors, that although the results are scarce, the dialogue is important in view of the exchange of points of view which it allows. In addition, some Ambassadors identified several difficulties that have appeared to arrive at a common position among the Latin American countries, which was attributed to the heterogeneity that characterizes the region. In general, the opinion on the dialogue is positive, since it is considered a useful mechanism of mutual information.

Within the Commission many hopes were expressed on the possibilities of identifying concrete common activities between the European Community and Latin America through the intensification of contacts with the Latin American Economic System (SELA). In this sense, the recent visit, in May 1977, of SELA's Executive Secretary to the Commission was considered as the beginning of a process of cooperation among both institutions with regards to Latin American regional projects, particularly in sectors such as agriculture and nutrition, fertilizers and handcrafts. The cooperation that already exists between the Inter-American Development Bank (IDB) and the Community, was also pointed out as another example of the sort of instruments which have been used to execute the policy of the European Community in Latin America.

/Two additional

Two additional instruments identified are: first, the System of Generalized Preferences (SGP) and, second, the recent unilateral concessions granted by the Community within the Multilateral Trade Negotiations (MTN) of the GATT to imports of tropical products.

In relation to the first of these instruments, it can be said that undoubtedly the SGP has allowed access to a considerable number of products from Latin America to the widened market of the European Community. Nevertheless, as experience indicates with these type of preferences, the relatively more developed and larger countries have been the ones that have derived most benefits from the System. This is not necessarily a deliberate decision, but only a consequence of the more powerful export capacity of the main beneficiaries. The statistics in Table 1 help to substantiate this point.

It should be mentioned that the Commission is making efforts to remedy these unbalance effects of the SGP, through the organization of seminars and other information efforts in the relatively smaller and least developed countries. But in the end, it is a structural problem linked to the economic dimension and level of development of these countries which is hindering their possibilities of obtaining larger benefits from the SGP.

In relation to the unilateral concessions granted in the MTN of the GATT, the decision is of so recent adoption that its impact and significance cannot yet be assessed.

Another instrument of the Community's external economic policy towards developing countries that do not enjoy preferential access is the support of development projects by means of granting financial assistance for their execution. Although the amounts are at present not very significant, there are two interesting conditions or requirements to be noted in this instrument. First, this financement is earmarked preferentially for projects located in least developed countries, and second, particularly in those which are members of integration processes. In these terms, for instance, the Central American countries obtained this year financial assistance which amounted to four million units of

/Table 1

Table 1

MAIN BENEFICIARIES OF THE SYSTEM OF GENERALIZED PREFERENCES OF THE EUROPEAN COMMUNITY, 1975 AND 1976

(Thousands of European units of account)[a/]

	1975	1976
Yugoslavia	239 645	377 578
Brazil	161 789	290 732
Hong Kong	138 952	249 700
South Korea	118 050	237 209
Malasia	40 117	223 005
India	143 075	209 551
Pakistan	82 371	98 623
Singapur	63 496	93 205
Mexico	58 694	78 827
Roumania	98 329	75 958
Argentina	47 225	71 173
Peru	31 547	19 177
Venezuela	1 189	10 007

Source: European Community, Delegation for Latin America, Información de Prensa 46/77, Santiago, November 7, 1977.

a/ It does not include oil derived products.

/account

account for three projects: one of small fisheries in Honduras, another for supporting the Institute for Nutrition of Central America and Panama (INCAO), and a third one to support the regional programme for grain storage through the Central American Bank for Economic Integration (CABEI). It was also pointed out that this type of aid could be increased in the Community budget for 1978 to a total of seven million units of account for the Central American countries. This is the sort of instrument that, due to the above mentioned requisites, can be of some significance and potentiality for the relatively least developed countries of Latin America that participate in integration processes, as the Central American countries.

Finally, another instrument of the Community's external economic policy are the bilateral agreements that it has signed with some Latin American countries. In these, a certain preference can be observed for the larger and relatively more developed countries since the Community has signed agreements of this sort with Brazil, Argentina, Mexico and Uruguay. In this respect a contradiction may be found between the principles that inspire the Community's policy and its results, if and when it is admitted that this policy has an integrationist vocation and that it aims to benefit the relatively least developed countries.

