

A Letter From EUROPE

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

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WE, THE EUROPEANS

Thirty years ago today, six European countries signed in Rome a treaty setting up the European Economic Community, popularly known as the European Common Market.

The Treaty of Rome has not the same majestic simplicity as the document that emerged in Philadelphia 200 years ago. The Treaty had to deal with the complexities of establishing a union between six advanced economies, laden with the incubus of four languages and centuries of different history. But the aim of the Treaty is as majestic. The Preamble speaks of an "ever closer union among the peoples of Europe". This means nothing less than one of the great adventures of the Twentieth Century - the unification of what Winston Churchill once called "the old and famous states of Europe".

Thirty years on, has the adventure succeeded or failed? The European Parliament, which is the ultimate authority on the Community budget, is now directly elected. Its other powers have been increased. The Community's decision-making has been streamlined. The Community has grown; first we were six, now we are twelve.

What have we achieved? Our founding fathers wanted two things. One was to make impossible another European civil war. This has been achieved. Whatever disasters lie before us, the youth of Europe will no longer sally forth every few decades to butcher each other and set the world on fire.

The second was to follow the example of the United States and to create one huge single market which would yield the benefits of scale and prosperity for all. Here we have travelled part of the way. Tariffs between member states have been abolished - in the 1950s, some were as high as 60 percent. Trade has greatly expanded. The citizens of the Community are two and a half times richer than they were thirty years ago. But a mass of non-tariff barriers - frontier formalities, different technical standards and different government purchasing requirements, for example - still separate our member states. We have a timetable to abolish these barriers by stages, so that by 1992 businessmen will be able to trade and invest in a market of 320 million people as easily as between the States of the Union here. This will not be easy. But we can afford no other choice.

What else? We have forged common policies. We have a Common External Trade Policy - the Community negotiates as a bloc, with the Commission

as negotiator. And we have constructed a Common Agricultural Policy, which has freed trade in farm goods within the Community and made possible an agreement on free trade in industrial goods. But we still remain the biggest importer of farm products in the world. Further, the European Monetary System has reduced fluctuations between European currencies. There has been some liberalization of capital movements. There is free movement of workers. Common action has helped to protect the environment.

In foreign policy, we have extensive consultations but not yet a fully common policy. And while we are working for convergence in economic policy, local sovereignty dies hard. The authors of the Federalist Papers - and Abraham Lincoln - would have understood.

What has the integration of Europe meant for the United States? Let me simply make three points.

Integration has brought economic expansion, and the European Community is now the United States' biggest export market. In 1986, the U.S. sold \$53 billion worth of goods to Europe, compared with \$45 billion to Canada and \$27 billion to Japan. We remain the American farmer's best customer, taking one quarter of American agricultural exports - some \$6.4 billion last year alone.

Secondly, we have played our full part - together with the United States - in the maintenance of the one-world trading system. The success of the Kennedy Round of trade negotiations in the 1960s and the Tokyo Round of the 1970s would not have been possible without the contribution the Community made. We shall play a similar role in the new round of talks - the Uruguay Round - launched last September, which will have a vital effect on world economic growth in the years ahead.

Third, a united and prosperous Europe is a far better bet for the stability of the West than a squabbling, divided and impoverished one. The Community has grown steadily in size and influence since its inception, and last year welcomed Spain and Portugal as new members - giving those young democracies a powerful affirmation. The E.C. plays an important role in the growth of the developing world through its many aid and development programs, and in its roles at the United Nations, the Western Economic Summits and other international institutions, the Community has consistently and strongly supported democratic and peaceful solutions to the problems facing the world.

And where will the adventure end? Some in Europe think our diversities are too great for a federation ever to be possible. But that great Italian statesman, Giuseppe Mazzini, was once told scornfully that a union between states as diverse as Piedmont and Naples was unthinkable. "L'Italia fara da se," he replied - "Italy will make it on its own." It did. So shall we. And let us remember, whatever arguments we have from time to time, the helping hand the Americans gave us at the start of the adventure, and let us go forward in friendship and partnership with what Winston Churchill called the "Great Republic".

Roy Harman

WINDOW ON THE EUROPEAN COMMUNITY

EUROPEAN POLITICS

• **E.C. Anniversary:** The E.C. celebrated the 30th anniversary of the signing of the Treaty of Rome, the Community's founding charter, in ceremonies on March 25 in the Italian capital. Commission President Jacques Delors addressed the ceremonies, as did European Parliament President Sir Henry Plumb and Belgian Foreign Minister Leo Tindemans, current President of the Council of Ministers.

