

EUROPEAN COMMUNITY NEWS

PUBLISHED FORTNIGHTLY

The contents of this newsletter may be quoted or reproduced without further permission.

COMMISSION OF THE EUROPEAN COMMUNITIES

2100 M Street, N.W., Washington, D.C. 20037 phone: (202) 872-8350
277 Park Avenue, New York, N.Y. 10017 phone: (212) 371-3804

JANUARY 5, 1973 NO. 20

THE NEW YEAR BRINGS A NEW COMMUNITY

The "Six" is now the "Nine," as Britain, Denmark, and Ireland formally joined the EC on January 1, 1973. New Year's Day, culminating more than 10 years of discussion and negotiation, marked the first time the EC had expanded its membership.

Full British, Danish, and Irish membership will, however, take place gradually through a transitional period. Industrial tariffs between the new and the old member states will be eliminated in five stages by July 1, 1977. Agricultural alignment, a six-stage process, will be completed by December 31, 1977. The new member states' financial contributions to the Community will also be progressively increased until January 1, 1978, when each new member will carry its full share of the EC budget.

The enlarged EC is the largest trading bloc in the world. Its share of world exports and imports (based on 1971 figures) will be 27.6 per cent and 24.3 per cent, respectively. The Nine will account for \$11.2 billion or 25.4 per cent of total US exports. The United States will import \$10.4 billion worth of goods from the enlarged EC, accounting for 22.8 per cent of total US imports.

For the United States, which has consistently supported efforts to build a united Europe, the EC's enlargement means an immense, single market of 253 million consumers, not only for US exports but for US investments as well. Britain, one of the largest importers of US goods, will bring down her average industrial tariff level of 7.6 per cent to the EC's lower level of 6 per cent. Most US agricultural exports to Britain will also encounter less protection now.

The most apparent benefits to the new member countries are economic. For Ireland, where agriculture accounts for nearly one quarter of both the GNP and the labor force, the economic benefits will be immediate. The Community's common agricultural policy (CAP) will ensure increased farm income and higher Irish export earnings. Industry, too will be attracted to Ireland as an "inroad" into the Common Market, and the Community's regional policy will help develop Ireland's underdeveloped areas. These factors no doubt played a large part in the almost five-to-one Irish vote last fall in favor of EC membership.

Danish voters also decisively approved Community membership and largely for the same reasons -- economic. During the first year of membership,

Danish agricultural exports are expected to increase by about \$287 million over 1972. Although imports of industrial raw materials are expected to increase by \$43 million, the Danes are confident that their electronic components, precise measuring instruments, furniture, ceramics, and other quality manufactures will find a growing market in the other Community countries. Moreover, Denmark's huge foreign debt of \$2.4 billion -- a European record for a country of Denmark's size -- will be easier to balance now that the country is an EC member.

While agriculture provides one of the biggest benefits to Denmark and Ireland, this same economic sector is a minus for the United Kingdom in joining the Communities. For Britain is the largest net food importer in the world, and EC membership will mean higher food prices. But this and other short-term costs should be more than counterbalanced by long-run benefits -- more capital investment in Britain, increased competition, and booming industrial exports.

In the political equation, the cost-benefit ration for the three new EC members is less clear. In the case of Norway, which had sought but later rejected EC membership, the political costs were perceived by the average Norwegian as too high. But Britain, Denmark, and Ireland chose to give up traditional independence to become part of a Europe seen as an emerging economic superpower.

The EC's enlargement has meant institutional adjustments. The EC Commission now has 13 members, instead of the former nine: two each from Britain, France, Germany, and Italy, and one each from Belgium, Denmark, Ireland, Luxembourg, and the Netherlands. Voting rights in the new nine-member Council of Ministers are: Britain, 10; France, 10; Italy, 10; Germany, 10; Belgium, five; the Netherlands, five; Denmark, three; Ireland, three, and Luxembourg, two. The new European Court of Justice has nine judges and three advocates general. The European Parliament now has a total membership of 198, allocated proportionately among the nine countries.

But beyond these institutional adjustments, the question remains whether enlargement and integration will be compatible. If last October's "Summit" meeting of the heads of the Nine was any indication, the answer is "yes." At that Paris Summit, the Nine called for a transformation of "the whole complex of their relations into a European union by the end of the decade."

PEACE DECLARED IN THE "CARPET AND PLATE GLASS WAR"

The New Year also brought an end to the 1962 "carpet and plate glass war" between the Community and the United States. Effective January 1, the EC suspended its compensatory tariffs on US carpets and glass, which had been levied after the unilateral US move to increase tariff protection for rugs and glass. The Common Market compensatory action had had the approval of the General Agreement of Tariffs and Trade. The suspension of the EC compensatory duties came after the United States allowed its safeguard measures on carpets to expire and tariffs on plate glass to be gradually reduced.

