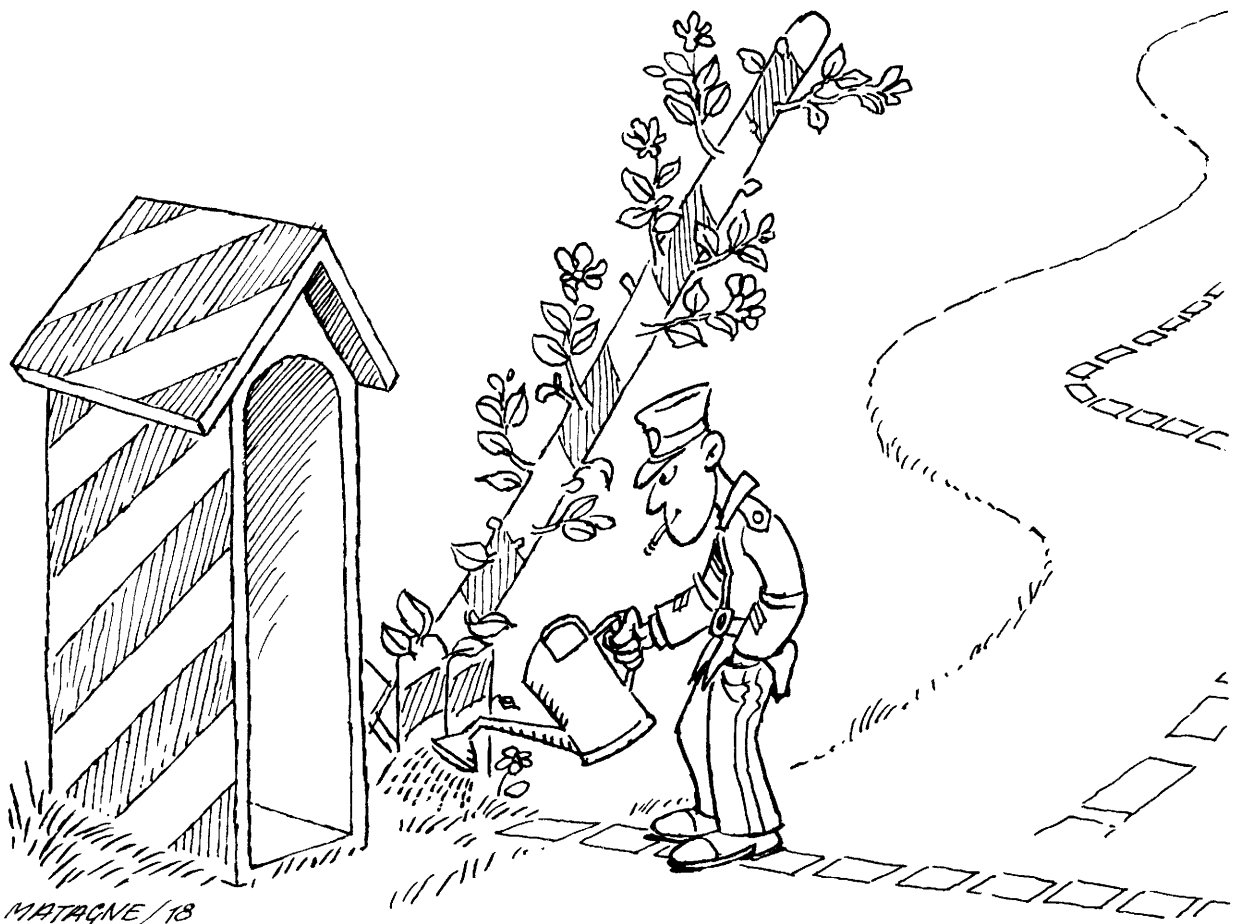


# euroforum

## europa day by day

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From the 1st July 1977 the customs union of the Nine will be a reality (see page 3)

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++ 1st JULY 1977 : CUSTOMS UNION FINALLY COMPLETED

The customs union of the six founding countries of the European Community will be fully extended to the three "new" Member States on the 1st July, 1977.

Euroforum explains the implications of the customs union in Annex 1 and why there will still be customs officials at border posts.

++ WHO FOOTS THE POLLUTION BILL?

The polluter should - in Annex 2, Euroforum examines the economic consequences of this principle that has been taken up by the Council of Ministers.

