



COMMISSION
OF THE EUROPEAN
COMMUNITIES

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THE WEEK IN EUROPE

Eve of Summit Commission report on EPU. On the eve of the Special European Council Summit on 27-28 October, the Commission has published a report on how it views the Inter-Governmental Conference on European Political Union, due to start in Rome on 14 December. The report's main thrust is that the convening of the IGC provides "a golden opportunity" to broaden the Community's powers and improve decision-making. It goes on to say that "the osmosis between economic, social, financial and monetary policy on the one hand and foreign policy on the other is and should continue to be the underlying philosophy of a European Union, as affirmed in the preamble to the single Act". Only a single Community, the report states, with a single institutional structure can bridge the gap that has opened up between progress on common policies and advances on political cooperation. A single Community implied a single institutional structure flexible enough to take account of the state of public opinion in the EC; of the need for caution; and for the need of further institutional change to accommodate enlargement of the Community. This section of the report concludes by stating that common sense dictates that in a much larger community the institutions will have to be radically reformed "to prevent Europe degenerating into a mere free-trade area with loose arrangements for foreign policy consultation". On the question of "democratic legitimacy", the report says there are two objectives: to strengthen the powers of the European Parliament and to increase the involvement of national Parliaments. But the current balance of power should be maintained between the Community's three main bodies: the European Parliament should have its right to amend EC legislation extended, and the Council of Ministers should have wider decision-making powers in foreign and security policy while the Commission's prerogative on initiating policies had to be safeguarded. The Commission also endorses the proposal put forward by the Spanish Prime Minister, Felipe Gonzales, for the introduction of the notion of European citizenship. But, the report states, this would take shape gradually, without encroaching in any way on national citizenship, "which it would supplement rather than replace". It concludes by saying the basis for European citizenship could be a statement of rights and obligations focusing on basic human rights and the rights of European citizens to be written into the Treaty. The final comment for the moment on European Political Union came from Commission President Jacques Delors, speaking in Strasbourg on Tuesday. He said the time was not appropriate for defining the final destination of EPU but the "windows should stay open" for moving towards a federal structure.

Conference of Parliaments. A Conference of all the Parliaments of the EC has been convened in Rome on 27-30 November to discuss the future of the European Community. The total number of participants will be 258 including 85 MEPs. Twenty-six Members of Parliament from the UK will attend.

"One Market, One Money". Commission Vice-President Henning Christophersen presented last Friday a 350 page report on the benefits to the EC from economic and monetary union. Entitled "One Market, One Money" the report is the first study providing a comprehensive and thorough assessment of the potential benefits and costs of the move to EMU. Christophersen stressed that the impact of EMU will be significant for efficiency and growth. EMU would completely eliminate nominal exchange rate variability in the Community. In recent years this variability has averaged 0.7% per month for ERM currencies and 1.9% for non-ERM currencies (each currency against all other EC currencies). Furthermore, he said, one single currency completely eliminates the transaction costs of exchanging currencies. These amount to about 0.5% of GDP per year and up to 1% for smaller Member States. They represent costs of 13 to 19bn ecus (£9-13bn) per year in the EC as a whole. The report says that EMU will also mean a specific increase in production by 5% of GDP as investors would no longer be put off by the risk of exchange rate fluctuations. EMU would also lower the variability, as well as the rate, of inflation thereby stimulating real output by 0.3% of Community GDP. EMU would reduce interest rates for the FRG's partners in the EMS, so that governments would gain more, in terms of less costly public debt service, than they would lose from no longer being able to print their own money. Finally, EMU would help the Community weather outside shocks, such as the oil price rises stemming from the Gulf crisis, with smaller fluctuations in inflation and output. As an international currency, the ECU would allow a saving in the Community's exchange reserves of about 160bn ecus (\$200bn), increase the share of ecu-dominated assets in the world financial portfolio by 5% and increase the invoicing in ecus (with 10% of EC trade).

Norway ties Krone to the Ecu. On Monday, Norway linked its currency to the European Currency Unit in a move which upgrades Oslo's links with EC but stops short of associating the Krone with the Exchange Rate Mechanism of the EMS.

