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### THE WEEK IN EUROPE

Open skies soon for EC? Transport Commissioner Karel van Miert spoke in London on Tuesday of growing signs that a majority of EC governments favoured accelerating the process of liberalising European air transport. These included giving airlines freedom to fix air fares and introduce cabotage, enabling an airline from one EC country to operate flights in another Member State. Van Miert, who said he was pleasantly surprised, was speaking to journalists during a meeting of Transport Ministers from 28 European countries who also agreed this week to help East European states upgrade their air traffic control systems and improve air links with western Europe. This is part of the effort to integrate Europe's fragmented air traffic control network. EC transport ministers will consider the third stage in the Community's air transport liberalisation programme at a meeting in Brussels next week.

Gloomy prognosis for ex-USSR. Commission Vice-President Henning Christophersen presented a gloomy picture of the economies of the Commonwealth of Independent States at the meeting of Economic and Finance Ministers in Brussels on Monday. Real GNP decreased by 3% in 1990 and by 12 to 17% in 1991. Prices rose by 86% but without reducing shortages. The consolidated budget deficit of the Union and the republics ranged between 20% and 25% of GNP. Main reasons were the unravelling of the command system without a parallel move to a market economy. The reform process was further complicated by interstate issues such as risks of trade wars and creation of new separate currencies. International assistance since 1990 amounted to 80 billion dollars of which three quarters has been delivered by the Community and the Member States, in particular Germany. The package requested by the Russian government is composed of stabilisation funds of 4-5 billion dollars to support the convertibility of the rouble, credits and balance of payments support for a total of 12 billion dollars and a new arrangement for debt servicing after 1992. Christophersen asked Ministers to maintain support for rapid membership of the CIS to the Bretton Woods institutions. Specific decisions were needed when the International Monetary Fund's interim committee meets at the end of April.

Agricultural Price proposals for 1992/93. The Commission yesterday (Wednesday) adopted its price proposals and accompanying measures for 1992/93. Agriculture Commissioner Ray MacSharry said the proposed roll-over of existing arrangements should help the Council in taking early decisions on reform of the Common Agricultural Policy. The Commission pointed out that CAP expenditure had increased by more than 35% from 24.4 billion ecus (£17b) in 1989 to an estimated 33 billion ecus (£23b) in 1992. This meant that 11 billion ecus (£7.7b) had been spent over three years in order to keep farm incomes static and to finance surpluses.

EC and Australia. The tenth session of Ministerial consultations between Australia and the Commission took place in Brussels on Monday. The Australians were led by Minister for Foreign Affairs and Trade, Senator Gareth Evans, and the Commission by vice-President Frans Andriessen. Australia accounts for slightly under 2% of the Community's imports and exports. The Community is Australia's second supplier (22% of total imports), after the United States (24%) and before Japan (19%). The Community is Australia's second largest customer, accounting for 13% of total Australian exports behind Japan (with 26%) but ahead of the United States (11%). The EC has a long-standing trade surplus with Australia which amounted to 2 billion ecus (£1.4b) for 1990. Andriessen and Evans signed a memorandum extending the EC's Business Cooperation Network (BC-NET) to Australia with the aim of assisting European and Australian enterprises to develop commercial and technology links.

Andriessen meets Chinese Foreign Minister. China's Foreign Minister, Quan Qichen, was in Brussels last week for talks with the European Commission. Since 1978 the volume of trade between the Community and China has increased by 530%, passing from 2.5b ecus (£1.75b) in 1978 to 15.9b (£11.13b) in 1990. Vice-President Frans Andriessen however expressed concern at the growing Community deficit in trade with China which could reach 10b ecus (£7b) a year. He said the Community supported China's ambition for membership of the General Agreement on Tariffs and Trade (GATT).

