

# A *Letter From* EUROPE

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

No. 43  
July 10, 1987

## THE DOG AND THE RABBIT

I once used to work for a man who had a habit of saying now and again, "Step back and let the dog see the rabbit." In other words, pause occasionally, step back from the detail of the moment and look at the big picture.

With 1987 now half over, how does the transatlantic trade relationship stand? Two events can be chalked up on the encouraging side. We managed at the end of January to reach a settlement on the compensation to the United States following the entry of Spain and Portugal into the Community. This was an exceptionally difficult and wide-ranging negotiation. There was some criticism of the fact that on both sides we had taken it down to the wire. The plain fact was that with the difficulties encountered by farmers both in the Cornbelt here and in Europe, we had no choice. The resulting agreement was criticized here and criticized in Europe. That seems to me to indicate that it was a fair bargain. And it prevented what could have been a very dangerous escalation of retaliation and counter-retaliation.

A further encouraging development was agreement at the OECD ministerial meeting in May that the structural imbalance between supply and demand for agricultural products on world markets had been caused not only by sharply increased productivity and stagnating demand, but by domestic support policies which had insulated producers from market realities. All OECD countries therefore agreed each in his own way to work to a solution involving reducing government intervention and increasing producer awareness. This agreement was endorsed by the Heads of the industrialized countries at the Venice summit. In terms of dealing worldwide with agricultural trade, this was a breakthrough.

Where do we stand on some other issues? A number of questions are at present under discussion. It has been charged that the Europeans are unfairly subsidizing the production of Airbus. Our contention is that our action here is fully in accordance with the GATT Agreement on Trade in Civil Aircraft, and discussions on this are proceeding. We are also discussing with the Americans the standards to be applied to slaughterhouses authorized to export to the Community. We reckon that - despite American apprehensions - we have authorized right round the world (and not simply in the United States) a wide range of plants which fully meet our standards. In another Directive due to come into force at the beginning of next year prohibiting the import of meat containing hormones, we made it clear that this is not simply for us a question of

scientific evidence but a political view strongly held in Europe. And a dispute over pasta is still at the time of writing continuing; we have made it clear that in the event of no agreement on our already substantial offer, the deal we came to earlier on citrus will unravel.

Two major issues remain. In agriculture, the United States has proposed the elimination of all forms of government support and protection over a ten-year period. We in the Community agree on the need for a progressive reduction of government support in agriculture, as stated in the declarations of Paris and Venice. But, quite apart from our doubts about the realism of total elimination of government support, the Community feels that it has already shown the way by taking concrete steps in this direction. It has embarked on a major program of readjustment of the Common Agricultural Policy by: (a) cutting milk production effectively and reducing the guaranteed support in this sector; (b) reducing guaranteed support in the beef sector; and (c) applying severe price cuts in cereals and oilseeds, while introducing production ceilings for soybeans. We would like to see the U.S. Government match its declarations of intent with concrete measures with a comparable short-term effect.

The second issue is trade legislation. Two of our Commissioners, Vice-President Frans Andriessen (responsible for Agriculture) and Willy De Clercq (responsible for External Relations) were here in Washington this week for talks with leading figures in Congress and the Administration. They came to put to them the need to avoid protectionist provisions in the trade legislation now being elaborated. They did not come - as they made clear - to lecture, threaten or interfere with the domestic legislative process. But they thought that as friends and trading partners with the United States - and the Community is the biggest export market for the United States - it was reasonable for them to offer some observations on the measures under consideration.

We understood the concern in the United States about the height of the trade deficit. But the Commissioners expressed doubts about whether protectionist measures addressed the real problem: that of the budget deficit, exchange rate fluctuations and the loss of competitiveness in certain industries.

They concentrated their objections on four major items of the trade legislation under discussion: (a) mandatory action by the U.S. to reduce imports from countries running persistent surpluses with the U.S. and maintaining "unfair trading practices" (Gephardt-type language); (b) sectoral reciprocity; (c) unilateral interpretation by the U.S. of trade laws which are part of a balanced and multilaterally agreed system; (d) restrictions on foreign investment.

