

EUROPEAN COMMUNITY NEWS

PUBLISHED FORTNIGHTLY

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COMMISSION OF THE EUROPEAN COMMUNITIES

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DECEMBER 8, 1972 NO. 18

HOW COMMON IS COMMON?

The usual journalistic synonym for the European Community is the Common Market, but the EC Commission thinks this designation is premature. A recent Commission study shows that prices for identical products still vary greatly between individual Community countries, despite the Community's strict competition policy, its tax harmonization efforts, and its progress in removing technical barriers to trade.

For foodstuffs alone, consumer prices vary by an average of 50.9 per cent, the study found. Prices paid by food distributors showed a 99 per cent difference.

The study, conducted by the Society for Consumer, Market, and Marketing Research in Nuremberg, put the blame for the price differences squarely on Community manufacturers. After a year-and-a-half investigation into 35 selected products, the Society concluded that manufacturers pursue a price policy for each Community country. Thus, manufacturers' selling prices for cameras, for example, differed by some 40 per cent between the most and least expensive countries, while the final consumer price for the same product varied by only 24 per cent. The Society concluded that such findings must influence the Community's future industrial, regional, competitive, and structural policies.

MAKING THE MARKET COMMON

A subsidiary of two major US glass producers is the latest manufacturer to feel the brunt of the EC Commission's toughened antitrust policy. The decision to fine Pittsburgh Corning Europe SA \$108,000 came late last month after the Commission had found the firm practicing discriminatory price policies through its German subsidiary. According to the Commission, Pittsburgh Corning sold cellular glass insulating material on the German market at prices up to 40 per cent higher than prices for the same product in Belgium and the Netherlands. Also charged with distorting competition under Article 85 of the Common Market Treaty were Pittsburgh Corning's Belgian and Dutch distributors, which had agreed not to export their products to Germany. Pittsburgh Corning Europe is a subsidiary of Pittsburgh Plate Glass Industries Inc. and Corning Glass Works, Inc., through their joint US subsidiary Pittsburgh Corning Corp.

SWISS SAY "YA"/"OUI"/"SI"/"SHI"

Switzerland will be part of the European free trade area linking the Community and the European Free Trade Association (EFTA), as Swiss voters, in a nationwide referendum December 3, overwhelmingly approved this arrangement. The vote was 1,345,057 in favor and 509,350 opposed, with voter turnout set at 51.2 per cent. "The result was the best we could have hoped for," said Ernst Brugger, Swiss Minister for Economic Affairs. "We now have the best possible start for our collaboration with the Community." The agreement had already been approved by the Swiss Parliament.

Liechtenstein, in a customs union with Switzerland since 1923, will also be part of the European free trade area, as the Liechtenstein Parliament unanimously approved extension of the customs union November 29. The other EFTA countries joining the Community in the free trade area next year are: Austria, Finland, Iceland, Portugal, and Sweden. The European free trade area will come into force January 1, and tariffs on all industrial goods will be eliminated by mid-1977. Norway, which rejected full membership in the Community, is expected to negotiate a free trade pact with the Community soon.

A BUMPER 1973

"1973 holds out the prospect of being a year of vigorous economic growth in the Community," says the EC Commission's Directorate General for Economic and Financial Affairs. In its report on the Community's economic situation, the Directorate General foresees a growth rate of some 5 per cent in the Community's gross product next year -- compared with a 3.5 per cent rate during the previous two years. Also foreseen, however, is a "disquieting" trend in costs and prices.

TOWARD A COMMON "LEGAL" MARKET

Who you are is often more critical than what you have done in the workings of justice. But after February 1, 1973, a person's nationality will no longer be a factor in determining civil or commercial judgments within the Community. Under a Convention recently ratified by the Community member states, a person comes under the jurisdiction of the state where he lives, no matter what his nationality. Thus eliminated will be questions regarding a judge's or court's competence, ensuring mutual recognition of civil and commercial judgments. The European Court of Justice is empowered through a Protocol to interpret the Convention.

TENSIONS ACROSS THE ATLANTIC

By Raymond Barre, Vice President of the Commission of the European Communities

The following are excerpts from Mr. Barre's address at Louisiana State University, New Orleans, on December 1, at a conference on "Tensions Across the Atlantic."

We live at a curious time; communication often seems impossible despite our sources and avenues of information. Myths and ideologies coexist with ideas. Now more than ever before, the grain of facts must be carefully winnowed from the chaff of empty words.

We must return to the reality of facts. This is urgent. We must face this fact.

Europeans always celebrate the indestructible friendship between their countries and the United States and stress the need for a close cooperation. Yet at the same time, government officials, businessmen, and labor unions worry about new trends in the US policy: the rise of protectionist attitudes; the propensity for forcing other countries to accept solutions which serve US interests; a growing "sacred selfishness" in US foreign policy.

