

# A Letter From EUROPE

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A monthly update on the European Community  
from its Delegation in Washington

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## EUROPESSIMISM

Europessimism is now all the rage. It is hardly possible to open a newspaper or magazine without seeing some blood-curdling account of the decline of Western Europe. Disaster may be staved off long enough for Americans still to be able to make some quick purchases in Bond Street or the Faubourg St. Honore. But a squabbling, protectionist and industrially arthritic Europe is presented as remorselessly going down the tube. As someone sings in Gilbert and Sullivan's *The Gondoliers*:

"Of that there is no manner of doubt  
No probable, possible shadow of doubt  
No possible doubt whatever."

We take a different view. Extremes of pessimism and optimism are usually ill-judged.

### SOME FACTS

Let me list a few facts:

#### (a) Is the Community protectionist and inward-looking?

Imports measured as a percentage of GDP in 1982 in the Community were 13.3% as opposed to 8.4% in the United States. The Community accounts for one-fifth of world imports (the US some 16%). And while the average weighted tariff for industrial products in the Community is approximately the same as in the United States - around 4.5% - the Community tariff is more homogeneous. Thus more than 10% of US industrial imports were subject to customs duties above 15% - e.g. woven wool fabrics 38%, + 35 cents a pound - while less than 1% of Community industrial imports paid a tariff of more than 15%. Taking into account all tariffs paid, the average into the Community is a mere 1%.

(b) Smokestack industries. Europe is accused of making misguided efforts to hang on to its declining smokestack industries. This strikes us as odd. The US-EC Steel Arrangement of 1982 has led to a severe 27% fall in our exports of steel to the US. Such restrictions as we have on steel imports are much milder. Imports of steel into the Community sank from

STEEL  
IMPORTS

only 10.4% of consumption in 1976/77 to 10.1% in 1983. Plant modernisation in the United States has lagged (for example, only 34% of US steel is produced by continuous casting compared with 56% in the Community). Between 1976 and 1982 the number of workers in metals production industries fell 23% in the EC, compared with a 20% reduction in the US.

(c) Productivity. The Wall Street Journal of April 9 recorded "one important labor area where the US record falls dismally short of the showing abroad. Gains in worker productivity in the US have consistently lagged behind those elsewhere. In a recent 10-year span, for example, the US productivity advance averaged only 1.7% a year. That compares with gains of 7.2% in Japan, 4.5% in France, 3.6% in West Germany, 3.7% in Italy and 1.8% in Britain".

(d) The economic outlook. The recent forecast for growth in the Community in 1984 is 2%. If all goes well it might approach 3% in 1985. But US economic prospects saw a transition from gloom to euphoria in little more than a year. Europe equally might well do better than is now anticipated.

(e) Agriculture. Europe is portrayed as bankrupted by its huge agricultural subsidies. The truth is that the Community budget (\$23 billion in 1983) is still less than 1% of the GNP of our Member States. The money spent on agriculture within this total was \$16 billion, compared with \$18.9 billion from the Federal Government plus another \$9.4 billion worth in PIK. And the European Council of Ministers has recently taken some tough decisions to cut subsidies.

(f) New technology. The EC presently is involved in the world's biggest program for developing nuclear fusion power (the Joint European Torus in Culham, England) and has launched an ambitious program to make Europe more competitive in the field of information technology. Europe maintains a strong position in biological and chemical technology.

(g) Economic philosophy. The general mood in the Community has changed dramatically in the last five years. Governments are dealing toughly with over-employment in State industries and are working to reduce subsidies and restore profitability to private enterprise. The result will be a leaner, more competitive European economy.

We present these facts as evidence that Europe is not in the mess that the purveyors of Europessimism claim. Europe is alive and kicking. The trend is up. The Community's remaining budgetary difficulties should be sorted out by summer. The reports of the European Community's death, as with the famous case of Mark Twain, are exaggerated.

*Roy Janner*

BRIGHTER  
PICTURE

A NEW MOOD

# WINDOW ON THE EUROPEAN COMMUNITY

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## EC ENACTS MAJOR FARM POLICY REFORMS

The European Community recently enacted major farm policy reforms designed to adapt its Common Agricultural Policy (CAP) to the 1980's by limiting agricultural spending and discouraging surplus farm product output. The new farm policy package, adopted by EC Agriculture Ministers on March 31, features strict controls on milk production, a tight rein on farm prices and restrictions on the volumes of specific farm products eligible for price supports. The package marks a major turning point in the development of the CAP and culminates three years of effort by the EC Commission to promote a political consensus in favor of farm policy reform.

Overall, the new package (when expressed in European Currency Units, the EC's accounting unit) would decrease the EC's average farm prices in 1984-85 by 0.5%. The package prescribes price freezes for sugar, and milk and price cuts for grains, oilseeds and wine. The price package will mean a 3.3% price increase for EC farmers in 1984-85 when translated from ECU into the national currencies of the EC's member countries. However, this increase would be well short of the EC's anticipated 1984 inflation rate of 5.2%.