When the existence of such a contradiction was discussed with some of the functionaries responsible for the relations with Latin America in the Commission, several arguments were offered against this assertion. One of them argued that this sort of bilateral agreement does not have much real economic or commercial significance, but that it has been mainly political; some held, as it was already mentioned, that these instruments were not important in view of the scarce significance of the Community's policy towards developing countries that do not enjoy preferential access; finally, it was said that the Community has signed bilateral agreements with those countries which had possibilities of doing so, or that have demanded it.

/Nevertheless

Nevertheless, the author is not convinced that these arguments justify the above mentioned contradiction, in view of the evident absence of similar agreements with the existing integration processes in Latin America or with some of the relatively less developed countries of the region.

In a very brief and possibly incomplete way, those mentioned are the instruments that constitute the policy of the European Community towards Latin America, which are framed within the context of its relations with developing countries that do not enjoy preferential access. As it can be observed, despite its scarce economic significance, there exists a reiterated tendency of using some of these instruments to favor the relations with larger and relatively more developed countries. This is more evident when the unbalanced benefits of the SGP and the bilateral agreements of economic cooperation are observed. The integrationist vocation and the preference for least developed countries has not been translated into concrete results in the case of these two instruments. In the case of the SGP, the explanation can be found in the greater capacity of each one of the main beneficiaries, but in the case of the bilateral agreements, it has to be considered that these last are deliberate actions. Quite the contrary - a fact which supports the principles mentioned above - is the granting of financial aid for the execution of regional projects in least developed countries that participate in integration processes.

The author wishes to state, when repeating these critical assertions, that he had the opportunity of discussing them in some of the interviews that he held during the visit and that he has tried to reproduce the arguments against them as faithfully as possible.

b) <u>The Community and Central America</u>

The possibilities for the suscription of a cooperation agreement between the Community and Central America as a unit, should be evaluated in the context described above.

/During the

During the visit there were several opportunities to point out the importance which an agreement, similar to the bilateral ones that the Community has already suscribed with other Latin American countries, would have for the Central American integration process, basically from the perspective of its initial political significance, in view of the legitimacy it would grant to the Central American process and the diversification that it would entail of its external economic relations. These arguments in favor of an agreement between both integrative processes were generally recognized, particularly the one related to the impossibility of initially achieving other more ambitious objectives.

Even so, some of the difficulties of reaching such an agreement should be pointed out. Their description follows, in order to illustrate the kind of effort that the Central American governments would have to do to attain this objective. Such description will also help to illustrate the way in which the crisis of the Central American integration process has negatively affected its international image, which is one of the main conclusions derived by the author from his visit to the European Community.

One of the main difficulties identified was that Central America, even considered as a whole, is still of a relatively small dimension. This is shown by the statistics of trade between the Community and some of the Latin American countries with which it has signed bilateral cooperation agreements, and even when these figures are compared with those corresponding to the member countries of the Andean Group as a whole, although less so when Central America as a unit is compared with some of these last countries individually.

The statistics in Table 2 point out to the convenience for the Central American governments to abandon the pretension of attracting unilaterally the attention of the European Community with the purpose of signing a bilateral agreement. This is one of the cases in which the joint participation of the Central American countries is most needed and which makes obvious the increase in bargaining power that such joint participation would entail.