In the United States, the highest Authorities have reaffirmed US support for the advancement of European unity and for the establishment of an evolving link between a uniting Europe and the United States. But these statements appear ritual and their credibility is affected when compared with US criticisms of Community policies.

The current psychological mood in Europe and in the United States is a strange mixture of uncertain hopes, disappointed friendship, implicit suspicion. This is a dangerous climate on the eve of two very important international negotiations. It is the duty of all of us to improve this climate.

Why Are There Tensions Across the Atlantic?

Besides formal divergence of views among countries whose interests are not always identical, I see three factors:

- 1) The world's political equilibrium is rapidly changing. The construction of the Community appeared as a pillar of the West's international Cold War strategy of the Fifties. For political reasons, the United States accepted the economic consequences of Europe's construction. Since 1958, the international situation has changed considerably. In 1962, the United States and the Soviet Union called an "armistice." In 1971, "peace" came. We now see the first effects of this new state of affairs, mainly in economic relations between the Soviet Union and the United States. In Europe, the success of the German "Ostpolitik" is the most recent illustration of this detente. We have no reason to regret these developments.
- 2) The United States, which in the Fifties and early Sixties had played a worldwide role of tutor and benefactor, in the next years became increasingly absorbed in its own problems. We now observe a fundamental reshaping of US foreign policy. Furthermore, the United States has become tough in trade and monetary affairs because of a balance-of-payments problem that can no longer be treated with benign neglect. Having asked the United States to restore order to its balance of payments, Europeans must accept the consequences.
- 3) The European Community is growing strong. Its enlargement increases its weight in world affairs. For the United States today, it is an important competitor. Tomorrow it could become a rival, even if it is a major customer. A strong Community will be more eager to defend its own interests and more efficient in doing so.

Thus, tensions across the Atlantic are rooted in the uncertainties caused by transformation of the 20-year-old pattern of international relations.

EC Accepts Trade and Aid Responsibilities

The Community has not been protectionist in the past, not any more so than other trading powers including the United States. I could quote facts and figures, but it is our future actions that count. Nevertheless, Europe feels such constant US criticisms of Community actions are unjustified.

The Community is not inward-looking. It is conscious of its size in world trade and of its responsibilities toward third countries, developed and under-developed alike. It is working on an overall aid policy for developing countries. The Community will negotiate concessions with third countries to offset any harmful effects of its enlargement. The Community will participate in international trade negotiations and will reduce non-tariff barriers on the basis of equality and reciprocity. These trade negotiations must be seen in context.

* The Community countries have already contributed to the solution of US balance-of-payments problems by reevaluating their currencies against the dollar in 1971, by unilateral trade concessions in 1972, and by running an average yearly deficit of more than \$1 billion ever since the early Sixties. These countries must now be a little cautious, as their costs and price trend is less favorable than in the United States.

* Community countries cannot consider only US problems. They must have a global view of the trade problems to be solved by multilateral discussions with the United States, other industrialized countries, and developing countries.

* Community countries admit that trade problems are linked with monetary problems but they cannot accept the special sort of link advocated by the United States according to which US balance-of-payments problems have to be solved only by commercial measures. The US balance-of-payments equilibrium does not depend only on the emergence of a big trade surplus but rather on the state of every main item in the balance of payments.

* The Community could not agree to eliminate its common external tariff, which is both the signpost and cement of customs union. This position does not, however, exclude tariff reductions in various sectors. The Community is also ready to discuss agricultural trade problems.

Monetary Problems

Instead of discussing theoretical models for reforming the international monetary system, I shall stress:

1) The Smithsonian Agreement, however imperfect, brought three fundamental changes to the international monetary system.

* It made change in the dollar's parity acceptable not only to the United States, which regained room to maneuver, but also to other countries, mainly European, which accepted the logical implications of this change.

* It initiated a multilateral approach to exchange rate variations. This approach is more efficient than the setting of formal procedures compelling countries to devalue or revalue would have been; it avoids negative reactions.

* It allowed wider margins of fluctuation, which allows appropriate flexibility in international exchange rates.

These changes are useful and will be irreversible. They are not inconsistent with the Bretton Woods Agreement.

2) Now, we must await the consequences of the realignment. I think the US trade and capital accounts and its overall balance of payments will improve in the next two or three years, restoring complete confidence in the dollar.

3) In the long run, the dollar will remain the most widely used currency for international trade and finance, and accordingly the main intervention instrument on the exchange markets. This situation will not exclude the development of a regional multi-currency international system in Europe. Such a system could contribute to a monetary burden-sharing between Europe and the United States.

4) International liquidity will consist of gold, Special Drawing Rights (SRD's) and dollars. Gold cannot be demonetized in the near future. SDR's have to be created gradually to safeguard confidence in this new reserve instrument. Dollars will not be excluded from reserves because central banks need dollars, at least for working balances.

