

EUROPEAN COMMUNITY NEWS

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COMMISSION OF THE EUROPEAN COMMUNITIES

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SOAMES STRESSES POLITICAL IMPORTANCE OF TRADE

What will the scheduled world trade talks in the General Agreement on Tariffs and Trade (GATT) be about? Will they succeed or fail? Will they take place at all? A first public glimpse of the European Community's "overall view" of these negotiations was offered by Vice President Christopher Soames, Commission member responsible for the EC's external relations, on April 4. The US press termed Soames' remarks "conciliatory."

Soames' remarks came in an address to the European Parliament in Luxembourg. Excerpts follow:

"The House [European Parliament] will recall that at the Paris Summit conference last October the Community's institutions were asked to formulate by July 1 their 'overall view' on the forthcoming multilateral trade negotiations in GATT. The paper we are sending to the Governments is the Commission's contribution to that overall view.

"Now in all our reflections on this matter there is one thing I am convinced that we must never forget. We shall of course be negotiating about very concrete economic issues. There will of course be vested interests involved on all sides. There will of course be domestic political difficulties within each of our countries. And the results of the negotiations will be of great significance in themselves. Previous GATT negotiations on trade liberalization have had considerable beneficial effects on world trade expansion. Indeed it is this, accompanied by a notable economic expansion within the Community, which has provided the basis for its high and comparatively stable level of employment and the notable rise in the standard of living in recent years. But this is not the only importance we should attach to these negotiations. They have a political significance that goes far beyond the material issues actually to be discussed round the negotiating table.

"We must bear in mind that trade is one of the few matters on which at present the Community can, and indeed must, speak with a single voice. And it is therefore through negotiations of this character that the Community can develop its personality and make its political impact and contribution to world affairs. We must appreciate, therefore, the political importance which all our partners will attach to these negotiations, inasmuch as they provide them with one of their rare opportunities to engage the Community as a whole. I am sure this is particularly true of the United States, which sees these negotiations as part of an important relationship in which trade has its place but in which many other wider political considerations are equally involved.

"The subjects on which we shall be negotiating will be technical, intricate, often intractable in character. There is no doubt in my mind they will be very tough negotiations. They will require all the skill our trading experts can muster. But the strategy of these negotiations must not be confounded with their tactics. They must on no account be allowed to run into the sands of technicality. That is why I hope that members of Parliament, and the representatives of the member states in the Council of Ministers, will give these technical matters their full attention. For they are bung-full of political content and will need positive overall political control. That control must not merely make certain that our policies in the economic domain are compatible with the political purposes which we and our major partners have in common, but also that the developing countries of the world would stand to gain from what we do.

"How in fact do we see the world context of these negotiations? We in the Commission believe that the moment is ripe for a major step forward in the freeing of world trade and that we should make the most of the opportunity. We believe that the Community has a great deal to contribute and that it also has a great deal to gain.

"We have recently been living through the most profound disturbance in the world's monetary system since World War II. But that does not in any way diminish the need to liberalize world trade.

"But it must be clearly stated that the large-scale international benefits which we hope will flow from these negotiations would be seriously jeopardized if ways are not found to shield the world economy from monetary shocks and imbalances such as have occurred in the last few months. The Community must make its contribution to the necessary monetary measures involved.

"In the trade negotiations, we believe that the Community should have two paramount aims. Between the industrialized countries we must consolidate and continue the process of liberalization, and do so on a reciprocal basis to our mutual advantage. For the less-developed world, we must ensure not simply that their interests are not damaged, but, on the contrary, that they secure greater opportunities for their economic expansion as a result of what we do. Without detriment to the advantages enjoyed by those countries with whom our Community has special links, new opportunities must be given to developing countries to increase their trade.

"Let me now come to our more detailed suggestions for the overall view of these negotiations. They will involve, among other things, discussions on tariffs, on non-tariff barriers, on agriculture, on what we can do to help the developing world, and on safeguard clauses. Let me take each of these topics in turn.

"I do not suppose that we shall reach a world without tariffs in these coming negotiations, nor do we think that the time is ripe to try to do so. But I do hope we shall achieve a significant further lowering of tariffs. What we need is a formula for lowering tariffs on industrial products -- a simple formula and one that can be generally applied. We now have big differences between the tariff systems of industrialized countries. Some have a fairly even tariff that does not vary too much from product to product. Other countries have a tariff barrier that looks more like a craggy mountain range, with very high duties on some goods and very low duties on others.

