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EC-Central America Conference

An EC-Central American Ministerial Conference was held in Luxembourg on 11–12 November between the Foreign Ministers of the EC, Spain and Portugal, Mr. Claude Cheysson, EC Commissioner, and the Foreign Ministers of Central America and of the Contadora Group. The meeting, a sequel to the Conference held in San José, Costa Rica, in September 1984, was marked by the signature of a Cooperation Agreement between the European Community and the States Parties to the General Treaty on Central American Economic Integration (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and Panama, and by the adoption of a Final Act and joint political and economic communiqués.

Mr. Claude Cheysson declared the meeting “a step of major political importance”. Having shown their intention, the European Community and Central America now had to demonstrate the capacity “to act together in the middle and long term, with mutual regard and recognising differences, in the framework of an agreement on peace and cooperation”. Regional cooperation would make it possible “to overcome conflicts and enable adversaries to work together and maximise their individual potential”. The Community sought to encourage such efforts throughout the world and, by its agreements with regional bodies, to “contribute to a new phase of region-to-region international cooperation”.

The Final Act institutionalises the political dialogue by the establishment of an annual meeting at Ministerial level between the Community and the Central American and Contadora Group States. The representatives expressed their conviction that this dialogue will contribute to efforts to arrive at a peaceful solution, which would end the violence and instability in the area, and “to foster social justice and economic development and a respect for human rights and democratic liberties”. In the joint political communiqué, the Ministers reaffirmed their conviction that the political dialogue and economic cooperation would help to achieve, on the basis of the proposals arising from the Contadora process, “a negotiated, global, political solution for the region originating in the region itself and founded on the principles

of independence, non-intervention, self-determination and the inviolability of frontiers”. It was important for all the countries with ties and interests in the region to help create favourable conditions for the negotiations and for the conclusion of the Contadora agreement. The EC States, Spain and Portugal reiterated their willingness to support, if requested to do so, the action of the States responsible for implementing the terms of the agreement on peace and cooperation.

The economic communiqué between the European Community, Spain and Portugal, and the Central American countries, places the accent on regional cooperation. Conditions for multilateral cooperation within the framework of the Central American Common Market would, it was hoped, be improved by the agreement between the two regions. The Community, together with Spain and Portugal, confirmed their intention to grant priority assistance for regional projects on the basis of jointly agreed priorities and objectives for the region. In considering international issues, it was noted that while certain progress had been made as regards the debt problem through the advance of the world economy and the efforts of debtor and creditor countries, the underlying problems remained, and longer term solutions would be required. The Ministers expressed an identity of views on the launching of a new GATT Round and on the need for concerted action to improve the functioning of the international monetary system and to increase the flow of financial and other resources to the developing countries.

The Cooperation Agreement signed between the European Community, Spain and Portugal, and the States Parties to the General Treaty for Central American Economic Integration (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and Panama, creates an institutional framework through which the growing cooperation between the two regions can be channelled. The Agreement sets out three main areas where this cooperation could be developed, namely economic, commercial and development cooperation.

In the chapter on economic cooperation the two sides commit themselves to promoting contacts between firms and branches of industry, to encouraging European investment in Central America and to developing scientific and technological cooperation.

Trade between the European Community and the Isthmus countries—1984

(m ECU)

	Total	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
EC Imports	1,276	274	206	180	159	130	327
EC Exports	1,240	141	100	157	129	106	607
EC Balance	-36	-133	-106	-23	-30	-24	280

(Source: Eurostat)

The chapter on commercial cooperation confirms the non-preferential nature of trade relations between the two regions, which are based on a most-favoured-nation clause. Ways of eliminating barriers to trade and facilitating market access for commodities, manufactured and semi-manufactured goods will be examined. The Community declares its intention of giving full consideration to requests from the Central American side for improvements in its Generalised System of Preferences. The Community is the Isthmus's second largest market after the United States, taking more than 20% of Central American exports.

The Community confirms its willingness to continue to provide financial and technical assistance for Central America. Special importance will be given to integrated rural development projects and projects to achieve food self-sufficiency and improved health conditions. The Community has committed itself to increase substantially its aid to the region in the first five years of the Agreement. In the period 1979–84 the Community provided 231 million ECU of aid under various forms to the CACM countries; aid in 1984 was 52 million ECU.

Intergovernmental Conference on EC Reform

EC Foreign Ministers and senior officials have held a series of meetings this autumn to examine proposals for revitalizing the EC's institutions and procedures. The Intergovernmental Conference, which began its work in September, has had before it specific suggestions proposed by the Commission and by various Member States for improving the Community's decision-making process and enlarging the scope of its "constitution"—the Treaty of Rome. Amendments or changes under consideration include:

- increasing the use of majority vote decision-making instead of the current recourse to unanimity (notably in the case of internal market integration)
- enhancing the role of the European Parliament
- reinforcing political cooperation mechanisms
- adding a monetary chapter to the Treaty to include the European Monetary System (covering the ECU, the exchange rate mechanism and the European Monetary Cooperation Fund)
- measures to deal with environmental issues
- and steps to promote common policies in industry, health, and new technologies.

