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COMMON MARKET'S ANNUAL REPORT URGES CLOSER COLLABORATION WITH U.S.

WASHINGTON, D.C., February 17 -- The annual report of the Commission of the European Communities released yesterday in Brussels stressed the need for greater collaboration with the United States "to overcome unduly numerous difficulties and conflicts of interest...since...both have extensive responsibility for the development of the world economy."

The report is the third on "the state of Europe" made by the Commission to the European Parliament since the July 1967 merger of the three executive branches of the Coal and Steel Community, the Atomic Energy Community, and the Economic Community. It reviewed Community activities during 1969 and surveyed tasks facing the six-nation Community at the beginning of 1970. The Six are: Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

The 533-page report in its section dealing with commercial relations with "third countries" cited three issues which characterized relations between the U.S. and the Community in 1969. They were:
the persistant U.S. balance of payments disequilibrium, the growth of protectionist tendencies in the United States, and increasing American concern over the Community's common agricultural policy. The balance-of-payments problem touched the Community but indirectly, whereas protectionist tendencies have been of more immediate concern to the Community which sends 16 per cent of its exports to the U.S. market. The Commission noted not only the numerous bills before Congress to restrict industrial and agricultural imports but also the recent attempts by the current Administration to obtain "voluntary" quotas from countries exporting to the United States, particularly for textiles. The Commission felt that these agreements could not be confined to one or two industries, but would proliferate and inevitably undermine provisions of the General Agreement on Tariffs and Trade.

European Community Information Service: suite 808 Farragut Building Washington DC 20006 telephone: (202) 296-5131

The Commission noted that many U.S. industries have also sought specific protection or safeguard measures under existing law. Certain products now under consideration, such as plate glass, carpets, and pianos, are of particular interest to the Community, and if the United States cannot offer equal, compensating concessions on other products, the Community might be forced to take appropriate retaliatory measures.

The Commission also singled out "administrative protectionism," especially by the U.S. iron and steel industry, as being a serious threat to Community exports to the United States.

Commenting on the proposed U.S. trade bill "The Trade Act of 1969," the Commission welcomed the intent to abolish the American selling price system of customs evaluation (which was to have been abolished before January 1, 1969, according to the agreement negotiated during the Kennedy Round), but it expressed reservations on the proposed section to relax the criteria of the 1962 Trade Act for granting safeguard protection to U.S. industry. Too frequent recourse to safeguard protection could prejudice Community exports, the Commission said.

Greatest Irritation: The Community's Farm Policy

In the area of the Community's common agricultural policy (CAP), the Commission stressed that the Common Market is by far the most important outlet for U.S. farm exports and that the main products such as soya, oil cakes, cotton, and hides enter the Community duty and quota free. Despite this favorable treatment of U.S. farm exports to the Community, farm imports from the U.S. have shown a decline since 1965. This was, said the report, due to the slow growth, in fact stagnation, of consumption inside the Community. It was in this light that American concern over particular Commission proposals should be viewed. These have been: a proposal to set minimum import prices for certain canned fruits and vegetables of concern to the United States (such as peaches, pineapples, and asparagus); a tax on products made from vegetable fats and oils; and recent proposals setting up a common market organization for tobacco. In view of these points of irritation and the importance of trade relations with the United States, the Commission remained determined to continue its dialogue with the United States and to maintain constant contact with the U.S. Government, in order to prevent further difficulties and solve present ones.

The End of the Transition Period

An overriding concern facing the Community throughout 1969 was the task of completing its 12-year transitional period and entering into the "final stage" of the Common Market by January 1, 1970. According to the Common Market Treaty, the end of the transitional period is the final date for the completion and enforcement of all measures for establishing the Common Market. Despite the fact that some of the things required to be done during this period (such as adjustment of state monopolies of a commercial character and directives on the freedom of establishment) could not be accomplished by the end of the year, the Commission did not propose that the transitional period be extended. Rather it felt that a deadline would encourage an exceptional effort to complete the work. In the Commission's view: "Events bore out these expectations."