If unilateral action were taken by the United States under such provisions, the European Community - and others - would have no choice but to take "mirror action". That would not only wreck the new Trade Round, but would place at risk many of the five million American jobs dependent on exports. Let us hope that our concerns will be taken account of in the Senate-House Conference soon to start.

*Ray Jerman*

# WINDOW ON THE EUROPEAN COMMUNITY

## FOREIGN TRADE

• **Customs Classification:** The European Community recently adopted the harmonized system of customs classification, replacing the Brussels Tariff Nomenclature (BTN) that was set up in 1950 and has been used since then in the Community and in other countries around the world. The effectiveness of the BTN, however, has been limited by the fact that it was never adopted by the United States, Japan, the Soviet Union or China. The new system should be in use virtually around the world from next January, and the existence of a global classification system will make it easier both to conduct international trade negotiations and to compare the trade statistics of different nations. The new system will also serve as the basis of the integrated Community tariff known as TARIC, to be introduced next January.

• **Japanese Car Imports:** Following talks with European Community officials in early June, Japan agreed to relax inspection procedures on imports of European automobiles. Japan agreed to a preferential handling procedure for import batches of fewer than 1,000 cars, saying that if test results were favorable it would inspect one out of every 100 cars, rather than one out of every 50. While the European Community only accounts for about 2 percent of the overall Japanese car market, it has about 30 percent of the market for more expensive, luxury automobiles.

• **Direct Investment:** Direct investment in the United States by E.C. corporations amounted to \$99.65 billion in 1986, or almost half of total foreign investment, according to figures released in June by the U.S. Department of Commerce. British investment, at \$51.4 billion, was higher than any other country in the world, while the Netherlands invested \$42.9 billion and Germany invested \$12.13 billion. Total foreign investment in the U.S. amounted to \$209.3 billion last year.

• **Uruguay Round:** The Commission called on the Council in late May to authorize it to enter

into negotiations on tropical products in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Tropical products, both industrial and agricultural, are considered an essential sector of the multilateral trade talks by the developing countries, and are

quoted in news reports as saying the E.C. action "will foster concern about the investment climate in the E.C. among Japanese companies which are planning new investment or increased production in the E.C. It might lead to a withdrawal or halt of investment."



The *Europe*, representing the European Community, took second place in the 1987 Constitution Transatlantic yacht race.

the only products specifically mentioned by the Punta del Este Declaration (which launched the talks) as being possibly suited for "fast-track" negotiations.

E.C. Commissioner Willy De Clercq, who is responsible for the Community's trade and external relations, said that the Community was fully behind the Punta del Este declaration. "I hope that this will serve as a political signal," De Clercq said, "that will inspire our partners in the developed world to take steps as concrete as ours, and to respect the undertakings given to the developing countries at Punta del Este as we have."

• **Antidumping Action:** The E.C. Council of Ministers adopted legislation on June 22 aimed at keeping foreign companies from avoiding antidumping duties on cut-price goods by assembling them within the European Community in so-called "screwdriver factories" which assemble electronic typewriters, copiers and other items using virtually no European parts. The legislation, which was proposed by the Commission in February, will affect goods against which anti-dumping actions have already been taken.

Hajime Tamura, Japanese Minister for Trade and Industry, was

## SOCIAL ISSUES

• **Sakharov Prize:** Soviet physicist and dissident Andrei Sakharov has agreed to sponsor a prize to be awarded by the European Parliament every year for work in the defense of human rights. Writing to Lord Bethell, a British Member of the European Parliament, Sakharov said, "I think the award of prizes like this one is useful, since it will once again attract attention to the human rights problem and will encourage people who have made a contribution to this end."

