THE EUROPEAN COMMON MARKET IN 1992: FRIEND OF FOE OF CONSUMER

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An economic merger of unprecedented proportions will occur at the end of the 1992 when the European Common Market finally will become a reality. That year will mark the removal of customs, tariffs and non-tariff barriers among all the major European countries with the aim to create a single economy for the purchase and sale of goods and services. The stated objective is to remove trade barriers and administrative restrictions to the free movement of goods, services, and capital within the community. This loose confederation will create a market equivalent to that of the United States although the total population will be larger, presently about 330 million persons.

A Key question is "How well will the new European Common Market serve the consumer interest?" The consumer interest is concerned with securing, protecting, and asserting consumer rights in marketplace transactions in order that consumers receive an acceptable quality of goods and services at fair or low prices appropriate for particular levels of quality. Note that the consumer interest is first and foremost concerned about price and quality. How well will European consumers fare? How well will American consumers fare?

Full economic unification of the twelve member nations of the Council of the European Communities (EEC), headquartered in Brussels, and elimination of all trade barriers actually will occur slowly rather than rapidly, perhaps over the following four to six years. Harmonization of rules and regulations will clearly facilitate free circulation of goods and services among the European nations as originally spelled out in the Treaty of Rome. Many decisions in the future will be community-wide rather than carried out at the national level, through the European Parliament, which is a supranational body serving as a weak central government.

Such a single economic bloc in Europe will have economic power to rival that of the United States and Japan. Some Americans fear the such unification is a threat to free trade and that in creating "Fortress Europe" the European countries will buy European goods and services by consciously turning to each other first for their purchases and sales, causing a substantial loss of trade for American companies. Others argue that it will be easier for American firms to make sales in a unified common market than at present. A Pan-European approach should also spur an economic growth rate in Europe in excess of three percent and create increases in service industries like tourism and computer software.

Perhaps the biggest gain for consumer everywhere will be that products will be held to a common standard and this will eliminate costly delays at the borders. Uniformity and standardization will help consumers in many ways. For example, rules on using food additives and food labeling will be consistent throughout Europe. Agreement also will be reached for a uniform approach to microbiological food safety, pesticide and veterinary drug residues, and food additives. The challenge in all areas of the consumer interest is to establish high common standards and enforce them.

However, the consumer interest may be negatively affected in a number of ways. The consumer interest will suffer should the Common Market develop protectionist tendencies because fewer goods and services will be available for sale to American and European consumers if the two regional trading blocs slug it out across the Atlantic; many remaining products would be overpriced.

Governments in the United States and Europe will battle over a greater number issues in trade areas like food exports, telecommunications, automobile, textiles, computers, public telephone switches, television programming, insurance, and banking,. Illustrative is the 1989 European ban on imports of $100 million worth of U.S. beef treated with growth hormones and the reaction taken by the U.S. in its 100 percent tariffs on a range of agriculture products imported from European countries. Prices skyrocket! Consumers also will lose if European governments continue to subsidize a number of products including Japanese and Italian automobiles, Spanish and Portuguese produce, and the airplane maker Airbus.

The biggest losses to consumer will probably occur because individual countries will lose some authority over mergers which will result in a much greater concentration of the market. Action by the European

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Court of Justice to prohibit mergers will not occur until the size of the merger exceeds $6 billion, a high threshold. Also it is not yet clear how the European Community will handle joint ventures. Further, it is likely that there will be a tendency to permit less rivalry among companies which have potential to fight it out with American and Japanese firms even though the impacts upon European consumer will be negative, The pattern will be familiar: subsidizing products and services to increase market share and raising consumer prices later.

Consumers everywhere will gain when European business firms charge lower prices on their products and services because they are able to more freely obtain capital, labor, insurance and goods at more favorable terms. European consumers will gain from uniform standards for vocational training and issuance of European vocational cards as there will be a greater number of better educated and reliable service providers. While there are many potential public benefits which are likely to occur because of the economic integration of the European countries it remains to be seen whether or not the interests of consumer will be adequately protected. Further actions of the European Common Market and how they affect the consumer interest will be a long-term issue requiring study, analysis and action for those desiring to protect consumers.