/Table 2

Table 2

EUROPEAN COMMUNITY: IMPORTS AND EXPORTS OF SOME LATIN AMERICAN COUNTRIES, 1970 TO 1976 a/

(Millions of U.S. dollars)

	1970		1971		1972		1973		1974		1975		1976	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Argentina	981	564	959	601	1 068	667	1 662	621	1 556	989	1 064	1 001	1 478	809
Brazil	1 079	725	1 122	1 018	1 512	1 349	2 465	1 788	2 677	3 128	2 714	2 873	2 981	2 473
Mexico	139	484	134	502	149	558	217	772	413	1 116	385	1 202	419	1 085
Andean Group	1 095	874	1 097	1 038	1 080	1 173	1 199	1 457	1 934	2 001	2 023	2 648	2 116	2 543
Bolivia	96	36	67	29	72	31	89	33	86	68	106	102	114	91
Colombia	204	174	203	202	235	218	290	248	371	376	492	387	626	344
Ecuador	58	66	64	75	70	78	100	116	138	180	140	191	137	198
Peru	345	173	308	212	314	219	274	307	425	419	323	630	332	388
Venezuela	392	425	455	520	389	627	446	753	914	958	962	1 338	907	1 522
Central America	260	194	259	199	326	213	405	283	571	432	665	362	689	407
Costa Rica	51	51	56	49	81	54	120	73	141	96	137	75	105	80
El Salvador	69	40	61	43	73	48	73	58	117	91	145	81	229	94
Guatemala	59	52	65	59	76	59	92	73	151	107	215	111	179	129
Honduras	47	21	47	21	56	25	61	30	57	43	61	39	83	41
Nicaragua	34	30	30	27	40	27	59	49	105	95	107	56	93	63

Source: International Monetary Fund, Direction of Trade, Annual 1970-1976

a/ Composed of 9 countries, including the three that became members in 1973.

/Nevertheless

Nevertheless, as it was already indicated, it seems that Central America - even acting as a unit in its relations with the European Community - would have some difficulties in justifying the need for an agreement only from the perspective of its dimension. In this respect, a functionary of the Commission - maybe with excessive frankness - asserted that Central America, even jointly, represented a "neglectful quantity" (une quantité négligeable) of the total foreign trade of the Community. But fortunately the justifying arguments for the need of an agreement among both integration processes are not only found on the side of its economic dimension or significance. Such arguments, as it was mentioned briefly before, are furnished by the inherent contradictions that exhibit the external economic policy of the Community towards developing countries that do not enjoy preferential access. Particularly by the fact that such policy defines itself as possessing an integrationist vocation and of giving preference to relatively less developed countries. The Central American countries are precisely among the relatively least developed of Latin America and participate in an integration process, which is going through one of its most acute crisis, but whose existence is not in doubt.

These are, in the author's opinion, the main arguments to justify the need for suscribing a cooperation agreement between both integration processes. That is, there exist concrete interests on both sides which could be brought together by means of the signature of a cooperation agreement. For Central America, it would mean obtaining more international legitimacy for its integration process and a geographical diversification of its external economic relations, besides initiating a process of elaboration of a common external economic policy that will make evident for the member governments the increase in bargaining power which entails their joint participation. For the European Community it would mean to put into practice two of the basic principles that inspire its policy towards developing countries without preferential access.

/Another

Another difficulty faced by the possibility of suscribing an agreement is related to the international image projected by the Central American integration process. The crisis which the process has been experiencing since 1969 has negatively affected the credibility on its future prospects, at least among some circles. All of which is negatively affected also by a perception of intra-Central American relations mainly based on those events that reach the headlines of the most important newspapers in Europe; events which in its majority, due to their necessary spectacularity, influence negatively the image of the Central American integration process. The silent progress of integration in the region, or the persistence of intra-regional interdependence despite the crisis, has not attracted the attention of the most important European newspapers.

Furthermore, the conflict between El Salvador and Honduras still remains in the memory of some persons, as evidence of the scarce prospects which they grant to Central American integration. Finally, other persons mentioned the problem of the violation of human rights imputed to some of the Central American governments, as an obstacle to the possibilities of establishing closer relationships between both integration processes. In this sense, it was mentioned that in Luxembourg, on 5 April, 1977, the Presidents of the Commission, the Parliament and the Council of Ministers of the European Community had suscribed a statement on human rights. And the Commission's position on this matter was also recalled, as expressed by Mr. W. Haferkamp in the meeting of the European Parliament held in Strasbourg on May 11 1977, which consists in the utilization of "three ways to express the support of the Community for human rights throughout the world:

- by means of the insertion of clauses on human rights in negotiations with other countries;
- by means of their inclusion in commercial discussions, and
- by means of supporting humanitarian organizations".[1/]

1/ European Community, Delegation for Latin America, Información de Prensa 20/77 (Santiago de Chile, May 16, 1977).