++ AT THE EUROPEAN PARLIAMENT

In his report on the economic situation of the European Community to the European Parliament, Mr. Ortoli, the Commission Vice-President responsible for economic affairs, stressed that the divergence in inflation rates that had been starkly evident at the beginning of 1974 was still very much in existence in 1976. It ranged from 4.5% in Germany to 18% in Italy, with a tendency to accelerate in the latter, and a little less than 10% in Belgium, France, the Netherlands and Denmark. In 1977 inflation should retreat a bit, though less than expected, despite the vigorous policies pursued by Community countries.

The external imbalances, that had been reduced significantly by the recession of 1975, were higher again in 1976 : the worsening of the position in Denmark, France and Italy, and the persistence of British deficits contrast with the steady balance in Germany and the increased surplus in the Netherlands. Over 1977, a better overall balance is expected and the gap between surplus and deficit countries will narrow.

A major debate on energy gave the European Parliament an opportunity to discuss the Ekofisk disaster. Mr. Natali, Vice-President of the Commission, stated that the possibilities for Community intervention in this field were non-existent or nearly so. He hoped that the Council of Ministers would adopt concrete measures in June allowing the Community to act and to fight against marine pollution by hydro-carbons.

The discussion on energy illustrated the dual anxiety of European Parliamentarians : Community energy supplies need to be assured, but at the same time all necessary precautions must be taken so as not to destroy the environment.

Question time, a relatively new procedure introduced by British members, gave the opportunity to discuss a wide variety of topics :

Geothermal Energy

In reply to Messrs. Bangemann and Krall, Commissioner Guido Brunner stated that 13 of the 59 million units of account (1 ua = 1.1 US dollars approx.) allocated to the energy research programme are devoted to the study of geothermal energy. Hopefully, more than 1% of the energy consumed between now and 1985 will come from this source.

++ AVOIDING ANOTHER SEVESO

There is a major gap in Community regulations in the industrial use of toxic substances, according to the European Commission. To fill this gap, the Commission is at present working on a draft directive to control certain chemical substances which are dangerous at the production stage because of their toxicity, persistence, inflammability or explosiveness. This proposal should be sent to the Council of Ministers in the near future.

The Commission has already sent the Council of Ministers a proposal which modifies the June 1967 directive on dangerous substances. This proposal obliged manufacturers to test all new substances before putting them on the market. These tests make it possible to assess all the possible risks to man and the environment, especially concerning toxicity. Manufacturers are obliged to inform the Member States of their results. All new substances must also be classified, so that a constant watch can be kept on all products put onto the market and, in case of danger, allow the necessary measures to be taken rapidly.

++ CHINA AND THE EUROPEAN COMMUNITY

The European Commission has just confirmed its wish that some kind of agreement should be negotiated very soon with the Peoples Republic of China. Questioned by Mr. Berkhouer at the European Parliament, the Commission stated a preference for a framework agreement defining relations between the two parties and thereby allowing them to develop trade. And the Commission also points out that contacts between the Commission and China's Mission to the European Communities have never been suspended or interrupted.

++ HARNESSING THE SUN

It is possible that solar energy could be used to help developing countries. True, the sun can scorch crops, but it may also be harnessed, and here the benefits could be enormous. The European Commission plans to organise a colloquium next year on solar energy and economic development. This colloquium will present the opportunity of evaluating progress in techniques for converting the rays of the sun, and to discuss the technical, economic and financial aspects of the

development of solar energy with a view to employing it in the near future, especially in rural areas.

++ COMMUNITY PASSPORTS

Mr. Seefeld of the European Parliament, finds himself irritated by "the extravagant stamping of passports" in the European Community. The European Commission states that in this matter, for the last year, the major part of Community discussions on the European passport have dealt with its uniform presentation. For this reason, there has been no new progress towards abolishing all the forms of frontier control within the Community. In the meantime, the Commission hopes that all the work on uniform presentation of the European passport will soon be finished. It then plans to ask Member States to cease stamping passports at each entry and exit between countries within the Community.

++ ENVIRONMENTAL PROTECTION AND WORLD PEACE

Environmental protection frequently requires international cooperation and can therefore indirectly help world peace. The Community have signed cooperation agreements - involving environmental protection - with Malta, Morocco, Algeria, Tunisia, Egypt, Libya, Israel, Syria and the Lebanon. If it could be possible to organise, in addition to a strictly bilateral cooperation agreement between the Community and these countries, a coordinated agreement between all the countries bordering the Mediterranean, it would hopefully mean the beginning of a better understanding between these countries of the problems that they are faced with. This idea is not all that utopian since the United Nations "Blue Plan" has already brought round the same table countries such as Egypt, Israel, Greece, Turkey and Cyprus to promote coordinated action to protect the environment.