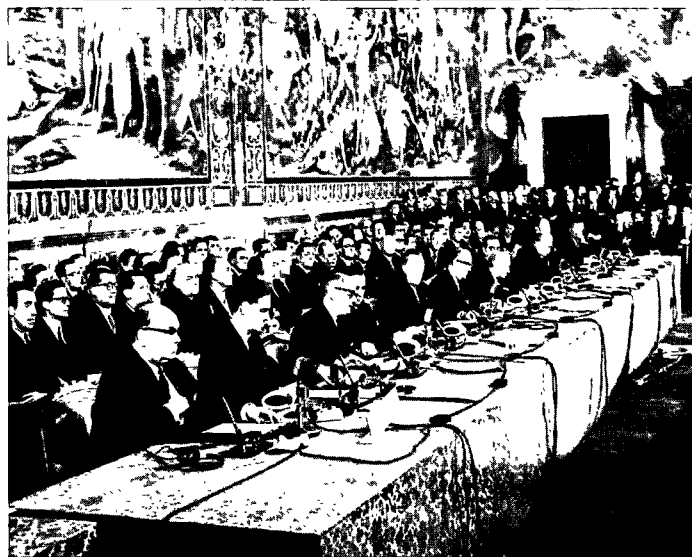
• **Europe 2000:** A special poll (known as "Europe 2000") recently undertaken for the Commission shows that 74 percent of Europe's citizens consider their country's membership in the E.C. to be "important" or "very important", and two-thirds favor an even closer union of Western European nations. Fifty-eight percent would entrust a "government of Europe" with responsibility for the economy, foreign affairs and defense within 30 years, and almost half believe the Community will have a common defense policy by the year 2000. Fifty-three percent believe that a united Europe is the only way to defend their national, historic, cultural and economic interests against challenges from the "great world powers", the survey indicates.

• **Howe on Defense:** British Foreign Secretary Sir Geoffrey Howe said in March that the European members of NATO should form themselves into "a more equal second pillar of the alliance" with the United States. Commission president Jacques Delors also noted this month that a special E.C. summit meeting should be called in April to discuss European security issues.

• **European Parliament:** A recent poll conducted by the Commission shows that public awareness in Europe of the European Parliament is rather low, except at election times. Last fall only 43 percent of those interviewed in the "Eurobarometer" poll said they had heard the E.P. mentioned on radio or television or seen an article about it in the press, and only 36 percent of those were favorably impressed. Awareness of the body has been as high as 75

percent before general European elections, which are held every five years. The E.P. was felt to be "very important" by 11 percent of those polled and "important" by 38 percent, and the most favorable impressions were found in Ireland, Greece and new member states Spain and Portugal.

that "last year was one of major structural change in the pattern of world trade due to a transfer of purchasing power away from net exporters of fuel and raw materials, and a big realignment in the value of the major currencies," and said that the E.C. had even been in trade surplus with the fuel-



European leaders met in Rome this month for celebrations marking the 30th anniversary of the founding of the European Community. Above: March 25, 1957: the signing of the Treaty of Rome.

• **Afghan Appeal:** E.C. Foreign Ministers issued a statement on March 16 calling for a total withdrawal of Soviet troops from Afghanistan, and reaffirmed the Community's support for United Nations support in talks in Geneva to resolve the Afghan crisis. The declaration noted that the Community hoped these negotiations would result in "the rapid and total withdrawal of Soviet troops on the basis of an irrevocable timetable." Soviet troops have been in Afghanistan since December 1979, and have been waging a protracted war since then with Afghan resistance fighters.

TRADE

• **Trade Surplus:** The European Community recorded its first-ever trade surplus in 1986, the Commission announced in March. According to figures from Eurostat, the E.C.'s statistics office, the Community posted a surplus of 5 billion ECU (about \$5.6 billion) after showing a deficit of 28 billion ECU in 1985. The surplus was due in large part to the fact that import prices, especially for commodities, fell more sharply than export prices. The Commission noted

exporting OPEC countries in the second half of the year.

Imports from developing countries fell 30 percent to around 109 billion ECU, due to a 36-percent price decline. Imports from OPEC fell 45 percent, those from the Mediterranean Basin and the African, Caribbean and Pacific (ACP) countries by about 35 percent, and imports from Latin America were down 32 percent. Imports from the newly industrializing countries (NIC) of the Far East, however, rose 4 percent.

E.C. exports to all third countries fell 10 percent from 379 billion ECU in 1985 to an estimated 340 billion ECU in 1986. There was a 5-percent reduction in export volume—the first year-on-year decline in the value of exports since the Community was founded, though export volume also declined in 1970 and 1975.

