

EUROMEMO

Recent Developments in the European Community

June/July 1992

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EC competition policy in evolution.....in a recent address in Brussels, EC Competition Commissioner Sir Leon Brittan shared his vision of how the Community's competition policy should develop over the coming years. Two sets of issues will be influential: internally, the challenge will be to find the correct balance between and increase in dynamic business strategies and anti-competitive deals as companies adapt to the dimensions of the European market, and eventually the move to full Economic and Monetary Union. Externally, the question of enlargement and the globalization of markets would have an important impact. The challenge would call for continued practice of "subsidiarity", the principle which gives responsibility to the lowest effective level of government. Brittan, in his speech entitled "Competition Policy: A Look to the Future", said this was the case with the Merger Regulation, which gives the Commission power to vet only proposed mergers of European scale over certain thresholds.

Increasing Industrial Competitiveness is the title of a new pamphlet which outlines what measures the Community is taking to help big and small companies take advantage of the frontier-free market after 1992 by creating a more favorable business environment. The elimination of tax obstacles, in particular, double taxation, are the subject of the Commission's recent proposal on **New Guidelines on Company Taxation in the Context of the Further Development of the Internal Market**. A press kit explaining new legislation and further guidelines is available. The kit also includes a summary of the various corporate tax rates in each member state.

Competitiveness is a concern for European carmakers, whose net exports of vehicles in 1990 contributed almost \$15 billion to the EC balance of payments. Although the industry enjoys a strong position, it faces stiff competition from Japan. The Commission has proposed a series of actions which are designed to get Europe's carmakers to help themselves. The proposal (**The Motor Vehicle Industry: The Challenge of Competitiveness Between Now and the Year 2000**) targets weaknesses of the European industry vis-a-vis Japanese production, especially in application of R&D findings, productivity and labor skills.

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EC relations with Japan...in 1991, Japan's trade surplus with the EC jumped by 25 percent to \$29.5 billion, as imports of EC luxury goods dropped due to slower economic growth, and direct investment by EC companies remained disproportionately low. In a Communication entitled "A Consistent and Global Approach: A review of the Community's relations with Japan", the EC Commission has put forward a plan to draw Japan out of its economic isolation and into the international system. The communication focuses on sectoral (chiefly agriculture) and structural (distribution, poor enforcement of competition law) barriers to trade with Japan. Based on the principle of mutual advantage, the communication suggests possibilities for improved industrial cooperation, foreign investment opportunities in Japan, and expansion of the political dialogue which was formalized in the July 1991 EC-Japan declaration.

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Trans-European Networks....the Channel Tunnel linking the United Kingdom and France is symbolic of the concrete steps being taken to build a new European transport and telecommunications infrastructure linking all regions of the European Community. These are essential to multiply the benefits of the single market and extend them to all EC citizens and businesses. A new booklet entitled **Trans-European Networks** describes the Community's task in promoting the development of new communication and distribution systems within the EC. In response to decisions taken at the December 1990 European Council in Maastricht, the EC Commission on June 10 issued proposals for three new networks (combined transport, inland waterways and road transport). The Commission proposals, summarized in a series of information notes (no. P 34 - P 37), would provide guidelines for EC countries to link national networks, ensure technical interoperability of national systems, integrate isolated regions and take fuller account of the environmental dimension of European transport. A separate brochure, **Europe 2000: The Development of the Community's Territory**, explains why development planning should be seen in the wider context of Europe to allow for enlargement of the Community and closer links with neighboring countries.

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Anti-dumping....the EC Commission recently adopted its Tenth Report on Anti-Dumping and Anti-Subsidy activities. The report concentrates mainly on Community investigations during 1991, with comparative statistics for the years 1987-1990. Cases are broken down by product sector and country of export. Notable cases from 1991 are analyzed separately. The report also reviews the Community's anti-dumping policy in relation to the Uruguay Round negotiations, the European Economic Area (which will extend the single market to 7 neighboring non-EC countries, and the recent Europe agreements signed with Poland, Hungary and Czechoslovakia.

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EC clinches agricultural reform....after months of difficult debate, EC agriculture ministers finally reached agreement on the reform of the Common Agricultural Policy (CAP). The reform involves an important change in the direction of agricultural policy. Instead of assuring farmers' income through a costly system of price supports, the new CAP compensates farmers directly for price reductions and land set-aside, thereby severing the link between market support and production. The package also includes accompanying measures which open up new prospects for innovative programs for the environment, afforestation and early retirement. A summary of the May 22 Political Agreement on CAP Reform, as well as a published interview with EC Commissioner for Agriculture Ray MacSharry are available.

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EC humanitarian aid....the EC has provided humanitarian aid since 1970, initially on a modest scale, but recently on a much increased one. In 1991 alone, the Community provided nearly \$ 1.1 billion in food, shelter, medical aid and other basic necessities in over 40 countries in Africa, Asia, Latin America and Eastern Europe. A brochure entitled **Humanitarian Aid from the European Community: Emergency Aid, Food Aid, Refugee Aid** traces the history and geographical reach of EC aid programs, explains how aid is distributed through specialized agencies, compares EC contributions with those of other major donors, and highlights the EC's relief efforts in Africa and the Middle East during 1990 and 1991. A condensed version of the brochure is also available.

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The environment...a recent poll indicates that 85 percent of Europeans in 1992 consider environmental degradation "an immediate and urgent problem", compared to 72 percent in 1986. According to the same Eurobarometer survey – entitled **Europeans and their Environment in 1992** -- 69 percent of Europeans are most worried about the destruction of the ozone layer, and 56 percent regard the lives of future generations as the most compelling reason for action. But environmental problems are not only a scourge of the industrialized world: **The Courier**, a magazine published by the EC and ACP (African, Caribbean and Pacific) partner countries, devoted its May-June edition to the environment-development theme in anticipation of the so-called Earth Summit in Rio. Articles cover topics including environment and development; environment, development and poverty; sustainable development; and consequence of an increase in the greenhouse effect.

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EC databases...the EC has just issued an updated **Directory of Public Databases**. Now numbering 44, the databases give users access to the latest information on subjects including the implementation of the 1992 single market program, EC law, daily exchange rates for the European Currency Unit (ECU), as well as general, macroeconomic and trade statistics for the EC.

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EIB Annual Report (1991)...the European Investment Bank (EIB), the Community's Luxembourg-based financial institution, promotes balanced development inside the Community by helping to finance capital projects for regional development, environmental protection, infrastructure, energy resources and industrial competitiveness. It also provides funding for projects in non-EC countries with which the Community has economic and financial cooperation agreements. The EIB's 1991 Annual Report provides detailed accounts on all facets of the Bank's operation. Key data is highlighted through use of color charts, statistical tables, photographs and illustrations.

EC NEWS Press Releases issued during June/July:

- EC REGRETS U.S. DECISION ARISING FROM OILSEEDS DISPUTE
- EC COMMISSION PREDICTS GENTLE ECONOMIC RECOVERY IN SHORT TERM
- EC TO CHALLENGE US TRADE RETALIATION IN CONNECTION WITH OILSEEDS DISPUTE
- EC LEADERS PRESS AHEAD ON MAASTRICHT
- ANDRIESSEN CLAIMS U.S. HARASSMENT OF NORMAL TRADE FLOW IN STEEL
- U.S. AND EC SIGN U.S./EC CIVIL AIRCRAFT AGREEMENT AND SUGGEST RENEGOTIATIONS OF GATT AGREEMENT
- EXPERIMENTAL FUSION REACTOR ENGINEERING DESIGN AGREEMENT SIGNED