

A Letter From EUROPE

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

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EUROPE IS BACK IN BUSINESS

NEW START

Tuesday, June 26, was a bad day for Europessimism and a great day for Europe. For on that day the leaders of the ten Member States of the European Community ended five years of fierce wrangling over Britain's budget payments and in a real sense gave the EC a new lease on life.

What was the argument about? Money. The revenues the EC raises from Member States come mostly in the form of payments based on the amount of value added tax, a form of European sales tax, each Member State collects. Britain's contribution to the EC budget last year, for example, was broadly in line with its relative share of the EC's overall Gross Domestic Product. However, 70% of the Community's budget is devoted to agricultural programs. Because Britain's agriculture sector is much smaller than those of most other Member States, Britain got back in the form of EC program benefits only about half of what it paid in.

No Member State can hope to get out of the Community exactly what it pays in. Not only would this make it impossible to manage Community policies but membership of the Community is not simply a matter of dollars and cents; there are other major intangible advantages. Nevertheless, the British Government reckoned that a gap of this size was too big. For the last five years it has sought a durable arrangement for reducing the gap between its contribution and receipts to acceptable proportions.

FAIR
COMPROMISE

Britain and its EC partners made some progress towards such an arrangement at the European Summit in Brussels in March. Building on this, the agreement reached on June 26 represented in the view both of British Prime Minister Margaret Thatcher and other Heads of Government of Common Market countries a fair compromise. The British will get back a flat \$800 million of their contribution for this year. A \$600 million refund due on Britain's 1983 payment will be unblocked. And in subsequent years Britain will get back some two-thirds of its net payments to the Community not including customs duties and levies.

All this represented a major success for French President Mitterrand who took personal charge of the negotiations to settle the budget crisis. He hands over the six-month rotating Presidency of the EC's Council to Prime Minister FitzGerald of Ireland on July 1.

But the budget arrangement means much more than simply ending a long-standing family quarrel which had increasingly threatened the cohesion and decision-making of the Community. It opens the way to new frontiers and new policies.

NEW
FRONTIERS

It removes a major obstacle to the negotiations for the accession of Spain and Portugal to the Community. The hope now is that they should be able to join in 1986.

It means that the Community will now be able to concentrate on its own development. Tariffs have long since been eliminated between Member States - and those who talk now about an incomplete Common Market should remember the tariffs of 50-60 percent of the late nineteen fifties. Abolishing these was an act of some courage. Europe in consequence flourished. We now need to turn the spotlight on the residual technical barriers which still hamper intra-European trade.

In line with this policies will need to be devised - on the lines of the recent Esprit program for information technology - for programs which would encourage European firms to develop a high-technology fully competitive with those of the United States and Japan.

And more widely the European leaders backed new moves to relaunch the Community and to make the Community more relevant to its 270 million people. They have backed a series of visible moves to make Europe more attractive to its citizens. These - on which a group of personal representatives of Heads of State and Government will work - include a common European flag, a European anthem, a single European passport and unified European sports teams.

ON THE
ROAD AGAIN

Nearly forty years ago I clustered with a number of other troops in a Burmese rice field. The barrage lifted. In a General Grant tank nearby the radio telephone crackled. The lieutenant in charge listened and gave me the thumbs up. In the traditional language of the Royal Tank Regiment he said "Driver, advance". The tank lumbered up. So did we. The advance was on. That is the mood in Europe now. Europe is back in business. We are on the road again.

Ray Janner

WINDOW ON THE EUROPEAN COMMUNITY

EC URGES U.S. TO FOREGO NEW RESTRICTIONS ON EC STEEL EXPORTS

The EC has urged the US International Trade Commission not to recommend additional restrictions on US imports of steel products from EC countries and has indicated it may choose to seek compensation from the US should new curbs be imposed. The warning followed a June 12 USITC ruling that American steelmakers had been injured by imports of five different categories of steel products: semi-finished products; plate; sheet and strip; wire and wire products; and structurals. The ruling stemmed from a trade complaint filed by Bethlehem Steel Corp. in January 1984 under Section 201 of the US Trade Act. The USITC is expected to decide early next month on what actions it will recommend to US President Ronald Reagan to remedy the allegedly harmful impact of these imports on the US industry.

The EC's arguments against new import curbs on EC steel were presented by Claus-Dieter Ehlermann, Director-General of the EC Commission's Legal Service, at a June 21-22 remedy hearing. Ehlermann told the USITC that the EC's interests would be seriously hurt if the US imposed import curbs on EC steel beyond those agreed to in the October 1982 US-EC Carbon Steel Arrangement. Under that arrangement, the EC agreed to limit its shipments to the US of 10 categories of steel products for a period of three years. Ehlermann noted that President Reagan had warmly received the steel arrangement in 1982 and that US Commerce Secretary Malcolm Baldrige, US Trade Representative William Brock and the US Steel and Bethlehem Steel corporations had all expressed satisfaction with its operation. He said Bethlehem Steel had violated an explicit undertaking made under the arrangement by asking for additional protection from imports under

the Section 201 provisions.