Theory cannot take precedence over these facts. After a period of intellectual ripening, a global solution will have to be adopted simultaneously raising the price of gold, creating new SDR's, and setting forth conditions for accumulating and converting dollar balances. But the international monetary system will not work harmoniously if every country does not conduct international economic policies directed towards growth and stability and does not respect the requirements of the adjustment process.

Provincial Attitudes Mean New Tensions

A final remark: we are entering a new world with a new pattern for relations among countries. In the past we have dealt with the West's problems. We have now to face problems involving West and East, rich and poor countries. If we approach these problems with a provincial attitude, dominated by limited and selfish considerations, we will not only fail but also create new tensions and run the risk of demolishing the world economy.

The trade and monetary negotiations will challenge our capacity to understand the underlying trends which will shape a new international equilibrium. Our common objective must be: to maintain and develop a multilateral commercial and monetary system with clear rules and equal rights and obligations for all partners. This is a sound basis for international cooperation which holds the key to peace and progress.

As to relations between Europe and the United States, we are facing a problem of mutual confidence in a period of change. As in the past, let us now remain confident in each other.

P R E S S V I E W S

1973: "THE YEAR OF EUROPE"

*Henry A. Kissinger recently dropped the remark that "1973 will be the year of Europe" -- a prophecy that many European leaders have been quoting with a mixture of hope and trepidation. The Europeans' hope is that, as the United States extricates itself from Vietnam, President Nixon will devote more attention to Europe -- and to helping resolve some crucial issues that no longer can be neglected....Unless a greater effort is made on both sides of the Atlantic to find ways of resolving outstanding economic and military issues, 1973 could prove to be not merely the "year of Europe" but the year European-American relations really deteriorated. If that were permitted to happen, the consequences for economic development and, ultimately, for the political solidarity and military security of the Atlantic community would be exceedingly grave. The history of the twentieth century is largely a story of the vital interdependence of the nations on either side of the North Atlantic. -- Editorial, *The New York Times*, November 27, 1972.

*President Nixon is now preparing himself for the possibility that economics and trade will be the largest part of his foreign policy next year....The principle of free trade is simple. The practice is more difficult. One of the reasons it has become very difficult indeed lately is the enormous confusion within the Government over our basic purposes. It is not clear to our trading partners, or to foreign businessmen, or even to the various branches of the United States Government, precisely what the Administration is driving toward....Put broadly, the real question is how much foreign competition the United States is now willing to run. But the answer depends very greatly on the rules, and whether most Americans are willing to accept them as fair. Those rules now have to be worked out, and the process is just about to begin. It will take place in a counterpoint between Congress and two separate international negotiations, one on money and the other on trade. The Congressional debate will begin as soon as the Administration introduces its trade legislation early next year. Managing this process will be an extraordinary test of Mr. Nixon's political skill. -- Editorial, *The Washington Post*, November 24, 1972.

*With the war in Vietnam mercifully drawing toward a conclusion, the focus of American diplomatic interest is shifting. The Nixon Administration has declared 1973 to be "the year of Europe," implying increased attention to relations with our European allies and, perhaps more importantly, a renewed and intensified dialogue with the Soviet bloc....Given the intricacies of the problems and the time that it will probably take to solve them, it might be more realistic to talk in terms of "decade of Europe," rather than just a year. -- Editorial, *The Washington Star-News*, November 21, 1972.

WORTH QUOTING

*....We have the reality of the enlarged Community. It did not come about as a result of either American wit or American folly. It is rather the product of extraordinary determination and good sense among Europeans. And those of us in the United States who cared about the effort of the 1960's are happy with the result of the 1970's. It is only when we ask ourselves to explain that happiness that we meet questions that did not trouble us 10 years ago. I suppose what bothers us, in part, is that we compare a visible and imperfect reality with a rhetorical dream. I hope it is not offensive to suggest that there is a very long distance from the words of John F. Kennedy, friend and student of Jean Monnet, preaching Europe and her unity in Frankfurt in 1963, to the extraordinarily complex realities of the nine-power summit of 1972 in Paris -- when each paragraph of the final communique requires a specialist to tell whose point it scores, or refuses to score, in a game in which the players appear to be watching each other's moves with a care that does not imply totally carefree trust. And only a part of an American's concern arises from the fact that much of this internal bargaining relates to the varying concerns of the new nine partners as to what they want, or do not want, from us. To put it mildly, the Europe we face is not the one we dreamed of. The achievement so eagerly sought 10 years ago -- the entry of Great Britain -- turns out to be the prelude to a series of encounters now in prospect, in matters of trade and money especially, which make the arcane disputes of the Kennedy Round seem like beginner's stuff.

-- MCGEORGE BUNDY, President of the Ford Foundation, speech before the European Community Institute of University Studies Conference, November 29, 1972.

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FIRST CLASS