EUROPEAN COMMUNITY NEWS

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COMMISSION OF THE EUROPEAN COMMUNITIES

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COUNCIL URGED TO ADOPT PLAN TO THAW GOLD RESERVES

The Commission of the European Communities urged the Council of Ministers to reconsider its earlier proposal for a plan to unfreeze EC monetary reserves in light of the current monetary situation. The plan is part of several urgent measures recommended to the Council in a Commission January 23 communique on the state of the Community. Wilhelm Haferkamp, Commission member responsible for economic and financial affairs, explained the proposal at a January 24 press conference in Brussels.

Haferkamp said skyrocketing oil prices would cost the Community an additional $17-18 million which could result in a balance of payments deficit and heavy borrowing on the international capital market.

Gold represents, on the average, 25 per cent of Member State central banks' monetary reserves, the percentage being higher in France and Italy. Haferkamp explained that these banks will not now liquidate their supply because of an international agreement requiring them to sell their gold at the official $42 price -- three times lower than the open market price.

Therefore, the Commission devised a system whereby EC banks would transfer 10·per cent of their gold to the European Monetary Cooperation Fund (ECMF) to be credited in terms of units of account (UA). (One UA equals one 1970 dollar). These credits would be calculated on the basis of price "X" instead of the $42 price. Although the value of the deposits would remain unchanged in the ECMF, the banks would have suffieient reserves (with the units of account) to handle their current monetary problems. Price "X" would only serve as a provisional base, to be corrected when the world banks fixed a new price for gold.

Haferkamp said the Commission also called on the Council to:

- pledge to avoid competitive devaluations and trade restrictions
- hold closer consultation on exchange and interest rates, use of reserves, and tapping international financial markets
- set up Common Market credit facilities to support weak currencies
- ask the Monetary Committee and the Committee of Central Bank Governors to form an opinion on the eventual modification of rules for transferring gold between monetary authorities, both internationally and within the Community.

EC-FINLAND AGREEMENT PROCEDURES ADOPTED

The Joint Committee of the European Community-Finland Trade agreement held its first meeting, in Brussels on January 30. The Committee, set up to ensure the proper functioning of the accord, adopted rules of procedure, set up a customs committee, and set up channels for administrative cooperation on customs matters. It also adopted provisions for applying the rules of origin.

COMMON QUALITY STANDARDS FOR PRODUCING DRINKING WATER PROPOSED

Lake, river, and other surface waters used for drinking in the European Community will be subject to common quality standards if the Council of Ministers adopts a January 15 directive proposed by the Commission. The proposal defines specific physical, chemical, and bacteriological characteristics which surface waters must meet for conversion into drinking water. Conversion of waters which do not meet drinking water standards would be strictly prohibited.

SOCIAL FUND RETRAINING GRANTS APPROVED

The European Social Fund has been authorized by the EC Commission to grant 186 million units of account (UA) for worker retraining projects carried out in 1973. (One UA equals one 1970 dollar.) The Commission also approved a UA 74 million commitment for similar projects in 1974 and 1975.

In its proposed Social Action Program, the Commission urged the Council to authorize the Fund to help retrain migrant and handicapped workers and workers in the shipbuilding industry. The Fund currently assists workers leaving agriculture or the textile industry or who need new textile skills. The program also calls for the Fund to assist projects which can forecast and prevent unemployment and which would complement non-Fund programs.

EUROPEAN PATENT OFFICE WORK CONTINUES

The Interim Committee of the European Patent Organization, in charge of organizing the European Patent Office and constructing its headquarters, held its first meeting, in Munich on January 15-16. The Committee consists of representatives of the 15 European countries (including the nine EC Member States) which have so far signed the European Patent Convention. Observers from the World Intellectual Property Organization and the International Patent Institute also attended the meeting. The Convention, expected to go into force in 1976, will allow inventors to obtain patent protection in all the signatory countries on the basis of a single application.