This is the first time since the founding of the European Economic Community 27 years ago that changes in the EEC Treaty have been considered. "The aim of this Conference", stated Luxembourg Foreign Minister and Conference Chairman, Jacques Poos, "is the relaunching of Europe by equipping it with the second generation policies for the challenge ahead".

A progress report on the Intergovernmental Conference will be submitted to the EC Heads of State and Government when they meet on 2 December in Luxembourg.

Aid to Drought-Affected African Countries

At the meeting of the European Council in Dublin in December 1984, an EC emergency food aid plan was adopted as a contribution to international efforts to combat the famine affecting many parts of Africa. Less than one year later the Commission of the EC reported that the Dublin Plan aid goal of 1.2 million tonnes of grain (or equivalent) for the eight African countries(*) worst hit by the drought has been surpassed—reaching 1.25 million tonnes, 87% of which had already been delivered. The Community supplied both cereals and a wide range of high energy products, together with seed urgently needed for the next harvest. A special team was set up to accelerate aid and distribution procedures. (If to this exceptional programme is added the on-going EC food aid to the 20 African countries on the FAO list, total food aid given by the Community up to now (1984–85) amounts to 2.3 million tonnes of cereal or its equivalent).

As a follow-up to the Dublin Plan, the EC Council of Ministers approved on 4 November 1985 a major rehabilitation and recovery programme to the eight African countries worst hit by drought. This plan, for which 100 million ECUs are already available, envisages action on two fronts: steps to enhance the capacity of these countries to cope with catastrophes; and measures to revive the agricultural sector and prepare for the next harvest.

The EC Development Council decided to establish a supplementary food aid reserve in 1986, to be used if the normal food aid programme proves inadequate in the event of a further crisis. Proposals on the evolution of food strategies and on the protection of the environment—in particular measures to combat desertification—will be submitted by the Commission before the end of the year.

(*)Ethiopia, Sudan, Mali, Mauritania, Niger, Chad, Angola and Mozambique.

Eureka! European Technological Cooperation

The need to develop technological cooperation has long been a prominent theme in European discussions. The Commission has frequently called attention to this issue and Governments and firms have sought, by a variety of means, to find suitable ways to proceed. Experience has shown that a range of elements has to be considered: the correct cross-fertilisation between the actions of public and private decision-makers and research workers; the creation of a legal and regulatory environment favourable to R & D and the exploitation of R & D results; and the provision of financial support where this is lacking. Flexibility in the form the cooperation should take is also of major importance, together with assurance that opportunities will be available on a European scale. "A genuine common market will be crucial to the success of closer technological cooperation", de-

clared Chancellor Kohl at the opening of the Ministerial meeting held on 7 November to consider the Eureka programme, the largest of the plans which have been launched.

A series of European technological cooperation programmes, summarised below, are in fact now under way in a range of sectors.

ESPRIT. The "European Strategic Programme for Research in Information Technologies" (Esprit) which is in its second year of operation, is designed to meet the pressing needs of European industry for R & D cooperation in fields such as advanced micro-electronics, software technology and advanced data processing. 200 projects are now being conducted, involving nearly 1,000 European firms, universities and research centres; it is a basic condition that projects must be on a multinational basis. The Esprit budget (Community and industry taken together) represents an average of 300 million ECU a year, approximately 2.5% of the total R & D effort in Europe. Esprit concerns only pre-competitive research, which constitutes 10% of the total. Esprit thus represents 25% of the European effort in this area.

BRITE. The "Basic Research in Industrial Technologies for Europe" or Brite programme, which was approved by the EC Council of Ministers in March 1985, is concerned with the introduction of new technologies in traditional sectors of industry. Like Esprit, Brite will focus on the promotion of precompetitive research. The Community will contribute 125 million ECU and industry will provide an identical sum during the 1985-1988 period. 566 project proposals have been received from EC firms and institutions and are now being screened and evaluated.

RACE. The programme "R & D in Advanced Communication Technologies for Europe" (RACE), which entered into an 18 month definition phase last July, deals with telecommunications research and will cover what may well prove to be the biggest area of non-defence expenditure this century. The main phase of the work is to begin in 1987 and should culminate in 1995 with the establishment throughout the Community of a vast infrastructure for broadband integrated communications, a backbone for the European economy of tomorrow.

