

December 9, 2008

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Ambassador's Corner

WEEKLY MESSAGE FROM AMBASSADOR JOHN BRUTON

December 9, 2008

How California and the EU can work together

Every single year we permanently use up fossil fuels (coal, oil, gas) that took a million years to accumulate on or under the earth's surface. And literally in a flash, we convert these fuels into carbon dioxide that we then dump in this world's atmosphere at a rate of 20 tons per year for every American, and 11 tons per year for every European.

These were among the points made by Klaus Scharioth, German Ambassador to the United States in the course of a joint visit by five EU Ambassadors to Los Angeles organized by French Ambassador Pierre Vimont. I took part along with British Ambassador, Sir Nigel Sheinwald and Czech Ambassador, Petr Kolar.

Klaus Scharioth
Pierre Vimont

Sir Nigel Sheinwald
Petr Kolar

We spoke together to large audiences at events sponsored by the Los Angeles World Affairs Council and by the University of California in Los Angeles (UCLA).

In my own remarks, I said that 22% of all California's exports went to the EU and 4% of all jobs in California are supported by investments from the EU — a total of 342,000 jobs.

I said that the EU and the US were working closely together to restore confidence in global credit markets, to protect intellectual property, to fight terrorism and to reduce poverty in the world.

The recent Washington G20 meeting of world leaders, with its detailed set of decisions on what to do about the credit freeze and its plan for a follow-up meeting in April in London, was a really positive and overdue development. It showed that world leaders could and would cooperate – something that did not happen in the 1930s. I said that the calling of G20, and its commitment to modernize the world’s financial structure, showed that sometimes it takes a crisis to get people to make decisions that should have been taken long before. So something good is already coming from our present difficulties.

Theft of intellectual property – including sale of counterfeit goods – is a huge problem – especially for the film industry. But I noted that the number of seizures of counterfeit goods by customs authorities had increased by 750% in the past ten years, in large part because the EU and the US were cooperating so closely.

We were also cooperating closely to detect and prevent terrorist crimes. EU and US police and prosecuting authorities were exchanging information more intensely than ever before, but there was even more that could be done.

The EU Member States give 60% of the entire world’s grant development aid to poorer countries in the world. Yet, as Klaus Scharioth also pointed out, one billion of the world’s six-and-a-half billion people still go to bed hungry every night.

Beverly Hills

While in California, I was also invited to address a well-attended meeting set up by the city of Beverly Hills in the City Hall. Among the organizers of this meeting was the next Mayor of Beverly Hills, Nancy Krasne, and the European Business Council’s Chairman, Renato Romano. Beverly Hills originally became famous, and attracted many new residents, when the film stars Douglas Fairbanks and Mary Pickford went to live there in 1919. Among other famous early residents of Beverly Hills were Charlie Chaplin and Buster Keaton. I met students from the local High School who are working on environmental projects.

L to R: Beverly Hills Former Mayor Joseph N. Tilem, Former Mayor Meralee Goldman, Incoming Mayor Nancy H. Krasne & European Business Council Chairman Renato R. Romano

I also had a chance to go down Rodeo Drive, with its world famous shops. But I did not have time to engage in any retail therapy! Nor did I meet any movie celebrities. Maybe next time ……

The Finances of American States

One of the issues that is getting a lot of attention at the moment is the sharp deterioration in the budgets of many US States and city governments.

The Center on Budget and Policy Priorities, a Washington-based think-tank, produced a report on this last month.

In the last year, revenues have fallen by 8.2% in Florida, 7.8% in Arizona, 4.5% in California and 4.2% in Rhode Island. Interestingly, in the same period, revenues rose by 32% in Vermont, 9% in Maryland and 8.4% in Oklahoma.

Overall, 31 States are facing a major budget shortfall and this is already leading to cuts in medical care for the elderly, redundancies of state employees and cuts in funding to schools. This is why one of the elements in a proposed "stimulus" package for the US economy will probably include financial help for the states.

Airline liberalization can create more and better jobs

Last week I opened a two-day seminar in Washington, sponsored by the European Commission, which brought together trade unionists and employers in the airline industry to discuss the impact on conditions of employment in airlines of the liberalization of the airline business across the Atlantic. The European Union wants the United States to open up US airlines to European investment, something that is severely restricted at the moment.

I pointed out that employment conditions in European airlines are, generally speaking, as good or better than those in US airlines. The EU had introduced special rules to ensure fair employment terms in the industry. The recent EU/US first-stage Aviation Agreement provided a forum to discuss labor issues in a way that would enable employers and unions to anticipate and avoid problems that might come from liberalization, while ensuring that its benefits still flowed to customers in the form of less expensive and better flight connections.

Designing Climate Change Legislation to shield low-income households from extra costs

Last week, EU Commissioners Danuta Hübner [Regional Policy] and Andris Pielbags [Energy] announced new measures to help low-income families make their homes more energy efficient, thereby shielding themselves somewhat from the extra energy costs that might flow from the implementation of EU cap and trade measures designed to put a price on carbon emissions so as to combat climate change.

The plans would allow EU countries to use EU funds to make assistance available for energy saving measures in the homes of low-income families. The eligible measures would include insulation of walls, roofing and windows, solar panels and replacement of old inefficient boilers.

Forty percent of all greenhouse gas emissions in the EU come from buildings.

This announcement of help for low-income families in Europe is timely, because the issue is also receiving serious attention here. The Center on Budget and Policy Priorities here in the United States has estimated that the poorest fifth of the US population could face an average extra cost of \$750 per family per year from the measures that would be necessary to cut US greenhouse gas emissions by 15%.

On average, the burden borne by the fifth of US households with the lowest incomes would be proportionately twice as great as the burden to be borne by the fifth with highest incomes, because those with lower incomes spend a higher share of their income on energy (heating, motoring and other energy-intensive goods and services).

The Center believes that the income that will be generated from the introduction of a cap and trade system in the US would be so great that only 14% of it would be all that would be needed to fully finance measures to offset all extra costs for low income families.

They propose using the existing Earned Income Tax Credit and the electronic benefit transfer system to transfer funds directly to the poorest families from the funds generated by the cap and trade system.

I believe that EU Member States will find these proposals by the Center to be helpful, as the EU intensifies its own efforts on climate change. EU statistics suggest that the EU target of reducing emissions to 20% below their 1990 levels by 2020 could be achieved at a cost of only 0.45% of GDP, but the challenge of ensuring a fair distribution of this burden is something that is usefully highlighted by the US study.

Please send me your comments about this or any of my weekly messages or other EU matters. I look forward to hearing from you!