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TWO PRESIDENTS MEET

EC President Jacques Delors had a working lunch with President Bush in Washington on June 14. It was their second meeting within two weeks, having met on May 30 when President Bush was received by Mr. Delors in Brussels.

The two Presidents, accompanied by senior advisers, discussed ongoing cooperation between the EC and the US on issues of mutual interest, including the implications of the 1992 integration program. Also on the menu was international trade and the Uruguay Round, the efforts towards economic and political reform in Eastern Europe and the Soviet Union, and transnational problems such as the urgent need to protect the environment.

President Bush reiterated his support for European integration and the EC's single market program. He reaffirmed that a stronger Europe means a stronger America. He stressed the importance of open markets in a more closely integrated Europe and said that the US would work with the EC Commission and the EC member states to ensure that US interests are taken fully into account in the 1992 process.

Both Presidents agreed on the need for both the US and the EC to continue to combat protectionism and to conclude the current round of GATT trade negotiations successfully by the end of next year.

The two leaders are due to meet again in mid-July when they attend the G-7 World Economic Summit in Paris.

In a speech delivered in Washington after his meeting with President Bush, Mr. Delors pointed out that the completion of the 1992 program would increase the EC's purchasing power, providing vast opportunities for its trading partners, particularly the US. He estimated that the EC's purchasing power would increase by between \$ 60 and \$ 80 billion over the next five years from its present level of \$ 400 billion annually.

He also pointed out that US exports to the EC had expanded from \$ 50 billion in 1985 to about \$ 80 billion last year, an increase that alone is equivalent to total US exports to Japan. In addition, the many American companies which are already based in Europe will benefit from the EC's renewed dynamism.

EC, US CLEAR AIR

US Commerce Secretary Robert Mosbacher had useful meetings in Brussels recently with EC Commission representatives, including External Affairs Commissioner Frans Andriessen. Their talks concentrated mainly on standards and certification.

Both sides underlined their commitment to the work of the international standardization bodies and to the principle of transparency in standardization. Both agreed to the continuation of a recently-initiated dialogue between the EC and the US standards bodies, as well as between EC and Administration officials.

A meeting of US and Commission officials is to be held in Brussels shortly to examine any issues of mutual concern in the area of technical regulations and related standardization activity.

The two sides also agreed that the same principles of transparency and openness should apply in the field of testing and certification, and that imported products would be given equal access to each other's conformity assessment procedures.

The Commission will shortly issue a detailed policy

statement on testing and certification, and it was agreed that this would be followed up by exploratory discussion between officials of the Commission and of the Administration. This would prepare the way for negotiations for the mutual recognition of tests and certificates of conformity for products subject to regulation, and for the conclusion of mutual recognition arrangements in respect of non-regulated products. The future status of existing mutual recognition agreements would also be examined in these discussions.

Following the meetings, Mr. Mosbacher said that, in his view, the general mood in the US on 1992 was better now.

SPAIN PLANS TO JOIN EMS

Spanish Finance Minister Carlos Solchaga announced in Madrid last month that his country, which joined the EC in 1986, was to become a member of the European Monetary System (EMS).

This means that the UK, Portugal and Greece are the only member states to remain outside the EMS. Its exchange rate mechanism limits fluctuations of EC currencies to 2.25 % above or below a central rate, with the



exception of Italy, which has a 6 % margin.

The recently-published Delors Committee report on the achievement of economic and monetary union in the EC envisages the agreement of the remaining EC countries to join the EMS. Its eventual aim is the creation of a European Central Bank System, modelled on the US Federal Reserve, and irrevocably-fixed exchange rates which could eventually pave the way for a common currency.

The plan has had a warm initial reception from the EC governments, with the exception of the UK, where Prime Minister Margaret Thatcher has repeatedly said that the time is not ripe to bring sterling fully into the EMS. It was due to be discussed at the Madrid Summit of EC leaders at the end of June.