• **Joint Action on Japan?** Michel Noir, France's Minister for Trade, met in Washington in late February for talks with U.S. Trade Representative Clayton Yeutter and U.S. Agriculture Secretary Richard Lyng on trade, agriculture and international economic issues. Noir stressed in remarks to the

press that the U.S. and the E.C. were coming to understand each other better, and that they should work together on common problems—like getting Japan to open its markets.

"With friends, it is always better to talk than to fight," he observed, noting that recent trade disputes had been resolved and that attitudes on international monetary questions and coordination of economic policies have come closer together. Noir said that he expected 1987 to be an important year for international trade, and suggested that the United States and the European Community examine the idea of concerted action to get Japan to open its markets and reduce its substantial structural trade surplus. "Japan deserves a sort of Nobel Prize for barriers of all kinds to international trade," he added.

• **Warning on Textiles:** In Washington in early March for talks with U.S. officials, Belgian Foreign Trade Minister Herman De Croo told reporters that the European Community would be obliged to retaliate if Congress passed legislation curbing imports of textiles. Bills now in the House (H.R. 1154) and Senate (S.549) would limit growth of all textile imports from all sources to one percent of annual growth in the United States, and would seriously affect the E.C. textile industry as well as undermining the Multifiber Arrangement. "The only way we could react would be retaliation, and it would cause more retaliation, which is not a good way to deal with problems," De Croo said. "It would be stupid."

E.C. Commissioner Willy De Clercq, who is responsible for the Community's external trade relations, wrote to U.S. Trade Representative Clayton Yeutter on March 9 noting his "serious concern" over the legislation and warning that the E.C. would be obliged to adapt its textile trade policy and retaliate against U.S. goods. "If this bill were to be adopted it would, in my view, not only fundamentally change the way the world textile trade has been conducted in the last 25 years but also have inevitable and far-reaching negative effects on the entire free-world trading system, including our work in the Uruguay Round [of multilateral trade talks]," De Clercq noted.

• **East-West Trade Talks:** The E.C. and the Soviet-led economic bloc Comecon held talks this month on establishing formal trade ties, making some progress but reaching no agreement. Progress was reportedly hindered by disagreement over recognition of West Berlin as part of the European Community.

• **AKZO Complaint:** The Commission announced on March 20 that it would initiate a consultation and dispute settlement procedure in the General Agreement on Tariffs and Trade (GATT) over U.S. exclusion of Dutch-made synthetic fibers from American markets. The U.S. has banned the "Aramid" fibers manufactured by the Dutch AKZO company on the basis of a complaint by the U.S. firm Dupont de Nemours that the Aramid fibers manufactured by AKZO violated Dupont patents. AKZO says the ban (under section 337 of the U.S. Tariff Act of 1930) is discriminatory and incompatible with GATT provisions.

• **Trade Bill:** In a letter to House Ways and Means Committee Chairman Dan Rostenkowski, the Head of the E.C.'s Delegation in Washington welcomed provisions in new trade legislation under consideration in Congress that authorizes the Executive Branch to enter into the new round of multilateral trade negotiations under the GATT (the Uruguay Round) and foresees "fast-track" implementation by Congress of the results of the negotiations. "It is in the mutual interest of the two largest trading powers—the E.C. and the United States—to live by the letter and spirit of the GATT while working together to improve the Agreement in the Uruguay Round," wrote Sir Roy Denman. Denman also noted that provisions in the legislation requiring the President to take retaliatory action against countries with large trade surpluses risked starting a trade confrontation. "If the Congress makes retaliatory action mandatory," he wrote, "the United States would be in violation of its international legal obligations and on a collision course with its major trading partners."

• **Paemen Appointment:** The Commission announced on March 4 that it was appointing its chief spokesperson, Hugo Paemen, as the E.C.'s top negotiator in multilateral trade negotiations. Paemen will replace Paul Luyten on May 1 as Deputy Director-General of the

E.C.'s Directorate-General for External Relations with special responsibility for the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Cooperation and Development (OECD), and negotiation of trade agreements in textiles and industrial products.

BUSINESS & ECONOMICS

• **Economic Outlook:** The Commission has revised its forecast for 1987 growth in Gross Domestic Product (GDP) downward to 2.3 percent from 2.8 percent. In its most recent quarterly economics report, the Commission said that even the revised forecast "can be regarded as optimistic" since prospects for growth have been dampened by a sharp drop in the value of the dollar and a slowdown in world trade. It noted that "at best" unemployment could be stabilized at its current level of close to 12 percent, but said that inflation would remain low, at about 3.2 percent. Community GDP grew by 2.5 percent in 1986, with inflation at 3.6 percent.