EC restores links. EC Foreign Ministers, meeting in Luxembourg on Monday, have agreed to resume high-level diplomatic contacts with the Chinese Government, as well as cultural exchanges, and to restore cheap loans to finance trade with Beijing. The Ministers also lifted sanctions against Iran and agreed to restore diplomatic relations with Vietnam. But at the UK's request, some diplomatic sanctions and a ban on arms supplies will remain against Syria. The renewal of diplomatic relations with Vietnam is expected to open the way for EC development aid. Sanctions were imposed after the Vietnamese invasion of Cambodia during the Khmer Rouge regime. The lifting of the ban on high-level diplomatic contacts with Iran follows contacts between the Italian presidency of the EC and the Teheran Government and was ensured by Iranian condemnation of Iraq's invasion of Kuwait.

Farm compromise still possible. Tomorrow (Friday) a joint meeting of EC Farm and Foreign Ministers in Luxembourg will attempt a last ditch compromise to resolve the impasse over the EC's farm reform plan. In order to achieve this the Commission aims to re-submit the plan originally proposed by Commissioner Ray MacSharry for income compensation to farmers hurt by the proposed 30% cut in farm subsidies. This was blocked in three meetings of EC Agriculture Ministers and two Foreign Ministers' Councils in the past two weeks. German, French and Irish opposition has been the principal cause of the failure to agree the plan, which has brought the four-year Uruguay Round of trade liberalising talks to the verge of breakdown less than six weeks before the final meeting of world trade Ministers in Brussels in December. However, even if the MacSharry plan is finally approved, the manner of its approval is expected to leave EC negotiators with little scope for compromise at the Uruguay Round talks.

New Directive proposed. A new Consumer Protection Directive was proposed by the Commission yesterday (Wednesday) by Commissioner Karel van Miert. The proposal deals with the liability of suppliers of services and their responsibility for any damage to health or physical safety.

Soviet delegation visits Commission. Commission President Jacques Delors, Vice-Presidents Frans Andriessen and Henning Christophersen and Commissioner Antonio Cardoso e Cunha, held a series of meetings in Brussels on 20 and 21 October with Soviet Deputy Prime Minister Stepan Silarian during which they exchanged views in the light of the approval on 19 October by the Supreme Soviet of the programme giving guidelines on the Soviet economy and the transition to a market economy. A presentation on EC-USSR further economic relations and possible EC assistance to the Soviet Union is to be made by the Commission to the European Council meeting in Rome this weekend.

"Rebirth of the Regions". The Directorate General for Regional Policy has financed a 12 minute VHS video entitled "Rebirth of the Regions". Copies of the video in English are available from 1 November and can either be bought for 20 ecus or hired free from the Commission in Brussels.

New European. Autumn issue with Sir Ralf Dahrendorf's article on monetary union is available from NEP, 14-16 Carroun Road, London SW8 1JT. Price £5.00.

Conference and Diary Dates.

UK Lighting Industry Federation Conference. 30 October at the Brussels Hilton Hotel. Subject - the need for EEC legislation for the safe evacuation of premises in an emergency. Contact:- 081-673 5880.

Federal Trust Meeting. 7 November 11-12.30pm in the European Parliament office, 2 Queen Anne's Gate, London SW1. Launch of education video on "The EC and the developing countries". Details from Judy Keep, Federal Trust on 071-839 6625.

The Fifth Kangaroo Group Annual Conference. 12-13 November at the Atlantic Hotel, Hamburg. For details - Tel: 071-588 9755/6 or Fax: 071-588 9750.

Joint CEC/CEPR meeting. 16 November at 1.30pm at the European Commission office, 8 Storey's Gate, London SW1. Speaker is Dr Michael Burda of INSEAD and CEPR on "The consequences of German Economic and Monetary Union". Acceptances to Carolyn Collins on 071-930 2963 by 7 November.

Environment Council	29 October	Luxembourg
Energy Council	29 October	Luxembourg
Transport Council	30 October	Luxembourg
Internal Market Council	5 November	Brussels
Development Council	5 November	Brussels
General Affairs Council	12-13 November	Brussels

Our next briefing will be on Thursday, 1 November at 11.30am.