A Eurobarometer/Gallup survey of CEOs of major British corporations which was published last month shows 93 % of them in favor of British membership of the EMS. Three out of five support the creation of a European central bank, and 45 % favor a common currency. Almost one-third of the firms surveyed already do business with other EC countries in European Currency Units (ecus), which are made up of a basket of the individual currencies.

Strong support for the Delors Committee report, named after its chairman, EC President Jacques Delors, also came from the Action Committee for Europe. The committee lists among its members a former President of the Commission, Gaston Thorn, former Commissioner Peter Sutherland, former French Prime Minister Jacques Chaban-Delmas, and Fiat boss Giovanni Agnelli.

TAX HARMONIZATION PLANS ALTERED

In a bid to break the deadlock on the creation of a more unified tax and excise system, the EC Commission has modified its 1987 proposals, making them simpler and more flexible. The proposals relate to excise on alcohol, tobacco and petroleum products and VAT (value added tax) on other products.

On excise, the main charge proposed by Taxation Commissioner Christiane Scrivener is the abandonment of an attempt to introduce a single rate. Instead, the Commission will propose either a minimum rate or bands within which national rates may vary.

The Commission had already proposed

two bands for VAT - a standard rate varying between 14 and 20 %, and a reduced rate of between 4 and 9 %. It is now proposing a minimum rate (yet to be specified) for the standard charge on traded goods, but to retain the bands for the reduced rate. In addition, it proposes to allow the retention of zero rates which some member states apply to basic essentials like food.

Special arrangements will be made for some operations, such as mail order and car sales, and dealings between companies within a group but based in different countries. Arrangements for a clearing house for receipts on intra-Community trade will also be simplified and will be calculated on the basis of trade statistics.

The Commission is proposing a transitional period up to the end of 1992 during which member states whose VAT or excise rates vary widely from the EC average will be able to make gradual adjustments. This transitional period will also see the introduction of more simplified procedures at border posts, and a substantial increase in duty-free allowances for individual travellers.

MAJOR CLEAN CAR RULES AGREEMENT

The EC's Council of Ministers last month reached a landmark agreement which will see the introduction by the end of 1992 of tough US-style pollution controls on small cars, which account for two-thirds of all cars on the road. The EC Commission, which drew up the proposal, is planning similar legislation for larger cars.

The agreed legislation, which will involve the fitting of three-way catalytic converters and electronic fuel injection systems, will apply to all new models in the range by July 1, 1992, and to all new small cars from the end of that year. Governments will be allowed to offer tax breaks to encourage drivers to switch to cleaner cars as soon as possible.

It has been estimated that the switch-over will add about 7 % to the cost of new cars. But the new controls will cut 75 % of the exhaust fumes that endanger public health, destroy forests and contribute to the "greenhouse effect."

The Commission is also preparing legislation to limit driving speeds in an effort to further reduce pollution. At the June meeting, the Council agreed on another of the Commission's proposals to control emissions from municipal incinerators.

INFORMATION FOR SMOKERS AGREED

Common EC rules on the labelling of tobacco products have been agreed in principle by the Council of Ministers despite the opposition of the British government, which questioned the legal basis on which the Commission's proposal rested. The Council's common position must now be approved by the European Parliament, as well as its agreement reached at the same meeting on a proposal that would fix the maximum tar content in cigarettes.

Once the legislation is incorporated into national laws, cigarette packs and other tobacco containers will have to carry a warning that smoking can seriously damage your health. They will also have to carry information on the tar and nicotine content.

The Council also agreed on a non-binding resolution on the prohibition of smoking in public places, such as cinemas and stores. Work places, conference halls and the like would not be included, unless individual member states so wished.

MAJORITY SUPPORTS SOCIAL CHARTER

Ten of the 12 member states gave an initial warm response to the EC Commission's proposal for a Social Charter of minimum rights for workers when they met in Brussels last month. The UK was opposed and the Danish government reserved its position until employers and labor unions had been consulted.