/One last

One last difficulty which was pointed out - but on which the Central American governments have made more efforts to overcome it - lies in what some persons considered as the inability of Central America of speaking with a single voice. In several ocassions the author had the impression that some functionaries of the Commission were asking from Central America the same that the former Secretary of State of the United States, Henry Kissinger, had asked from the European Community, when he regretted that the Community did not have the capacity of expressing itself with a single voice.

In other ocassions, this "Central American inability" was attributed to the fact that the integration process in this part of the world lacked a prescription similar to the one contained in Article 113 of the Treaty of Rome, which grants powers to the Commission to initiate negotiations with third countries. This attitude - of trying to find a functional equivalent of the European Commission in the Central American process - was evidenced in several opportunities. Maybe such a pretension is based on a relative ignorance of the peculiarities that characterize the Central American process and of the evident differences that exist among both integration processes. In fact, to try to find a spokesman equivalent to the European Commission in the Central American integration process, sets aside one of the basic characteristics of its institutional evolution, which consists of its descentralized nature and the absence of a primus inter pares among the regional institutions. This, in addition to the fact that it reveals a certain ignorance, a problem that seems to be related to the image that Central American integration projects internationally, already mentioned above.

The same happens, for instance, when it is attempted to evaluate the evolution of Central American integration and its objectives by comparing them with the European experience. Particularly when it is considered that the final goal, in the case of the European Community, is some sort of political integration, whose details cannot be precisely

/defined

defined as of now, while the goal of Central American integration is not such political integration but the contribution to the participants' development. The author found that, in some opportunities, such comparative exercises led some of the persons interviewed to assertions as gross as, for instance, the one made by a European functionary, that "all integration processes in Latin America are a disaster". In great measure this might be due to the fact that, because of sheer ignorance, the evolution of Latin American integration is evaluated against the European experience, an exercise which leads to the useless search of prescriptions similar to the one contained in Article 113 of the Treaty of Rome, or of a spokesman as the Commission, and even to ascribing to the Latin American processes the same goals pursued by the European process.

Nevertheless, such comparisons - by all means impossible or useless - are not fair to the efforts that the Central American governments have already done to speak with a single voice, particularly with the European Commission. This effort should not be underestimated, because it constitutes one of the first effective attempts that the Central American governments have made to previously agree on a common position and to be able thus to speak with a single voice. The author wishes to emphasize the importance of the functioning of the Central American Group of Ambassadors and Chiefs of Mission to the European Community. He had the opportunity of observing the functioning of the Group by participating in one of its biweekly meetings, in which the possibilities of strengthening this effort were discussed.

The functioning of the Group evidences the existence of a mechanism that could be still more useful - if endowed with political and technical support - to eliminate some of the impressions which negatively affect the image of the Central American process. It could also be another evidence, easily accesible to the functionaries of the European Community, of the capacity of Central America of expressing itself with a single voice. Finally, the Group might constitute the liaison mechanism between the institutions of the Community and those of Central American integration, with the purpose of intensifying the relations between both until they are translated into a formal agreement between them.

/The Group

The Group functions in Brussels and its origins can be found in the discussions which took place in the Latin American Group on the difficulties of access that bananas had to the European Community. Its institutionalization took place only in June 1976, when the directors of the Central American regional institutions visited the Community. From then on, it has been functioning under the Presidency of one of the Ambassadors, selected by alphabetical order for a period of six months, and by the celebration of biweekly meetings in which it has been decided, for instance, to support the demands of emergency aid for Honduras and Guatemala, and to contribute to the identification of some of the projects financed by the Community in Central America.