PRESS VIEWS ON ENLARGEMENT

THE YEAR FOR EUROPE

The new year has brought into being a new Western Europe that is destined to alter trade, monetary, political, and security relationships on a world scale. This is a sweeping prospect, but one that the United States must accept as it adjusts to the enlargement of the Common Market. During the entire postwar era, American governments have striven to make Western Europe a more cohesive entity despite the sure knowledge that such a development would not be without its complications. This has been statesmanship on an order perhaps unequaled in any other US postwar effort, and as we move into the era where some of its adverse effects may be felt it would be folly to regret our past actions. On the contrary, the kind of Western Europe that exists today is clearly in the higher interests of the United States. Had age-old divisions remained, not only would there have been recurrent dangers of conflict and instability but the lands west of the Elbe would have been ever prone to Communist disruption and pressure.... Having opened the door to China, having put Washington-Moscow relations on a broader foundation, having come tantalizingly close to an end of direct US participation in the Vietnam war, the President will be wise to demonstrate that our first priority and our first alliance must remain in Western Europe. -- Editorial, *The Baltimore Sun*, January 2, 1973.

IMPACT ON UNITED STATES

Washington -- The bigger European Common Market, which took force today, may lead to new trends in international trade, investment, and monetary policy, but US officials can only hazard guesses as to their direction. At least two things are certain, however. President Nixon supports the Common Market's enlargement as promising a more unified Europe, and the United States, in its future European dealings, will be facing an even more important, although increasingly complex, international grouping. The United States is not expected to suffer in any material way in its industrial trade, as a result of Britain, Denmark, and Ireland joining the Common Market. The impact on US farm exports may be more pronounced, but it could be either favorable or damaging. The enlarged market is not expected to attract a new wave of US investment, but it might persuade American companies in Europe to "rationalize" their operations. Britain and Ireland may become more important US investment centers. -- Richard Lawrence, *The Journal of Commerce*, January 2, 1973.

FOR BRITAIN, A MIXED BAG

London -- After a 10-year struggle, Britain joins Europe... with her officials jubilant and her public apprehensive. For Prime Minister Heath, who has long led the effort to enter the European Economic Community, or Common Market, it is a historic achievement and... "a very moving moment." But among the British generally there is little eagerness for the venture. They may not be going in kicking and screaming, but neither are they going in cheering. ...Their Empire gone, their Commonwealth devalued, the British had grown accustomed to the insular island life. They seem to enjoy putting a high priority on stability and civility no matter the cost in industrial performance and statistical heights. Now they must look outward again, give up some of their sovereignty to a large community and compete as they never have before as tariff walls fall. Muddling through won't be enough this time. And Mr. Heath and his ministers, aware of the public apathy, are counting on traditional British inventiveness and spirit to meet the challenge. -- Alvin Schuster, *The New York Times*, January 1, 1973.

FOR EUROPE, BRITAIN IS "IN"

Paris -- A Parisian, invited home to dinner by some French friends the other day, was served a Christmas pudding. Lapin gallois a la Lord Snowdon is making its appearance on some French restaurant menus. The dish is simply Welsh rarebit. Hungry on the Champs Elysees? Try the Red Lion for a tasty steak and kidney pie. An English food invasion of France can mean only two things: The French have lost their senses, or the French are in love. It's probably the latter. As Britain finally joins the European club of nations known as the Common Market, not just the French but all Continentals are fascinated by their cousins across the water. Of course, there's a little anxiety, too, especially in the business circles thrown off balance by the British investment money that has flooded Continental centers over the last 12 months. But the problems are in the future, after the marriage. For the time being, the water is warm and romance is in the air.... On the Continent things British are smart, like the whisky aperitif at fashionable and not so fashionable dinner parties, like the tweed suit in the Burberry window in Brussels, like the disk jockey's voice at the Voom Voom in Vienna, like the red mini parked outside the Griffin Club in Geneva.... In Paris toy shops this Christmas one of the big sellers was a model of the British-French Concorde aircraft with a nose that slides up and down like the real thing. These toys symbolize one area -- supersonic airline flight -- where Europe is ahead of the United States. They also symbolize the romance between Britain and the Continent. -- Clyde H. Farnsworth, *The New York Times*, January 1, 1973.

EUROPEAN COMMUNITY NEWS

2100 M Street NW Washington DC 20037

FIRST CLASS