The Charter envisages a solemn declaration on minimum rights regarding living and working conditions, social protection, training and free movement of workers between countries with the retention of social protection rights. This so-called "social dimension" of the 1992 program is seen by the Commission and most member states as essential to ensure the support of the labor movement for the rest of the program.

Contrary to its EC partners, the British government thinks the emphasis should be placed on the creation of more jobs and that additional burdens should not be imposed on business to achieve this expansion.

The 10 member states which have already agreed to the contents of the Charter would like to see it given teeth in the form of follow-up legislation on individual aspects of the non-binding Charter. Prior to the Council of Ministers meeting, the European Trade



Union Confederation issued a statement rejecting any declaration that was not accompanied by specific legislative measures.

At the same meeting, the Ministers adopted key legislation which establishes harmonized minimum standards for the protection of the health and safety of workers. This framework directive will open the way towards the agreement of detailed legislation relating to specific industries and work practices.

COMMON CREDIT RULES IN SIGHT

EC Consumer Affairs Ministers last month gave preliminary agreement to a Commission proposal for the introduction of common rules for the assessment and publication of interest rates on bank overdrafts, hire purchase agreements, credit cards and similar services.

The agreement, which must be discussed by the European Parliament before it finally becomes law, would mean a changeover by France and the Federal Republic of Germany from their simple interest system to the compound interest system, which is more common in the rest of the EC.

To facilitate the transition, the new system, which also covers conditions to be met by the customer, will not come into operation until the end of 1995. From that date, customers will find it easier to compare credit terms being offered by financial institutions in different countries.

EC FLAG PROPOSED FOR SHIPPING

The EC Commission has proposed the establishment of an EC shipping register whose ships would fly the EC flag. The proposal is part of an effort to streamline the operations of the EC fleet, which has been halved in size during the Eighties, with a similar drop in jobs.

The Commission is proposing as an incentive that ships flying the EC flag would benefit from access to "cabotage" cargoes, and preference in the award of contracts for transporting EC food aid to the Third World.

Other advantages envisaged by the Commission include an improved EC-wide control of rogue shipping, and more simplified procedures for sales of ships between EC member states.

The register, which could exist parallel to national registers, would be reserved for EC-owned ships on which all the officers

and at least half of the rest of the crew would be EC nationals.

When the proposal was given its first airing at a meeting of the Council of Ministers, it was broadly welcomed by governments, with the exception of Greece. Initial response from the CAACE, the EC ship-owner association, was also positive.

"QUOTES"

"The Cold War began with the division of Europe. It can only end when Europe is whole." President George Bush in Mainz, Federal Republic of Germany.

"For the United States, EC92 means a stronger ally in this vital part of the world, an ally more able to assume its role in the defense and promotion of our common values." EC Commissioner Abel Matutes.

"Most of the (UK) government's word processors continue to agree that we should join (the EMS) 'when the time is ripe'. Having lived through a 10-year period of stagnation to boom with widely-ranging exchange rates, it is not easy to identify exactly what ripeness means." Sir Trevor Holdsworth, President of the Confederation of British Industries.

"The Community is not only a new horizon of economic opportunity for the UK. It is the political foundation for Britain's continuing influence in European and world affairs." Sir Geoffrey Howe, British Foreign Secretary.

"For us Germans...(European) political union is not a distant vision. I would very much like to see it being achieved before the end of this century." Chancellor Helmut Kohl.

"Those who do not want a political Europe, capable of taking political and diplomatic decisions, will try to cut back, to brake every time there is a hitch, no matter how small." President Francois Mitterand.

"The outsider looks at Europe as a single whole, while we look at it as something that comes into being on top of each country." Dieter Siehler, chairman of the Henkel detergents group.

"The EC, if it were to become politically cohesive, would have the population, resources, economic wealth, technology and actual and potential military strength to be the preeminent power of the 21st century." Harvard Professor Samuel Huntington.