Since the Group was institutionalized during the visit of the directors of Central American regional institutions, they made an offer of technical support, which unfortunately has not been translated into concrete results. In general, the Central American Ambassadors feel that they are not sufficiently informed on the evolution of the integration process and that they should be taken in consideration in their role of liaison mechanism between Central America and the European Community.

A definite demonstration of political support, maybe from the Central American Ministries of Foreign Affairs, is probably also lacking, so that the Group would be provided with the required political backing. Towards this possibility lead the results of the visit to Brussels of functionaries from the Central American Ministries of Foreign Affairs, in charge of relations with the Community in June 1977.

Finally, it would also be convenient for the Central American governments that have not already done so, to raise their representation to the Community to ambassadorial level, with the purpose of integrating the Group homogenously. In this sense, the recent designation and arrival of the Ambassador of Honduras to the Community, Dr. Roberto Herrera Cáceres, leaves only the representations of El Salvador and Panama at the level of Chargé d'Affaires.

/All this

All this reveals that there already exists a mechanism to carry out the dialogue between the European Community and Central America with the purpose of arriving at the signature of a formal agreement between both integration processes. Of the difficulties mentioned above, the last one seems to be the one that has begun to be solved, in view of the pioneering effort of the Central American Ambassadors to the Community. Such effort has been recognized in the official position expressed by some representatives of the Commission, which indicates that they exclude, in their relations with Central America, the possibility of dealing separately with any of these governments individually considered, and that they will try to deal with all of them jointly, if and when the Central American governments can previously agree among themselves upon a common position.

4. Some observations on the Latin American Visitors Programme of the European Parliament

The observations that follow on the Programme have the purpose of suggesting that they be taken into consideration when organizing the participation of other visitors. It should be pointed out that, generally speaking, the visit as a whole was fruitful, since it was preceded by a careful organizational effort. Nevertheless, the author suggests that the following observations be taken into consideration:

a) The selection of subjects

Given the complexity of the Western European process, a visitor should not pretend to cover too many subjects in such a short period of time; otherwise, there exists the risk of covering most of them only superficially. Experience indicated this risk to the author, since he selected originally an ambitious list of subjects, which was fortunately reduced in time to manageable proportions because of the flexibility that characterizes the Programme. Perhaps it would have been preferable to previously identify a central subject area around which the visit could have been organized.

b) The method of interviews

Depending on the subjects selected, this method is not always the most adequate, when it is compared, for example, with the direct observation of the functioning of a particular institution or programme, as it was the author's experience with the meetings of the European Parliament in Luxembourg. Maybe it would be more convenient, if the visit can be organized around a central subject, to allow the participant to spend some time in the institution in charge of the subject of his interest to observe more accurately the way in which it functions.

/c) Some

c) Some logistic problems

Although most of these were not deliberate and hence difficult to avoid, the author experienced the difficulty that none of the interviews he had asked for had been organized on his arrival in Paris. The reasons that were mentioned to explain this situation are not of interest here, but in the future such inconveniences should be avoided. Fortunately in the present case, the prompt intervention of Mr. L. Armstrong and Mr. Barker-Jones allowed for the arrangement in very short time of most of the interviews that the author had requested.

/Annex

Annex

LIST OF PERSONS INTERVIEWED

Brussels

Camille Becker
Head of Division (External Relations)
Directorate General for Information
Commission

Carmelo Cembrero
Administrator
Directorate General for Information
Commission

Marcos Alvarez
Director of the Centre for Latin American Studies
Free University of Brussels

Giampietro Morelli
Director and Secretary of the Monetary Committee
Directorate General for Economic and Financial Affairs
Commission

Alexandre Stakovitch
Director of the External Economic Policy Planning Staff
Directorate General for External Relations
Commission

Minister E. Watteeuw
Head of Latin American Affairs
Belgian Ministry of Foreign Affairs

Denis Blin
Directorate General for External Relations
Commission

Gerd Reinhardt
Directorate General for External Relations
Commission

Richard Hay
Chef de Cabinet of the Commissioner responsible for
Budget and Financial Control, Financial Institutions,
Personnel and Administration
Commission