"I think what we have to do is this: We should settle on a broad principle that the higher the tariff, the greater the reduction in it for which we should aim. For the very low tariffs we can set a threshold, so that they don't have to come down any further. That way, we will help to reduce the problem of reciprocity with some of our trading partners in the future.

"Non-tariff barriers are clearly going to play a very important role in these negotiations. But they are so disparate in character, so complex and so inchoate, that simple overall formulae will be impossible to find. So we should be selective in our strategy here. GATT and the Organization for Economic Cooperation and Development have already made various studies. We can pinpoint some individual non-tariff barriers in different countries where changes can yield substantial benefits to trade. We should agree to pick out some of the main fields where we can get rid of a complex of non-tariff barriers, or at least regulate them by codes of good conduct. Certainly we can draw up a list of the main non-tariff barriers applied against us by our trading partners that we want to see disappear. But to make the negotiations credible, we will also have to prepare a list of our own non-tariff barriers that we ourselves are prepared to throw into the pot in return, to negotiate away or at least to adapt.

"For the most part, these barriers are not imposed by the Community. They are imposed by our individual member states. We must look to the member states to work together with the Commission to draw up a list of them which is substantial enough to set against, in a spirit of reciprocity, that we will be seeking to obtain from our partners. Under no illusion that it will be easy to calculate reciprocity here, the best we can do is to aim at a package deal that is fair overall.

"Of course the negotiations on agriculture will be different in character from those on tariffs and non-tariff barriers on trade in industrial goods. We have to take account of the special characteristics of agriculture. Both the Community and our main trading partners each apply support policies of one kind or another for the benefit of their own farmers. We have to take account, too, of the instability of world markets.

"The Commission believes that our overall objectives must be to negotiate measures on a reciprocal basis to permit the regular expansion of agricultural trade. We shall resist any attack on the principles of the common agricultural policy, but we must equally be prepared to apply the instruments of that policy in such a way that our broad objective of expanding agricultural trade in the world can be achieved. We will be suggesting that in the negotiations we should consider drawing up with our partners a code of good conduct on agricultural export practices. We shall also propose that international arrangements should be considered for certain commodities.

"Next I come to our contribution to improving the trade opportunities for developing countries. We have given a great deal of thought to this question. It will not have escaped the House that the lowering of tariffs between industrialized countries, even though extended to the developing countries on a most-favored-nation basis, does very little to help. On the contrary, the lower the most-favored-nation tariffs are, the less use is the generalized preference scheme to the developing world. The lower the tariff, the less does exemption from it help. To some extent, of course, developing countries will benefit from any expansion of world trade. But we do not intend to let matters rest there.

"First of all, it is essential that all developed countries should now apply generalized preference plans. The Community has done so. We are greatly encouraged to hear that in the forthcoming trade bill our American friends now intend to incorporate provisions to introduce a generalized preference scheme of their own. We for our part believe that the best way to help developing countries would be for us and others to extend generalized preference plans. We would like to see them cover a greater number of transformed agricultural products. We would also like to see an increase in the quantitative ceilings on certain sensitive products. We should also make special efforts to take account of the interests of developing countries when we consider non-tariff barriers and when we consider agricultural trade. We might think in terms of food aid commitments when we are considering how to regulate agricultural markets.

"The last detailed point to mention is the vexed question of safeguards when domestic producers are gravely threatened by the results of trade liberalization. We believe that the provisions of Article XIX of the GATT should be maintained as they are. But this article has not proved easy to apply effectively in the past. Perhaps we should extend its provisions so that we can apply safeguard measures selectively rather than right across the board against all our suppliers. But in that case we should wish to agree with our partners on very stringent criteria. We may need more flexible safeguard procedures, but we must remember the danger that too many over-lax safeguard procedures could come in time to jeopardize confidence in the world-wide liberalization of trade.

"That is the main content of the paper which we are now sending to the Ministers, and it was in broadly these terms that I outlined it to the Council yesterday. It does not set out to be a draft mandate for the negotiations or to be exhaustive. Nor for that matter does it represent some sort of response or riposte to the preparations which our partners in these negotiations are at the moment making themselves. None of that would seem at this stage either necessary or wise. What we are trying to do is to draw attention to the main problems and help the Community as a whole to prepare a constructive overall approach to what we hope will prove an economically fruitful and a politically constructive negotiation."