EUREKA. The Eureka proposal was put forward by France in April 1985. Since then a number of meetings have been held, most recently in Hanover on 7-8 November when a Charter or "Declaration of Principles" governing the scheme was adopted by the participants representing 18 European Governments (the Members of the European Community, plus Portugal and Spain, together with Austria, Finland, Norway, Sweden, Switzerland and Turkey) and the Commission. The Declaration of Principles, which establishes the outline framework for the scheme, states that the programme's aim is to "strengthen the basis for lasting prosperity and employment" by furthering "closer cooperation among enterprises and research institutes in the field of advanced technologies". Projects will initially relate to the following advanced technology areas: information and telecommunications, robotics, materials, manufacturing, biotechnology, marine technology, lasers, environment protection and transport technology. It is stipulated that projects must bring together firms and institutions from more than one country, offer an "identifiable expected benefit", use advanced technologies, aim to secure a significant technological advance, have appropriately qualified participants,

and offer an adequate financial commitment by the firms involved. The Hanover Ministerial Conference formally adopted the first batch of ten projects, involving companies and institutions from twelve countries and the Community itself, in areas ranging from the production of a standard personal and education microcomputer to the development of a laser for cutting cloth in the textile industry. Eight of the ten projects are industrial in nature. A further group of some 60 projects, on which contacts have taken place but where agreement has not yet been finalised among the firms concerned, will be considered at the next Ministerial meeting, to be held in London in May 1986. The London meeting will also deal with outstanding organisational matters, including the role of the secretariat or "task force".

Vice-President Narjes, who represented the Commission at the Hanover Conference, emphasized the complementarity between the Commission's proposals and existing Community programmes, and the Eureka scheme. In two of the projects approved at Hanover, for a European research data network and the development of a system to trace air pollutants (Eurotrac), the Commission will be able to play a direct and leading role; efforts in these two areas are already being undertaken at Community level and through the COST system (Cooperation in Science and Technology) involving Member and non-Member States. The wider issues to which Mr. Narjes once again drew attention were the importance for the future of the European economy, of stimulating research and development, and the need for a unified European market. The achievement of an integrated internal market, as the Commission proposed, would greatly simplify matters for companies setting up agreements with one another across frontiers. Transnational cooperation had to be fostered by all possible means, where bottlenecks were detected, whether in the context of the Eureka programme or elsewhere, these needed to be removed.

EC Adopts Measures on South Africa

Stepping up their pressure on South Africa to abandon its apartheid system of racial separation, the Ten EC Member States, and future members Spain and Portugal, agreed unanimously in September to impose a series of restrictive measures against Pretoria, including a ban on arms trade, the recall of military attaches, a freeze on official sports contacts, and an end to oil exports.

Foreign Ministers of the Twelve also decided on a number of positive measures, such as changes—which the Ministers endorsed on 20 November—to strengthen the EC's original 1977 Code of Conduct requirements, and establishing programmes to help nonviolent anti-apartheid organizations which assist the education of the non-white community. The Commission has proposed appropriations of 35 million ECU in order to implement these positive measures. It was also agreed to intensify political, scientific and business contacts with the non-white community.

The decision to impose restrictions came after a mission to South Africa in late August by Willy De Clercq, the EC
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comprehensive and mutually beneficial agreement for economic and commercial cooperation should move into a new and more active phase. Both sides recognised that the early conclusion of an agreement is essential "in order to create a framework within which they would work together in a positive climate". The agreement would be a "demonstration of the economic interdependence which exists between the GCC and the Community". Areas to be covered by the agreement would include: trade, energy, industrial cooperation, investment, transfer of technology and training.

An ad hoc working group will meet before the end of the year to examine these issues and trade relations between the Community and the six Gulf states (Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Oman and Bahrain).

Southern Africa Development Coordination Committee

During talks with the nine ACP ambassadors whose countries are members of the Southern Africa Development Coordination Committee (SADCC)⁽¹⁾, EC Vice-President Lorenzo Natali reiterated the commitment by the European Community to take measures to reduce the dependence of SADCC members on South Africa. Under the Lomé III Convention, the SADCC countries will benefit from 1,000 million ECU in EC aid over a five year period.

⁽¹⁾Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

EC Tariff Reduction Completes Tokyo Round Cuts

At the initiative of the Commission, the European Community has agreed that the last tariff reduction resulting from the Tokyo Round should be moved forward one year to 1 January 1986. The customs reduction or "roll-back" will reduce the average EC customs tariff on industrial goods from 4.9% to 4.7%.

UNRWA

At the UNRWA Pledging Conference on 11 November 1985, the Community announced that it would contribute 17 million ECU to the UNRWA 1986 education programme. Aid in kind for the UNRWA food programme will be provided on at least the same level as in 1985, when aid valued at 3.6 million ECU was supplied.

EC-Asean Ministerial Meeting

The first-ever meeting between Economic Ministers from the ASEAN countries and from the European Community, together with Spain and Portugal, was held on 17–18 October 1985 in Bangkok, to evaluate the first five years of the ASEAN-EC Cooperation Agreement and to discuss how relations could be further strengthened.