On January 1, 1970, the Market entered its final stage. A decision of fundamental importance was reached on the future financing of the Community, in particular on creating the Community's own financial resources from common customs and levies to gradually replace the current system of contributions from national budgets; provisions for a new financial regulation for the common agricultural policy were completed; and agreement was reached on strengthening the European Parliament's budgetary powers so that by 1975 it will have the final say on budget matters.

Summit Meeting of the Six at The Hague

The Commission was invited to attend the conference of the six heads of state or government in The Hague on December 1-2. The results of this meeting included two key declarations on major political issues confronting the Community. The first was the unanimous declaration by the Six of their willingness to maintain the advance towards full economic and monetary union along with the close alignment of social policies that this entails. The second was their willingness to resume endeavors to enlarge the Community, namely, to proceed with the consideration of the membership applications of Britain, Norway, Denmark, and Ireland.

Barre Plan Adopted

Among the numerous ongoing activities of the Commission in various fields, the report stressed the fresh steps taken in 1969. In February, the Commission submitted to the Council of Ministers its proposals for coordinating the member states' economic policies and reinforcing monetary solidarity. This plan, often referred to as the Barre Plan and including a proposal for a common monetary reserves pool, gained the support of the Central Banks and governments of the Six. Its essential points were adopted on February 9, 1970.

The Commission also proposed a far-reaching reorganization of the European Social Fund to transform it into a more powerful instrument of social and economic policy; prepared the first overall program for regional development at Community level, and submitted new proposals relating to the reform of agriculture over a ten-year period and for eliminating agricultural surpluses.

Association Negotiations Concluded and Agreements Signed

In the field of external relations, the Commission completed association negotiations with Tunisia and Morocco, resumed negotiations with Spain, Israel, and Yugoslavia and talks with Austria, and embarked on exploratory talks with the United Arab Republic. It was also authorized to open exploratory talks with Japan.

In September, the Commission sent to the Council a new, detailed opinion on the problem of enlarging the Community and strengthening its institutions. The opinion also dealt with the procedure to be followed in negotiations with the candidate countries.

In the sphere of development aid, a new Association Convention with the 17 Associated African States and Madagascar was signed in Yaoundé in July; and a new, similar agreement with the East African States -- Kenya, Uganda, and Tanzania -- was signed at Arusha in September.

On the basis of Commission proposals, the Council of Ministers also adopted several regulations essential to the functioning of a common commercial policy from January 1, 1970, and found transitional solutions, "Community" in nature, for commercial policy towards the East bloc countries.

Monetary Crises Monopolize Commission's Time

On two occasions the Community was faced with serious monetary difficulties. In August 1969 France devalued its currency. Strict application of existing Common Market rules would have involved farm price increases in France that would have nullified the advantages of the devaluation and encouraged increased agricultural production when the Community was already grappling with a serious surplus problem. Exceptional measures, therefore, had to be taken, in conjunction with the Council, to isolate the French market.

Hardly had these measures been put into effect when it was necessary to cope with fluctuations in the value of the mark and its subsequent revaluation. This time the incomes of German farmers were threatened, and the Community had to help support them. The unforeseen burden on the Community's institutions of these monetary upheavals was in part responsible for the postponement of certain important decisions for the completion of the transitional period until the early months of 1970. The difficulties also contributed to the shared feeling that urgent action was needed to step up the degree of monetary solidarity in the Community.

The Community Reviews Its Tasks for the Future

Lastly, the Commission's report turned to tasks that remain unfinished. First on the list was economic union. Though no longer falling behind the timetable set out in the Treaties, it's progress fellshort of present day needs. Though the foundations of industrial policy have been laid, it too has not produced an answer to the major changes already taking place. Similarly, rapid progress is needed in the field of common economic and monetary policies.

The Community institutions, which were adequate at the outset, are now too weak and limited to deal with today's tasks of completing the Community and managing its affairs in more and more complex fields. They will have to be strengthened.

All this, said the Commission Report, leads to political union. The Community is already political in essence and in the form of its institutions, but it still must accelerate its political progress, increase the powers of its institutions, align the policies of its member states, and work out step by step a foreign policy at Community level.

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New address: Suite 707, 2100 M Street, N.W., Washington, D.C. 20037
Tel. (202) 296-5131