

# *A Letter from Europe*

A monthly update on the European Community from its Delegation in Washington

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## IS THE EUROPEAN COMMUNITY A PROTECTIONIST MONSTER?

Another way of putting the question would be to ask whether the Community is a good trading partner. For on the eve of the Summit at Williamsburg, with much talk about the need to avoid protectionism, this is the right time to demolish the myth of an illiberal inward-looking Common Market. Let me give you three reasons why the Community has just cause to regard itself as a responsible and liberal world trader.

First, agriculture. The fact that the Community is the world's biggest importer of agricultural goods - and the American farmer's best customer - to the tune of \$9 billion a year - is well enough known. But since there has been talk of the Community's maintaining high farm prices that also mean high farm product export subsidies and high EC import levies, let's consider some recent decisions. On the 16th May the EEC Council of Ministers settled agricultural prices for the 1983/84 marketing year. For the first time the Commission's proposals were accepted with virtually no change. The increase approved at just over 4% was not only one of the lowest increases ever agreed to for agricultural prices for the Community; it amounted to less than half the EC's average rate of inflation. In addition it was decided to cut the level of support given for grains, dairy products and rapeseed with a view to narrowing the gap between Community and world prices and putting the burden of excess production on to the farmers themselves. These were tough decisions. They went against the wishes of the European Parliament and of many Community farmers. But they show the real commitment of the Community to operate the Common Agricultural Policy in a way which recognises the Community's responsibilities as a world trader.

The second point relates to the degree of industrial protection in the Community. The average tariff level for all industrial goods is not very much different between the U.S. and the Community - in the region of 4 1/2 percent. But tariff averages can be misleading. While there are cases

where EEC tariffs are higher than the U.S. tariff (for example automobiles, U.S. 2.8%, EC 10.6%, and colour video U.S. 4.9%, EC 8%.) these differences are small. But the average figure for the U.S. tariff conceals some very high peaks, (woven wool fabrics, U.S. 38% + 35 cents a pound, EC 13%, cotton sheets and pillow cases U.S. 32%, EC 18% and china hotel & restaurant ware, U.S. 43.6%, EC 13.5%.) In hardly any case does the Community tariff exceed 20% and more of the Community's tariff is bound in the GATT (bound tariffs cannot be raised without paying compensation) than almost any other trading country.

These differences are reflected in the proportion of imports of manufactures of EEC & U.S. GNP. In 1980 imports of manufactures accounted for 6% of Community GNP. The equivalent figure for the U.S. was 4.3% and for Japan, 2.5%.

Third, developing countries. It has been claimed that the "EEC has turned terribly protectionist against the less developed countries" (Newsweek May 23 quotes a U.S. Administration official). What are the facts? In 1971, the Community became the first to apply the generalized system of preferences, which permits products from developing countries duty free or near duty free access. In relation to manufactured goods in general, the proportion of GDP represented by imports from developing countries was virtually the same in 1981 in the U.S. and the EEC (1.27 per cent and 1.26 respectively). But in two important areas the EEC gives the developing countries a significantly better deal. In the case of textiles and clothing, imports from developing countries as a proportion of consumption is as high as 44% in the Community; the equivalent figure for the United States is only 23%. And, in the case of agricultural and food products, the Community imports in relative terms twice as much from the third world as the United States.

All this is not to claim that the European Community is a solitary knight in shining armour in a world of rogues. Rather, it is to point out that, as a trading partner of developed and developing countries alike, the Community has a record which can stand comparisons with any other.

*Ray Sorman*

## Window on the European Community

### EC ADOPTS FINANCIAL DISCLOSURE RULES FOR BUSINESS...

...The EC has adopted a new business standard that will require some companies operating within the Community to give a clearer accounting of their financial situations. The regulation, known as the Seventh Company Law Directive, is designed to encourage investment by giving potential investors a more accurate picture of the financial health of groups of companies that share capital. Such groups might include, for example, a parent firm and its subsidiaries. EC Member States will have until 1990 to begin enforcing the new Community-wide standard that requires these corporate groups to publish consolidated financial statements that reflect the financial conditions of the group as a whole. Under certain circumstances, consolidated account data prepared by a company based outside the EC could be used to satisfy the directive's financial disclosure requirements.

### US, EC INDICATE SOME PROGRESS IN FARM TALKS...

...The US and the EC this month indicated they had made some progress in bringing an amicable settlement to their disputes over farm product export trade at a May 3 meeting in Brussels between delegations led by US Deputy Agriculture Secretary Richard Lyng and Claude Villain, EC Director-General for Agriculture. Both sides portrayed the meeting as constructive, said it had permitted a wider measure of understanding on certain issues and announced that they would meet again to continue their dialogue. The US and EC have been at loggerheads over EC export subsidies that the US claims give European farm products an unfair advantage in international markets. The farm talks are scheduled to resume in Brussels on June 3.

### PRELIMINARY BUDGET BRINGS EXPENDITURES NEAR LIMIT...

...The EC Commission has proposed a preliminary draft budget for 1984 that will come close to exhausting the funds available to it under present constraints on the EC's so-called "own resources", which finance the bulk of Community activities. The budget envisions EC expenditures totaling 25.5 billion European Currency Units (ECUs), about \$23 billion, in 1984, an increase of about 11.5% from the previous year. The Commission said 1984 could be the last

year it would be able to propose a credible budget within present limits on its resources and thus urged adoption of recent proposals for revamping the EC's finances. The 1984 budget reflects the anticipated costs of new EC policy initiatives in the areas of youth unemployment, energy, transportation and research and investment as well as the rising cost of agricultural programs. Value-added taxes (VAT) levied by Member States are the largest single component of EC revenues. At present the EC can claim no more than 1% of these VAT collections.

#### FRANCE TO GET \$3.7 BILLION LOAN FROM EC...

...France will soon receive a loan from the EC worth \$3.7 billion. The loan was authorized under a lending program set up to help EC Member States when they experience balance of payment problems. EC Finance Ministers agreed at their May 16 meeting that the sum should be made available to France as soon as the EC was able to raise the funds on international financial markets. The Minister cited France's ongoing efforts to reduce the rate of its money supply growth, encourage savings and trim deficits as justifications for the loan. French officials indicated shortly after the realignment of the European Monetary System last March that they would approach the Community for a major loan to help bolster French foreign currency reserves.

#### IMPORTANT QUESTIONS TO FACE EC LEADERS AT STUTTGART...

...Leaders of the EC's 10 member countries will continue the search during their June 17-19 meeting in Stuttgart, Germany for answers to several long-standing and complex questions that will affect the Community's future. The Stuttgart agenda is expected to include discussions of what steps the Community should take to tackle the nagging problems of unemployment and industrial decline, as well as how it will raise the higher revenues needed in years to come to finance the planned and existing EC programs. In addition, the EC leaders said at their last Summit that they planned to emerge from the Stuttgart meeting with policy guidelines for the completion of EC membership negotiations with Spain and Portugal.