Lord Plumb, President of the European Parliament, commented, "I am delighted with this encouragement by Sakharov of an initiative taken by the European Parliament in the field of human rights. It is also very encouraging that Dr. Sakharov's letter was delivered without any problems or delay. This seems to show that Dr. Sakharov's personal situation vis-a-vis the authorities has improved in the past few months. Here in the Parliament we will now get on with the preparation for the award of the first Sakharov Prize."

Andrei Sakharov achieved breakthroughs in controlled nuclear fusion which led to the development of the Soviet hydrogen bomb, and has been for many

years one of the Soviet Union's most prominent dissidents. He formed the Human Rights Committee in 1970, and his awards include the Eleanor Roosevelt Peace Award (1973), the Cino del Duca Prize (1974), the Reinhold Niebohr Prize (1974), the Nobel Peace Prize (1975), the Fritt Ord Prize (1980), and others. He was stripped of his Soviet awards and sent into internal exile in 1980.

• **Transatlantic Race:** The Constitution Transatlantic Race was won by the Luxembourg yacht *Letzebuerg* on the morning of June 9, crossing the finish line at Cape May, New Jersey about 20 hours ahead of the European Community's *Europe*. The *Philadelphia*, representing the United States, slipped from second to fourth place after suffering heavy storm damage and finished behind the *Portugal*, while the Greek yacht *Hellas* came in last.

Following the race, the five yachts sailed together up the Delaware River to Philadelphia on June 23 for two weeks of celebrations. The Constitution Transatlantic was designed to commemorate the 200th anniversary of the United States Constitution and the 30th anniversary of the Treaty of Rome, the European Community's founding charter.

## BUSINESS & ECONOMICS

• **Air Profits Up:** Figures released in June by the Association of European Airlines (AEA) indicate that European airlines should see profits this year some 40 percent higher than in 1986—a year described as "traumatic" by the group, due to the fear of terrorism, the Chernobyl accident, and the fall of the dollar, all of which discouraged tourism. The AEA's 21 member airlines said their combined profits were expected to run about \$550 this year, up from \$400 million last year.

• **Amadeus System:** Four large European airlines agreed on June 22 to set up a joint computerized reservation system—to be known as Amadeus—that will give travel agencies and airlines access to information on hotel, airline and car-rental services. Air France, Iberia, Lufthansa and Scandinavian Air-

line System will each hold a 25 percent share in the partnership, which will be based in Madrid. The main contractor for the computer equipment and software will be International Business Machines Corporation.

• **Airbus Aid Approved:** The German Government approved a loan of \$2.73 billion early in June for Messerschmitt-Boelkow-Blohm G.m.b.H., the German partner in the European Airbus Industrie consortium. The loan followed agreements in May by the French and British Governments to provide a total of \$1.7 billion in loans, and clears the way for Airbus to develop two new commercial aircraft, the medium-range A-330 and the long-range A-340, which are expected to be introduced in the early 1990s. Airbus has already reportedly received 41 orders for the A-330 and 87 orders for the A-340, and says it eventually expects to sell about 1,000 of the new planes.

• **Long-term Unemployment:** The number of long-term unemployed in the European Community has risen so high that action must be taken on their behalf, a recent Commission memorandum concludes. Out of some 16 million unemployed in the E.C., about 8 million have been out of work for more than a year, and more than a third of these have probably been unemployed for more than two years. The Commission believes that policy changes are needed, and has recommended in its strategy for cooperation on growth and employment that demand be increased to an appropriate level, and that the profitability of investments that create jobs be raised. Markets should be made more flexible, the Commission advises, and more new business be created.

The E.C. statistics office Eurostat reported in June that unemployment dropped 2.6 percent in April from the month before. The seasonally unadjusted average unemployment rate for the E.C. (excluding Spain, Portugal and Greece) fell to 11.2 percent in April, from 11.5 percent in March.