Since the US-EC steel pact came into effect, EC steel exports to the US have declined by 26.5%. Ehlermann cited those trade statistics as evidence that the arrangement was working satisfactorily and that EC exports had not caused injury to the American steel industry. He noted that the EC and Canada had taken countermeasures against import restrictions the US imposed on specialty steel products in July 1983. Ehlermann said the EC's reaction to new curbs in the present case would no doubt be similar. The EC has steadfastly maintained that the financial problems facing the US steel industry have been caused not by imports, but by economic factors such as the worldwide recession and changes in consumer demand.

NEW EUROPEAN PARLIAMENT TO HOLD FIRST MEETING IN JULY

Choosing a president and organizing into political groupings and coalitions will be at the top of the agenda when the newly elected European Parliament holds its first meeting July 23-27 in Strasbourg, France. Voters in the EC's 10 Member States went to the polls earlier this month to elect the 434-member assembly. The balloting marked the second time the Parliament has been chosen by direct elections. The first direct elections were held in 1979.

The June 17-19 elections saw the governing parties lose ground to their opposition rivals in most of the EC's Member States in voting that was largely interpreted as a referendum on national issues rather than a reflection of common European concerns. Voter turn-out averaged about 60% across the EC, somewhat less than the 62%

of the electorate that voted in 1979.

The new Parliament is expected to devote much of its energy to proposals for expanding its own powers. Although the Parliament's authority has been broadened somewhat in recent years, the Community's chief legislative powers still reside with the EC Commission, the Community's executive body, and the Council of Ministers, its top decision-making body. At present the Parliament exercises control over many aspects of EC spending and has the power to dismiss the 14-member Commission, an option it has never exercised.

EC COMMISSION PROPOSES NEW EMISSIONS CONTROLS, PUSH TOWARDS LEAD-FREE GAS

The EC Commission has proposed a new package of anti-air pollution measures that would set stricter controls on automobile emissions and would phase out leaded gasoline. The proposals would limit the levels of carbon monoxide, unburnt hydrocarbons and nitrogen oxides permitted in auto exhaust. These pollutants have been held largely responsible for Europe's growing acid rain problem. In addition, the proposals also call for the compulsory introduction of lead-free gasoline in EC Member States as of 1989 and would require all new cars sold in the EC from 1991 onwards to burn only unleaded fuel. All new car models introduced after 1989 would be required to run on lead-free gasoline.

In outlining its proposals, the Commission urged the Council of Ministers, the EC's top decision-making body, to enact the new anti-pollution measures before the end of 1984 so that the affected industries would not have to defer their investment plans unnecessarily. The proposed controls would be phased in to give the Community's car manufacturers and petroleum refiners adequate time to adapt their business plans to the new requirements, the Commission said.

The Commission's plan calls for emissions controls to be tightened in two phases. During the first phase, which would take effect in 1989, Member States would be required to cut maximum allowable emissions levels by between 20 and 50% for carbon monoxide, between 20 and 40% for combined emissions of hydrocarbons and nitrogen oxides and between 30 and 45% for nitrogen oxides alone. The Commission said it would propose second phase emission standards later this year.

Vehicles already on the road would not be affected by the proposed lead-free fuel requirement. The Commission noted that service stations would have to continue offering leaded fuel for many years to meet the needs of older cars. Lead is added to gasoline to raise its "octane", or power level. However, when emitted in auto exhaust, lead may pose a threat to public health. The US and Japan, both major car makers, have already introduced lead-free gasoline in response to health concerns.

COMMON MARKET SOUGHT FOR TELECOMMUNICATIONS

The EC Commission has urged the EC's Member States to form a common market for broadcasting to prepare for the coming telecommunications boom. A recent Commission "green paper" concluded that the proliferation of cable and satellite broadcasting operations will make it increasingly common for television and radio programming to cut across national borders. According to EC Commissioner Karl-Heinz Narjes, the EC could encourage telecommunications entrepreneurs to invest billions in the EC over the next few years if they moved to adopt common rules governing advertising and other broadcasting practices. The EC is also urging Member States to align technical standards for telecommunications equipment to make for more efficient competition within the Community.

Member States have traditionally been left free to regulate most aspects of broadcasting. However, the growth of trans-national satellite and cable services is expected to pose growing headaches for national regulators without EC-wide rules.