US-EC TRADE STATISTICS

The United States still has a trade surplus with the European Community, according to recently released EC statistics. Calendar year 1972 saw US trade with the Community of "Six" in the black by \$264 million. US exports to the Community totaled \$8.584 billion, while US imports from the Six amounted to \$8.320 billion.

When US trade with Britain, Denmark, and Ireland, which joined the EC January 1, is taken into account, the United States had a trade surplus of \$188 million with the enlarged Community in 1972. US exports to the "Nine" totaled \$11.900 billion, while US imports from the Nine amounted to \$11.712 billion.

US Commerce Department figures (See European Community News, #23), on the other hand, show US trade last year with the Community of Six in the red by \$165.4 million -- the first time, according to any statistics, the United States has run a trade deficit with the EC. But discrepancy in trade statistics is nothing new. As noted by Barbara Bright in the April 1 Washington Post, "concern is growing both in Congress and among the United States' chief trading partners that, when Congress considers the Nixon trade bill on the basis of trade statistics, the legislators will be comparing apples and oranges."

EC COMMISSION COMMENTS ON NIXON TRADE BILL

Following President Richard M. Nixon's April 10 submission to Congress of "The Trade Reform Act of 1973," the EC Commission's Official Spokesman's Group made this statement the next day in Brussels:

"The Commission notes with satisfaction that the legislative procedures before the US Congress have now been initiated by the tabling of a trade bill designed to give the President negotiating powers in view of the forthcoming multilateral trade negotiations. The Commission, for its part, believes that a multilateral trade negotiation based on reciprocity and mutual commitment should have as its principal objective the further liberalization of world trade."

EC RESERVE FUND BEGINS OPERATIONS

The European Monetary Cooperation Fund, a first step toward the European Community's goal of economic and monetary union by 1980, is now a reality. Provisionally located in Luxembourg, the Fund began operations April 6. On June 30, the EC Council of Ministers is to decide on a permanent location.

As defined by the Council, the Fund, which will have "legal personality," is to promote the progressive narrowing of the margins of fluctuation of Community currencies against each other by intervention in exchange markets and settlements between Central Banks, leading a concerted policy on reserves. Initially, the Fund will be responsible for concerting the functioning of the Community exchange system, the multilateralization of positions resulting from interventions by Central Banks in Community currencies, and the multilateralization of intra-Community settlements. It will also handle the administration of short-term financing envisaged in the Community Central Banks' agreement of April 10, 1972, and of short-term monetary support.

A Board of Governors, made up of members of the Committee of Governors of the Community Central Banks, will manage the Fund. A member of the Commission of the European Community will take part in board meetings.

Sometimes compared to the US Federal Reserve System, the Fund will initially have more than \$1 billion credit for monetary support.

EC-URUGUAY TRADE AGREEMENT

Uruguay and the European Community will soon embark upon a three-year trade agreement. The non-preferential commercial accord was signed April 2 in Luxembourg by Uruguayan Foreign Affairs Minister Juan Carlos Blanco, EC Commission President Francois-Xavier Ortoli, and EC Council President Renaat Van Elslande.

The trade pact provides for reciprocal most-favored-nation treatment and the establishment of a "joint committee" to ensure proper functioning of the agreement. This institutional framework will also help develop economic and commercial cooperation between the two parties, promote Uruguayan beef and veal exports to the Community, develop and diversify other Uruguayan exports to the Community, and facilitate Community exports to Uruguay. In addition, the agreement provides for regular exchanges of information in the agricultural sector.

Negotiations for a non-preferential trade accord with another South American country -- Brazil -- are scheduled to continue early in May.

Meanwhile, the EC-Yugoslavia trade agreement, which expires at the end of April, is up for renewal.

EURATOM AND IAEA SIGN NPT ACCORD

The European Atomic Energy Community (Euratom) is expected soon to ratify an agreement with the International Atomic Energy Agency (IAEA) on a safeguard system to prevent the conversion of fissile materials into nuclear weapons. The agreement, concluding nine months of negotiations, was signed April 5 in Brussels by Euratom, seven of its member states, and the IAEA. The other two members of the European Communities -- France and the United Kingdom -- did not sign due to their nuclear military status; but they are still subject to Euratom safeguards.

The accord, negotiated in accordance with the Euratom Treaty (Articles 101 and 102) on the authority of a European Communities Council of Ministers Directive of December 20, 1971, is based on Article III, Paragraphs 1 and 4 of the Nuclear Non-Proliferation Treaty (NPT).

The accord subjects Euratom's nuclear safety controls and guarantees to verification by the IAEA. This verification includes independent observation by IAEA teams but takes into account Euratom's own effective nuclear guarantee system.