ITALIAN FARM PRICES RAISED

Italian farm prices were raised by the Council of Ministers under the common agricultural policy to bring them on a par with prices charged in the rest of the European Community. In a January 22 regulation adopted by the Council, the new agricultural exchange rate for the Italian lira was set at 100 lire per 0.144 units of account (UA). (One UA equals one 1970 dollar.) The Council also raised the intervention price for Italian beef and veal by 5 per cent. The new measures were taken to compensate for the 5 per cent price difference between Italian and other EC agricultural products that resulted from the lowering of the Italian conversion rate.

LARDINOIS CALLS FOR UNIFIED EUROPEAN ACTION

"A Europe which only exists in the minds of a few and in the hearts of none has no chance of survival," Petrus J. Lardinois declared in a call for Europeans to work together toward solving the Community's current economic and monetary problems. Lardinois, EC Commissioner responsible for agriculture, spoke at "Green Week," Berlin, Germany's annual international food fair, on January 24.

The events of the past year threaten the Community with disintegration and contrast sharply with the goals set forth by the EC Heads of State or Government at their Paris (1972) and Copenhagen (1973) "Summit" meetings, Lardinois said. Instead of progressing toward economic and monetary union and ultimately a European union, Europe is in a state of malaise in which a policy of "every man for himself" erodes solidarity and cooperation, he said.

Lardinois pointed out that the common agricultural policy (CAP) was Europe's only stabilizing price force. As a result of the CAP, he said, some agricultural products cost less on the EC market than on the world market. Lardinois asserted that the CAP, which has taken European cooperation further than any other EC policy, will continue to provide European solutions to the Community's unforeseen agricultural problems.

TOWARD A EUROPEAN RAPID INTERCITY TRANSIT NETWORK

Exploratory work for a European intercity rapid transit network in the 1980's has begun in the Commission of the European Communities. On January 28, a program outline for common research and development of high-powered propulsion systems for use in such a network was presented to the Commission by a group of European manufacturers of lineair motor propulsion equipment. The Commission believes the lineair motor is a promising method for moving trains from city to city at a speed of 186 miles per hour. The Commission will consult the national governments and potential users before formulating proposals for establishing the network and for defraying the high costs of developing this engine by joint research at Community level.

EC OPENS TOBACCO QUOTA

A regulation opening a European Community tariff quota for unmanufactured "flue-cured Virginia" type tobacco originating in developing countries was adopted by the Council of Ministers on January 22. This type of tobacco is an important export for several Commonwealth countries in Asia, particularly for India. The new quota, set within the EC 1974 Generalized Preference System, was adopted to avoid any adverse effects EC enlargement could have on the normal trade flow of this export to the Community.

The quota will allow 22,000 metric tons or a value of 30 million units of account (UA) to enter the original six Community countries at a tariff of 11.5 per cent. The three new Member States (Britain, Denmark, and Ireland), which have just begun to align their tariffs with the Community's, would also reduce their tariffs.

COMMISSION FORECAST ON OIL SUPPLY SITUATION

In 1970, the United States, Japan, and Western Europe (including the Soviet Union and the East Bloc countries) accounted for 61 per cent of the world's energy consumption, and consumed 71 per cent of world daily oil production. These figures were part of a Commission response to a written question from the European Parliament on the oil situation and supply prospects for the Western countries.

The Commission forecast that in 1985 these countries were likely to consume 63 per cent of a daily world production of about 100 million barrels. It also estimated that American imports in 1980 will account for 40 per cent of its oil supply, 17 per cent more than is currently being imported.

Predicting heavy capital requirements to meet the future demand for oil, the Commission said production costs could reach $500 billion during 1971-80.

SURVEY SEES WIDER DIVERGENCES IN EC INVESTMENTS

Divergences in industrial investment trends in the European Community have become more pronounced, according to a Commission survey of business management last fall. German investment rose by about 4 per cent by the end of the year, somewhat below management expectations before the introduction of an 11 per cent business investment tax in May. Management raised investment forecasts to 14 per cent in France, 24 per cent in Belgium, and 2 per cent in Luxembourg.

During 1974, the Commission expects business investment to grow in Germany, France, and Belgium, especially in the basic materials and certain capital goods industries. Despite rising capital spending by the iron and steel industry in Luxembourg, however, investment should drop in that country, according to the Commission. Comparable figures for the other EC members are not yet available.

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