MORE FAIR PLAY ON AIRLINE BOOKINGS

A new fair-play ruling that will give airlines throughout the EC access to computer reservation systems has been agreed upon by Transport Ministers. In future, no airline can be excluded from systems which at present are available to a restricted number of carriers.

In addition, there will be a binding code of conduct with regard to the fair presentation of fares and other conditions on these systems. This should be of benefit to airlines, travel agents and passengers alike.

The Ministers also agreed on a directive which extends more liberalized rules on capacity sharing and fares flexibility to inter-regional flights. Until now, these rules have only applied to international flights between EC countries. There are plans to extend them also to flights between the EC and third countries, including the United States.

EC STRENGTHENS EFTA LINKS

The EC Commission has presented the Council of Ministers with a proposal which would simplify trade formalities between the EC and EFTA, as well as speed the transit of goods through one another's territories.

The new arrangements would extend the cooperation between the EC and the six-nation neighboring bloc as agreed upon in the Luxembourg Declaration of 1984. This was designed to create a free trade area embracing all 18 countries.

EMPLOYERS BACK FREER TELECOMS

UNICE, the confederation of European employers, has given strong backing to the EC Commission's proposal for liberalizing telecommunications services and has deplored the opposition of some member states to free competition.

The influential grouping said that it was essential for EC users to have free access to networks and services contracts to enable the EC to build up a telecom industry that could compete with the US and Japan.

As part of this effort, the Commission last month signed a contract with ETSI, the recently-established European Telecommunications Standards Institute, which sets out the ways and means whereby the EC can support the institute's work, which is to create standardized technical speci-

cations so that networks and terminals can intercommunicate.

Part of the contract is for ETSI to prepare a complete and coherent set of common standards required for the establishment of a trans-European ISDN (Integrated Services Digital Network) embracing the EC and EFTA countries.

...IN BRIEF

... the EC Commission has promised concrete proposals by the end of next year on the "greenhouse effect", particularly on emissions of carbon dioxide. The resulting EC legislation will contribute to the general international drive to halt and reverse the warming of the earth's atmosphere caused by noxious gas emissions.

... EC inflation accelerated to 5 % in March, compared with a rise of only 3.2 % in March 1988. The annual rise up to the end of April is expected to be 5.4 %. The rekindling of inflation, which has been drastically cut in recent years, results from a rebound in import prices (especially oil and raw materials due to the strengthened US \$), but also from internal factors, such as increases in indirect taxes in some member states, and wage increases.

... Euro Info Centers, which have contributed significantly to heighten the awareness of small and medium-sized companies of the possibilities offered by the completion of the EC common market in 1992, are to be extended. A further 148 cen-

ters are to be added to the existing 39 strategically-located offices, which were opened in 1987.

... AT&T has signed an agreement with Italtel, the Italian telecommunications equipment manufacturer, for cooperation in research, production and marketing in this rapidly-growing sector, which is due to be liberalized by 1992. AT&T will take a 20 % stake in Italtel, which in turn will take a 20 % stake in an AT&T Dutch subsidiary, Network Systems International.

... Spain and Portugal, the EC's newest members, have signed a convention on jurisdiction and the enforcement of judgments in civil and commercial legal disputes throughout the EC.

... only 8 % of those Europeans polled in a recent survey regard the 1992 program as a bad thing ; 55 % are in favor, while 38

% are either indifferent or have no opinion.

... the Federation of Swedish Industries has published an analysis of the implications of the 1992 program which concluded that only full EC membership, or an agreement that would substantially confer the benefits of membership would ensure that its manufacturing industries would remain unscathed. It reckons that the completion of the EC's internal market could affect half of Sweden's foreign trade. Extension of membership to other EFTA countries or to Turkey, which has already applied, could further tip the balance.

... the EC's trade deficit in January was approximately \$ 6 billion, compared with only \$ 3 billion in January 1988. Provisional figures indicate that the favorable trade balance with the US fell from more than \$ 17 billion to around \$ 4.6 billion.

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