The Ministers acknowledged the importance of close collaboration, not only for their respective regions but also in helping to resolve global economic problems. It was agreed that "close and complementary" action was required in dealing with commercial and budgetary imbalances, debt and protectionism, and that work should be pursued urgently on a new GATT round with a balanced agenda for developing and developed countries.

In considering the results of the 1980 Cooperation Agreement, which provided both a legal framework and institutions for developing two-way trade, the major feature was the growth in the value of exchanges. Between 1980 and 1984 EC imports from ASEAN countries increased from 6,900 million to 9,700 million ECUs, and EC exports rose from 5,400 million to 9,800 million ECUs. The EC is ASEAN's third largest supplier, providing 16% of ASEAN imports in 1983, after Japan (28%) and the US (20%). The ASEAN Ministers welcomed the announcement that the Community would submit proposals for improving further the EC Generalised System of Preferences. As part of further efforts to fortify economic links, a high level working party including business representatives, particularly banks, will be set up to examine investment conditions.

The Ministers underlined the importance of a series of cooperation proposals for the development of human resources: a data bank on specialised post-graduate study in the EC in the engineering, information and management sectors, an executive exchange programme, cooperation between management institutes, the training of airforce personnel in Europe and the organisation of courses on inter-governmental cooperation for senior officials from ASEAN countries.

The two sides agreed to study the creation of a joint centre for energy management and saw potential for linking research activities in areas of special interest (e.g. bio-technology). Cooperation in tourism and in efforts against drug abuse was also envisaged.

EC-Gulf Relations

The first meeting at Ministerial level between the European Community and the Gulf Cooperation Council (GCC) took place on 14 October 1985. The Community was represented by Mr. Jacques Poos, President of the EC Council of Ministers, and by Mr. Claude Cheysson, EC Commissioner responsible for Mediterranean policy and North-South relations. The GCC was represented by Sheikh Al-Ahmad al Jaber, the Kuwait Foreign Minister and Chairman of the GCC, and by Mr. Abdullah Yacoub Bishara, GCC Secretary General.

In the joint communiqué released at the end of the meeting, the EC and the GCC emphasized the importance they attach to the future development of relations between the two regions. It was agreed that discussions concerning a

Commissioner responsible for external relations, and the Foreign Ministers of Italy, Luxembourg and the Netherlands. The European delegation expressed to South African authorities the Community's strong opposition to apartheid. The group called for the immediate release of Nelson Mandela and other political prisoners, an end to detention without trial and forced relocation, a commitment by the South African Government to dismantle its discriminatory legislation, and real negotiations with the true representatives of the South African people, including those in prison.

"There is an urgent need for the South African Government finally to take measures of the kind called for by the European delegation," the Foreign Ministers noted, "in order to create a new political climate by opening up a prospect of profound, peaceful change."

EC-Gulf States Trade

	1976	1978	1980	1982	1983	1984
EC Imports	19,017	16,480	34,820	33,932	21,516	17,075
EC Exports	6,143	9,524	11,943	21,427	22,542	22,759
EC Balance <small>(source Eurostat)</small>	- 12,874	- 6,963	- 22,877	- 12,504	1,025	5,684

(*)The exchange rate ECU/dollar varies daily as the various EC currencies which make up the ECU vary against the dollar. One ECU was worth US\$ 1.39 in 1978, US\$0.98 in 1982, US\$0.89 in 1983 and US\$0.83 in 1984.

EC 1986 Generalised System of Preferences

The Commission of the European Communities recently forwarded proposals for the 1986 Generalised System of Preferences to the Council of Ministers. These proposals, which fall within the framework of the general guidelines for the period 1986–1990, take into account the accession of Spain and Portugal in 1986 and represent an improvement on the 1985 scheme of some 10 per cent. The overall package for 1986 amounts to some 19 billion ECU in reduced-tariff and duty-free access for imports from the beneficiary countries (compared with 18 billion ECU in 1985). The improvements in the proposal for 1986 are aimed particularly at Asian and Latin American countries, the main beneficiaries

of the EC scheme. The GSP provides for duty-free access for all manufactured goods, including products in some sensitive sectors such as textiles, footwear and steel products. In the agricultural sector, the Community offers reduced import duties on nearly 400 products.

A new provision, which will apply from 1 January 1985, will allow member countries of three regional groups—ASEAN (Association of South East Asian Nations), CACM (Central American Common Market), and the Andean Pact—to apply the "cumulative origin" rule. Under this principle, a product originating in any one of the countries within each group and transformed or "further manufactured" in another country within the same group will receive the same preferential access as though it had originated in one country. This decision, which responds to requests from the groups concerned, is considered a major improvement in the flexibility of the EC GSP rules.