• **IBM In Europe:** International Business Machines Corp. (IBM) said in late June it planned to widen its role in the E.C. telecommunications market through a 50-50 venture with Copenhagen Telephone Ltd. The new venture, set to begin operations in early 1989,

will offer electronic mail and computer communications services in Denmark. IBM is also providing or planning to provide similar services in Britain, Italy and France. The U.S.-based company had world-wide revenues of \$51.25 billion last year, of which \$16.22 billion was from its European operations.



**Euro-mystery: The Case of the Vanishing Trucks.**

• **Disappearing Trucks:** One large truck is hijacked in broad daylight every day in the United Kingdom, and according to a British Member of the European Parliament (MEP), no one knows where they go. Theories on the disappearances range from a criminal spare-parts ring to international trade in stolen vehicles, and the Commission has been requested to make a Community-wide investigation to see how widespread the problem is.

"We simply don't know if the trucks are being stripped down or shipped out to foreign parts," William Newton-Dunn, the British MEP, told the Parliament. "We need a Community-wide study to establish the true facts." The issue has added weight to the need for Community legislation on hijacking and destruction of trucks, said a spokesman for the European Democrat group. "The Community stands for the free movement of people and goods, and legislation should cover not only straightforward criminal acts, but also intimidation of drivers who refuse to join industrial action and, as has happened to British lorries, acts of theft and destruction under the guise of political gestures," the spokesman said.

In reply, E.C. Commissioner Stanley Clinton Davis said the Community would monitor hijackings and see what legislation might be indicated.

## ENERGY

• **Oil Supplies:** Meeting in early June for discussions on oil supplies and energy policy in the Community, E.C. energy ministers noted that the short-term outlook for the supply of Middle Eastern oil to Europe looked "very positive" despite the war between Iran and

he called the "striking and disturbing" environmental consequences of the problem, noting that as industry grows more complex and extensive, the danger of accidents that release dangerous pollutants into the environment increases. Nuclear waste poses particular problems; "We are operating at the fringes of known technology," he said, "with substances which, on occasion, will remain lethal for thousands of years. While it is increasingly clear where these unpleasant substances *cannot* be put, an early—and safe—solution will have to be found to the question of where they *can* be put if a big question mark is to be lifted from the whole future of the civil nuclear industry."

## FOREIGN AFFAIRS

• **Chemical Weapons:** Foreign Ministers of the 12 E.C. states, meeting in the framework of European Political Cooperation late in May, issued a statement that "strongly condemned" the use of chemical weapons in the ongoing war between Iran and Iraq. "The Twelve urgently appeal for an immediate end to the use of chemical weapons in the conflict involving these two countries," the Ministers said, appealing to both sides to "exercise maximum restraint" and to use "all peaceful means in order to end the Gulf conflict without delay."

• **Turkish Complaint:** Turkey said in June that it might review its membership in the North Atlantic Treaty Organization (NATO), following a resolution in the European Parliament charging that Armenians had been victims of genocide.

• **Industrial Cooperation:** The E.C. and India launched an ambitious program of industrial cooperation in June, during the first-ever visit of an Indian Industry Minister to the Commission's headquarters in Brussels. Meetings between India's Vengala Rao and E.C. Commissioners Claude Cheysson and Karl-Heinz Narjes resulted in the establishment of a program described by Cheysson as "an important step forward in cooperation between India and the European Community." Cheysson added that, "We have taken concrete measures that will open up enormous opportunities for our economies."

## ENVIRONMENT

• **Waste Problem:** Europe produces more than 2 billion tons of waste per year—about six tons for each of the 320 million citizens of the European Community—and this amount is growing by about 3 percent a year, Commissioner Stanley Clinton Davis said in a recent speech. Clinton Davis, who is responsible for the Community's environmental policy, warned that growing disposal problem is compounded by the fact that some 25 million tons of the waste consists of particularly dangerous substances, including hazardous chemicals, which require special treatment and constitute a grave environmental hazard even when just being transported and stored. Clinton Davis pointed to what