The accord stipulates that IAEA's verification will not cause any unjustified interference in Euratom's peaceful nuclear activities or its overall economic and technological progress.

IAEA Director General Sigvard Eklund and Ralf Dahrendorf, Commissioner responsible for the European Communities' science, education, and research activities, signed the accord for Euratom. The EC Permanent Representatives of Belgium, Denmark, Germany, Ireland, Italy, Luxembourg, and the Netherlands signed for their countries.

DAHRENDORF COMMENTS ON NPT ACCORD

On the April 5 signing of the Euratom-IAEA agreement, EC Commissioner Ralf Dahrendorf issued the following statement:

"We are in Brussels today to sign an agreement whose importance appears mainly in two aspects: first as an achievement reached at the end of a long evolution; second, as a starting point for further important developments.

"This signature ceremony marks the end of a long period of consultations and negotiations to which the Commission of the European Communities, within its sphere of competence, devoted all the care and attention befitting a matter of such political significance.

"When, in 1968, the Commission was consulted by the non-nuclear weapon member states, in application of the Euratom Treaty with regard to the compatibility of the Non-Proliferation Treaty with the Treaty of Rome, it noted that there existed no incompatibility between the objectives of those two treaties. The Commission, however, noted that the Non-Proliferation Treaty did not in itself guarantee the respect of the rights and obligations assumed by the member states and the Community under the Euratom Treaty. It had pointed out that such rights and obligations had to be guaranteed by an appropriate application of the provisions of the Non-Proliferation Treaty. It is in this perspective that the agreement between Euratom and the [International Atomic Energy] Agency has been negotiated.

"Today, the Commission is in a position to declare that the political objective sought by the member states has been attained, insofar as the agreement which is about to be signed -- and, hence, the Non-Proliferation Treaty itself -- will not hamper the application of the Euratom Treaty. At the same time, our negotiators have devised an appropriate cooperation system between the Community and the Agency, which will enable the latter to fully discharge the obligations and responsibilities it holds under the Non-Proliferation Treaty. This was made possible in particular by the fact that the European Atomic Energy Community, in its structures, represents such a far-reaching synthesis of national policies in this matter that, for its part, a body like the International Atomic Energy Agency will be able to trust the effectiveness of the safeguards applied by Community institutions in accordance with the provisions set forth in the agreement. For this result, I wish to congratulate our negotiators.

"But, as I have said, this agreement is also a starting point looking into the future. It can constitute an important milestone in the applications of the Non-Proliferation Treaty and could, for example, promote the conclusion of other international agreements not only towards non-proliferation of nuclear weapons but also on the way to effective nuclear disarmament.

"At any rate, this agreement represents without any doubt, for Euratom and the Agency, the first concrete step towards close cooperation in the implementation of safeguards. We look forward to an era of fruitful collaboration between our two organizations. I should like to assure you that, for its part, the European Atomic Energy Community is prepared to do its utmost to attain those common objectives and to contribute to the peaceful uses of nuclear energy for the benefit of mankind which, in the final analysis, is its first and essential task."

WORTH QUOTING

In the months ahead, the United States and this growing European giant (the EC) will plunge into what I believe is the most crucial period in world affairs since the end of World War II. Together we will be negotiating with the Soviet Union about reducing arms and easing tensions between East and West. At the same time, we and the Europeans will be trying to create a whole new framework for the expansion of trade, and a whole new monetary system to handle the flow of goods. If ever Europe and the United States should be standing together, the time is now. Together, we have a superb chance to achieve an epoch of peace and prosperity for the world. But we are *not* united. Instead, we are drifting apart, eyeing one another suspiciously and fighting over trivial economic issues. We live with the constant threat that some random crisis will escalate into a devastating trade war. Most alarming of all, a dangerous spirit of isolationism is growing on both sides of the Atlantic....To make sure that this frightening prospect does not become a reality, we should, I believe, take the following steps: *Develop a national policy toward Europe that is based on the interests of our country as a whole....Strengthen our ties with Europe at every level....Begin to wrestle with basic future problems....Most important, the United States and Europe must recognize that we need each other now as much as we did when we were fighting side by side. Only by working together can we establish a partnership of equals mighty enough to guarantee the peace and prosperity of the world.* -- Ambassador J. Robert Schaetzel, former Head of the US Mission to the European Communities, "We Musn't Let the United States and Europe Drift Apart," *Reader's Digest*, March 1973.

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