EC Agriculture Ministers adopted especially strong measures to curb surplus milk production. In addition to freezing milk prices, the Ministers fixed milk production quotas for the next five years at levels only 1% above the Community's 1981 milk deliveries, with certain exceptions for Ireland and Italy. EC Member States will be allowed to produce somewhat more than that amount during a 1984-85 transition period. European milk producers or dairies exceeding their prescribed quotas will find themselves subject to harsh penalty levies. The Community,

like the US, has been forced to purchase large quantities of dairy products to support milk prices in the face of surplus production. The 1984-85 farm price package again mandates "guarantee thresholds" for milk, grains, rapeseed, cotton, tomatoes and sugar and introduces them for three additional products: sunflower seed, durum wheat and raisins. Guarantee thresholds are strict limits on the amount of a given commodity that can qualify for price supports.

In conjunction with the above restrictions on EC milk and grain production and other moves to bring EC farm prices closer to those of other agricultural exporters, the Farm Ministers authorized the EC Commission to open negotiations with supplier countries aimed at temporarily stabilizing the EC's imports of corn gluten feed and other grain substitutes. The negotiations would provide for appropriate compensation to the EC's trading partners. EC imports of grain substitutes have skyrocketed in recent years, contributing to excess milk production, displacing grains from livestock rations and forcing the EC to sell more of its grain abroad.

## EC COMMISSION ASKS LOAN TO BRIDGE FUNDING GAP

The EC Commission has asked the Community's member countries for a \$2 billion loan to help tide the EC over while its leaders search for a compromise that will give the Community more revenues of its own in future. EC leaders reached a tentative accord at their March summit meeting in Brussels on a formula that would increase the revenues available to pay for EC programs. However, final approval of that plan is contingent on EC leaders reaching a consensus on the entire range of issues involved in overhauling the EC's finances. A dispute over how much the UK should contribute to the EC's budget has

thrown up a roadblock to that broader consensus. Britain maintains that it pays far more into Community coffers than it gets out and has demanded that the EC find a permanent solution to redress that imbalance. In the past Britain has received annual rebates from the EC.

The Commission proposed that the loan be raised among EC Member States according to their relative contributions to the EC budget. The proposed loan would bear interest at market rates and would be repaid in half yearly instalments beginning on June 30, 1986. The repayments would be financed by the hoped-for increase in EC revenues tentatively slated to take effect during that year. The proposed loan would need the approval of the EC's Council of Ministers before it could be launched.

#### EUROPEAN DIGNITARIES INAUGURATE JET FUSION RESEARCH PROJECT

French President François Mitterrand, Britain's Queen Elizabeth II and EC Commission President Gaston Thorn were among the officials on hand on April 9 in Culham, England at inaugural ceremonies for the Joint European Torus (JET), the world's biggest nuclear fusion research project. The ceremony marked the completion of four years of construction on the project. The JET facility receives the bulk of its funding from the EC.

The JET project will enable scientists to conduct a seven-year program of experiments to test the viability of nuclear fusion as a power source for the future. The nuclear fusion process, in which the nuclei of two light atoms like hydrogen are joined together, produces tremendous amounts of energy. Scientists hope they can learn to harness this potential clean, safe, and virtually inexhaustible energy source to generate electrical power. However, fusion is not expected to become a commercially feasible power source until well into the

21st century. The JET is the world's largest tokamak. A tokamak is one type of design for the magnetic confinement of fusion fuels. Since fusion occurs at temperatures of around 100 million degrees centigrade--hotter than the center of the sun-- a confinement system is needed to keep the ultra-hot gaseous fuels from touching the walls of the vessel in which the reaction takes place. The JET is a joint project of the EC, its Member States and Sweden and Switzerland.

#### EC COMMISSION URGES CLOSER TIES WITH LATIN AMERICA

The EC Commission this month recommended that the EC forge closer ties with Latin America and proposed guidelines for stronger economic and cultural links to that region. In a report to the EC's Council of Ministers, the Community's top decision-making body, the Commission recommended stepped-up industrial, financial and scientific cooperation between the EC and the Latin American nations. It also said the European Investment Bank, the EC's bank for long term finance, should be permitted to loan money for projects to aid in Latin America's economic development. At present, EIB lending outside the Community is limited to the countries of the Mediterranean Basin and the more than 60 African, Pacific and Caribbean countries linked to the EC under the Lomé Convention.

The Commission said it was imperative for the Community to show its willingness to help contribute to the funding of Latin America's development as an expression of confidence in the region's future. It said the EC's commitment to Latin America is all the more essential at a time when the region is undergoing a return to democracy. Relations between the EC and Latin America have been on the mend since the 1982 Falklands War. The Commission said the time is now ripe for a rapprochement.