++ AID TO TRADE

A synopsis of measures taken by Member States concerning trade has just been published by the European Commission in its "Studies" series ("Trade and Distribution" N° 2.). The document lists the measures taken concerning competition, rules of establishment, taxes, professional training, etc. It is on sale at the Office for Official Publications of the European Communities - boîte postale 1003 - Luxembourg.

++ THE COMMUNITY'S APPLES

The production of apples in the Community during the 1976/77 marketing year and the volume of stocks on 1st January 1977 are presented below :

(in tonnes)

	Production 1976/77	Stocks 1st January 1977
Belgium	219,800	120,000
Denmark	75,600	25,000
Germany	1.486,900	101,400
France	1.670,000	504,000
Ireland	13,500	5,000
Italy	2.048,500	980,000
Luxembourg	7,000	-
Netherlands	385,000	186,000
UK	363,000	106,000
Total EEC	6.269,300	2.027,400

++ LUMINOUS CARS

The European Commission has been asked whether motor cars should be painted in luminous colours to make them safer on the road. The results of studies undertaken so far are inconclusive, says the Commission, but research is continuing which may eventually enable the Commission to make a judgement either way.

++ SURMOUNTING LINGUISTIC BARRIERS

"Breaking down linguistic barriers" was the title given by the European Commission to a meeting that it has just held in Luxembourg. Linguists, translators, teachers, editors, interpreters, economists and computer specialists from the United States, Canada, the USSR, China and Community countries discussed their experiences and looked at the future of this new discipline - "multilingualism".

In 1966 the American authorities felt that automatic translation was just a pipe-dream that did not merit continued spending of millions of dollars on its development. Despite this, linguists everywhere continued to analyse the basic structures of language while at the same time the cost of computers never ceased to fall. Today one again finds people who think that translation by computer is a real possibility - or even better - a commercial proposition. World specialists in human and automatic translation have been able to examine the present state of affairs as well as the possibilities for applying new translation techniques.

++ EUROPE AND THE WORLD

A European University Association for International Studies has just been created as a result of a colloquium organised by the European Commission on April 29 and 30 "the rôle of Europe in the international system" which brought together thirty university teachers specialising in International Relations.

The aim of the Association is to establish contact between International Relations specialists in European Universities and to find a place for European problems in International Studies.

Affiliation to the Association is open to anyone teaching or researching in this area. Information may be obtained from : Prof. Jean Buchman, Centre d'Etudes Européennes - Université de Louvain, 1, Place de l'Université - 1348 Louvain-la-Neuve, Belgium.

1st JULY : CUSTOMS UNION FINALLY COMPLETED

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The customs union of the six founding countries of the European Community will be fully extended to the three new Member States on the 1st of July, 1977. This means that no more customs duties will be levied on goods which are traded within the Community of the Nine. However, this is not going to mean a pension for the customs officials working on the frontiers. The border posts will still remain.

Why customs officials?

Once the customs union is completed, travellers crossing the border between Community countries will be likely to ask themselves why they continue to have customs officials when the Community has decided to remove customs barriers.

The customs officials, however, are not only present to deal with customs duties. They represent a variety of public authorities at the border. They exist to regulate the indirect taxes (VAT for example) on goods being brought into a country, to collect trade statistics (as a useful aid to determining economic policy), to inspect the import of perishable goods, (health, veterinary and phytosanitary inspections), to catch sharp operators when there is a currency restriction, and also to catch art thieves and drug traffickers.

All these are the duties of one uniformed customs official, which makes things a little more complicated in the eyes of the public.

What is a customs union?

A customs union is a convention under which two or more countries agree to eliminate all customs barriers, i.e. customs duties, and to adopt a common tariff for all goods imported from the rest of the world, no matter at which point it is imported into the customs union area. A free trade area by contrast, abolishes customs duties between its members but leaves each country free to set its own customs tariff with third countries.

It is not enough, however, to reduce customs duties to zero to enable goods produced in Turin or Manchester, for example, to be freely put on sale in Lyon or Delft. As the customs barriers are eliminated, other obstacles reveal themselves. Difficulties caused by the divergence in fiscal and monetary policies emerge, as do problems with company law or in systems of export promotion, grants and subsidies. As a result, a common industrial policy and a common economic policy, which were not laid down in the Treaty of Rome, have become necessary.