The Commission also said that the Federal Republic of Germany had room for manoeuvre to stimulate its economy by bringing forward tax cuts scheduled for next year, and that Britain and France should be prepared to back up such a move by expanding their own productive potential.

• **Unemployment Up:** The number of jobless in the Community rose to a new high of over 17 million in January, according to the E.C. statistics office Eurostat. The increase was attributed to seasonal factors, including the very cold weather in northern Europe. Recent Commission figures indicate that 1986 unemployment in the 12 E.C. member states ranged from a low of 1.3 percent (Luxembourg) to a high of 21.5 percent (Spain).

• **ECU Coin Debut:** Belgium, the current holder of the Presidency of the Council of Ministers, symbolically underscored the growing importance of the European Currency Unit (ECU) this month by launching an issue of ECU-denominated coins. While the "Euro-coins" (50 ECU in gold, 5 ECU in silver) are considered legal tender in Belgium, Finance Minister Mark Eyskens stressed that the move was primarily "a political act with symbolic value." The ECU (currently worth about \$1.15) is a

unit of account based on the currency values of 10 of the E.C. member states, and is used in all E.C. calculations and in some money markets and private businesses.

• **Purity ruling:** In a ruling that constitutes an important step forward in ensuring the free movement of goods within the European Community, the European Court of Justice upheld on March 12 cases brought by the Commission against Greece and Germany which claimed that their national legislation excluded imports of virtually all beers brewed or marketed in other member states. Specifically, the Commission contested the exclusive use of the term "beer" for alcoholic beverages manufactured in accordance with traditional German recipes ("Reinheitsgebot"), thus excluding the vast majority of beers brewed and consumed according to the traditions of other E.C. member states.

ENVIRONMENT

• **Chernobyl Aftermath:** The Council of Ministers agreed on February 27 to extend the regime of limits on radioactive contamination of foodstuffs, imposed after last April's nuclear disaster at Chernobyl, until October 31, 1987. Under the regime, concentrations of cesium in food imported into or traded within the E.C. must be below 600 becquerels per kilo, and under 370 becquerels per kilo for milk and baby food. The Commission will put forward more detailed proposals on setting long-term basic standards for radioactivity in food by mid-June, after an international symposium on the subject to be held in Luxembourg in late April.

• **Asbestos:** The Council of Ministers adopted on March 19 a new directive on the prevention of environmental pollution by asbestos, setting standards for the first time in Community law to limit emissions into the air and water from factories working with asbestos. The directive also lays down strict conditions to prevent asbestos fibers and dust escaping into the atmosphere when being dumped.

• **Lead-free Gas:** In an effort to promote the use of lead-free gasoline in the European Community, the Commission issued a proposal in March that will allow E.C. governments to force retailers to sell

unleaded gasoline in place of the low-octane regular leaded variety. The plan, which must be approved by E.C. environment ministers before coming into effect, would not force any member state to adopt the ban. It should, however, speed up implementation of existing legislation which requires unleaded gasoline to be on sale throughout the E.C. by October 1, 1989.

• **Irradiation:** The European Parliament rejected on March 11 a proposal by environmentalists to ban the preservation of foodstuffs through irradiation.

SCIENCE AND TECHNOLOGY

• **Artificial Intelligence:** A panel of leading European scientists has been set up by the Commission to prepare by May a program on developing "adaptive intelligence" in computers. The program, known as BRAIN (Basic Research in Adaptive Intelligence and Neurocomputing), could receive funding of about \$22 million under the European Research Stimulating Program adopted in 1984.

• **Hotol Space Shuttle:** Representatives from four European aerospace companies met in Rome on March 16 and 17 for talks on collaborating on a new, reusable space vehicle. The talks were instigated by British Aerospace, which has been trying to find European partners for its Hotol (Horizontal Take Off and Landing) project. Key to the Hotol project is its so-called "airbreathing" engine, which uses oxygen from the air to burn fuel during the early part of the flight, allowing for lighter fuel loads.

AGRICULTURE

• **Dairy Reforms:** The Council of Ministers agreed in early March on the detailed implementation of last December's compromise package for reducing Community milk output and limiting the amount of dairy products farmers can sell into storage at guaranteed prices. The reforms call for a cut of 9.5 percent in dairy production over the next two years. Frans Andriessen, the E.C. Commissioner responsible for agriculture, hailed the Council's action and told a news conference, "We are now in a favorable position to improve the situation in the dairy sector, to put our house in order there."