Fisheries and the UK. The Commission has approved Community grant aid for the modernisation of fishery monitoring facilities in Ireland and the UK amounting to 5.4m ecus (£3.78m) and 2.7m ecus (1.89m). The Community contributions amount to 50% of the total. The investments will contribute towards the purchase and modernisation of inspection boats and surveillance aircraft as well as the purchase of communications material and transport needed to supervise the EC's Common Fisheries Policy. The Commission has just reported to the Council and the European Parliament on serious drawbacks in the current system of controls. Among a series of recommendations: more powers for Community inspectors, better communications and greater use of satellites to check location of boats.

Commission fines Dunlop Slazenger. The European Commission has imposed a fine of 5 m ecus (£3.5m) on Dunlop Slazenger International, a subsidiary of the UK conglomerate BTR, for breaches of the EC's competition rules in restricting sales of its tennis and squash balls on the Continent. A further fine of 150,000 ecus (£105,000) was imposed on All Weather Sports, DSI's sole distributor in the Benelux countries for the Dunlop brand. The fines followed an investigation into certain restrictive practices by DSI instigated by a complaint from Newitt, a UK distribution company which accused DSI of using various means to block its own exports to other Community States. The fines were imposed under Article 85 (1) of the EEC Treaty which guarantees free movement of goods.

Japan and EC regional development. Assessing the contribution of investment from Japan to regional development in the Community, Commissioner Bruce Millan said in Edinburgh on Friday that in the past US direct investment had been dominant but more recently direct investment by Japanese companies had become increasingly important. In the period 1986 to 1989 Japanese investments in manufacturing already rivalled in number those from the US. Over the last five years Japanese investment in the Community totalled nearly £30 Billion. Looking specifically at the UK, Millan noted that the single largest country of origin of foreign enterprises in manufacturing was still the United States with Germany and Japan in second and third place. This investment had been concentrated in three regions in the UK; Scotland, the West Midlands and Wales. Although total Japanese investment was still small by comparison with that from the United States it was significant for two reasons: there had been a qualitative transformation through the introduction of Japanese manufacturing techniques and quality levels, and the scale of recent investment from Japan had been such that it had probably overtaken Germany as the second largest inward investor. Employment in Japanese manufacturing companies rose from under 4000 workers in 1983 to over 50,000 in 1991, ten per cent in Scotland.

EC aids Turkish quake victims. The European Commission has granted immediate emergency aid worth 202,000 ecus (£141,400) for the victims of the recent earthquake in Turkey. The aid will mainly be used to provide tents and other supplies.

EC & the Maghreb. Commissioner Abel Matutes spent 24 hours in Morocco last week to begin a series of exploratory meetings with the Government there and later in Algeria and Tunisia to see how a political and economic partnership can be built up. Matutes had an audience of King Hassan and seven of his principal Ministers. In the light of these talks the Commission plans to make a proposal to the Council shortly about the future direction of EC relations with the three Maghreb countries.

European Week for Business was officially launched in Brussels on Tuesday by Commission President Jacques Delors and the current President of the Council, the Portuguese Minister for Industry Mira Amard. Commissioner for Enterprise Policy Antonio Cardoso e Cunha was also present. The UK's 27 European Information Centres will be taking full part in the week 23-27 March which is designed to assist small and medium sized enterprises in becoming more successful within the big European market. Details of local events from Alasdair Sutherland or Karen de Leschery: 071 823 9666.

Middle East & Europe an integrated Communities Approach - this report for the Commission from 35 experts coordinated by the Federal Trust for Education and Research was launched at Jean Monnet House, London, yesterday. Details: Adrian Slade 071 828 7485 or 071 259 9990.

Conference and Diary Dates.

Towards Fiscal Federalism? seminar on Delors 2 package organised by the Federal Trust and the Commission's London Office, 30 March at 8 Storey's Gate. Reservations: 071 259 9990.

Energy in the Single Market. An Institute of Energy Conference at the London Metropole Hotel on 14 May. Details from Catherine Smith, Conference Administrator. Tel: 071-580-0008.

Environment Council	23	March	Brussels
ECO/SOC plenary session	24-26	March	Brussels
Transport Council	26-27	March	Brussels
Agriculture Council	30-31	March	Brussels
Internal Market Council	31	March	Brussels

Our next briefing will take place on Thursday 26 March at 11.30 a.m.