Customs duties for the world

Though customs duties within the Community will have been eliminated by the 1st of July 1977, they will continue to apply to the majority of goods being imported from the rest of the world. As with other world traders such as the United States and Japan, the Community will have a single, uniform external customs tariff.

Member States will no longer have the autonomous right to modify their external tariff. Since the 1st of January 1977, only the Community (of the six) has had the right to negotiate tariff changes. At the Kennedy Round international trade negotiations, the six founding states were represented by one body, the European Community, and it has been the same ever since.

The Community does not, of course, have to impose duties on goods coming from third countries. In the framework of its Development Aid Policy for example, it has exempted certain categories of manufactured goods imported from developing countries. This system falls under the provisions of the Lome convention (see Euroforum N° 16/77) and that of the system of generalised preferences.

What are the results of the customs union?

Opening up the frontiers has produced a shock effect on industrial and commercial behaviour in Member States. Most affected initially were those with a long tradition of protectionism and a certain timidity towards external markets.

Such industries were obliged to change their habits, modernise their production and management techniques and expand their markets. Competition has had a good effect on them.

Open frontiers has widened the choice of goods offered to consumers in a large number of fields. In addition, this greater choice has often had the effect of significantly reducing prices, particularly in the field of household electrical goods.

Intra-Community trade has increased considerably. Between 1958 and 1971, trade between the six founder members of the Common Market increased seven-fold, whilst trade with the rest of the world only increased three-fold.

The total integration of the Community's economy will be a long drawn out operation, and can not be accomplished in one generation. The "Zollverein" which encompassed a collection of very homogeneous German states in the last century was a good deal less complicated than the arrangement we have today. Even so, the "Zollverein" which was introduced in 1934 took until 1888 to be completed .... patience is a virtue ....

WHO FOOTS THE POLLUTION BILL?

'The polluter should pay' was one of the general principles endorsed by the Council of Ministers when it adopted the Environment Programme of the European Communities. The cost of preventing and eliminating nuisances must in principle be borne by the polluter. The European Commission's definition of who the polluter actually is does not leave any room for confusion. It is someone who directly or indirectly damages the environment or creates conditions leading to such damage.

Economic implications

The Commission specified in a communication to the Council of Ministers in March 1974 that polluters will be obliged to bear the expenditure of pollution control measures (investment in anti-pollution installations and equipment, introduction of new production processes, cost of running anti-pollution installations, etc.) even when these go beyond the standards laid down by public authorities (see Industry and Society N° 40/74).

The Commission also recommended that the polluter should pay a levy according to the extent of the pollution emitted. The purpose of this levy is to encourage the polluter to take the necessary measures to reduce the pollution he is causing as cheaply as possible (incentive function) and/or make him pay his share of the costs of collective measures, for example purification costs (redistribution function).

The income from this levy could be used to finance measures taken by public authorities or to help finance installations set up by an individual polluter, providing he is seen to render a particular service to the Community by reducing his pollution level below that set by the competent authorities.

When the immediate application of very stringent standards or the imposition of substantial charges is likely to lead to serious economic problems, the Commission provides that aid, possibly of a degressive nature, may be granted for a limited period. The rapid incorporation of pollution control costs into production costs may give rise to greater social costs (unemployment etc.) which should be avoided through such limited assistance.

State aid

During a transitional period it may be necessary, the Commission recognises, to allow state aids designed to assist existing firms adapt to new environmental laws and regulations. The possibility has been catered for by the Commission and Member States have been permitted to grant aid for a six year

period, which the Commission calculates should be long enough to enable all the Member States to implement arrangements ensuring that the polluter pays principle was applied throughout the Community on broadly similar principles.

National aids, however, should not exceed 45% of the anti-pollution investment during the first two years of the scheme (1975 and 1976), 30% of the investment in the following two years, and 15% for the final two years (1979 and 1980).

The degressive scale was justified, the Commission feels, because the Member States must be aware of the need to make polluters pay the price of their pollution as quickly as possible and because firms must be made to treat the investments required to eliminate pollution as a matter of urgency.

To avoid any problems with regard to competition and trade within the Community, the Member States are required to report the aids they grant, and the investments involved in each industry, so that the Commission can check that the appropriate subsidies are being given, and intervene when the grants are distorting industrial competition.

Damage to the environment has to be prevented without damage to the economy.

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