/Peter Coldrick

Peter Coldrick
Secretary of the
European Trade Union Confederation

Manfred Teichert
Director of the Brussels Liaison Office
European Investment Bank

Harold Adam
Secretary of the Banking Federation
European Community

Michel van den Abeele
Deputy Chef de Cabinet of the Commissioner responsible for
Economic and Financial Affairs
Commission

Eberhard Rhein
Member of the Cabinet responsible for
External Affairs
Commission

Dieter Frisch
Directorate General of Budgets
Commission

Hans Smida
Directorate General of Development
Commission

Dieter Rogalla
Head of the Division of Staff Regulations
Directorate for Personnel and Administration
Commission

Klaus von Helldorff
Directorate General of Information
Commission

Harry Salter
Directorate General of Budgets
Commission

Jean Durieux
Deputy Director
Directorate General for Development
Commission

/Brian C. Bender

Brian G. Bender
First Secretary
United Kingdom Delegation to the
European Community

Henry Etienne
Chief Adviser
Secretariat General
Commission

Richard Wells
Directorate General for Regional Policy
Commission

Johannes Teichert
General Secretary
Association of Cooperative Savings and Credit Institutions
European Community

Professor C. Cerexhe
Centre for European Studies and Director of the
European Community-Latin American Integration Programme
University of Louvain

Philippe Lemaitre
European Community correspondent of Le Monde

Pierre Ohlmann
Head of Division
Directorate General for Economic and Financial Affairs
Commission

Central American Group of Ambassadors and Chiefs of Mission
to the European Community

Luxembourg

T. Barrett
Head of Division
External Relations Committee
Parliament

D. Quemener
External Relations Committee
Parliament

Klaus Pöhle
Director General of Information
Parliament

/K. H. Neunreiter

K. H. Neunreiter
Director General of Committees
Parliament

Joachim Müller-Borle
Deputy Adviser
European Investment Bank

Rome

Franz Ondarxa Linares
Undersecretary for Economic and Social Affairs
Italo-Latin American Institute

Senator Franco Grassini
Agency for Economic and Legislative Research

Counsellor Stefano Biondo
Italian Ministry of Foreign Affairs

Minister A. Callamia
Italian Ministry of Foreign Affairs

N. Albanese
Vice-President
Chamber of Commerce for West Africa

Giancarlo Meroni
Coordinator
International Office
Italian General Confederation of Labour

Silvia Boba
International Office
Italian General Confederation of Labour

Giovanni Magnifico
Economic Advisor
Bank of Italy

Paris

J. Brière
International Department
Caisse Nationale de Crédit Agricole

F. Chartrain
International Department
Caisse National de Crédit Agricole

/Colette Dionysius

Colette Dionysius
Development Centre of the
Organization for the Economic Cooperation and Development

E. Follin
Deputy Director for Bilateral Economic Relations with Latin America
French Ministry of Foreign Affairs

London

Charles Sime
Information Administration Department
Foreign and Commonwealth Office

Robert Sheaf
Press Officer
Office of the Commission of the European Communities

Roger Broad
Head of the Office of the European Parliament

J. J. Monaghan
Head of Briefing and Publications Section
HM Treasury

R. Crompton
External Relations, European Integration Department
Foreign and Commonwealth Office

J. Penney
Mexico and Caribbean Department
Foreign and Commonwealth Office

E. León Ruiz
External Service (Latin America)
British Broadcasting Corporation

Col. J. Alford
Assistant Director
Institute for Strategic Studies

V. K. Timms
Principal, European Secretariat
Cabinet Office

T. Harris
Principal, European Secretariat
Cabinet Office

/Peter Strafford

Peter Strafford
Home News Reporter
"The Times"

D. C. Maxey
Director and Joint General Manager
Cooperative Bank Limited and
Cooperative Commercial Bank Limited

Guy Huntrods
Director
Lloyds Bank International Limited