EUROPEAN STUDIES

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The European Parliament

Following the democratic traditions of Western Europe, the Commission of the European Communities is subject to control by the representatives of the people. The body which exercises this control is the European Parliament. The latter is not yet a Parliament in the sense in which this word is generally understood. Its legislative role is barely existent; its 142 members are chosen by and from the members of the national parliaments of the six Community countries. The European Parliament can, however, dismiss the Commission on a vote of censure. It follows its work closely in its 12 standing committees, and it must be consulted on major policy questions. The members, who are divided into four cohesive political groups, ask questions to which the Commission must reply. In accordance with the Community Treaties, the European Parliament has already drawn up proposals for its election by direct universal suffrage, but no action to implement these proposals has been taken by the Community Council of Ministers. Subsequently, more limited proposals put forward by the Commission to increase the Parliament's powers were frustrated. Giving the Parliament an effective legislative role must now await the emergence of a new political impetus in Europe.

Origins

The present European Parliament is the successor to the Common Assembly of the European Coal and Steel Community. The ECSC, established in 1952, represented a new type of international organisation in which six states —France, Germany, Italy and the Benelux countries— surrendered certain of their sovereign powers to a supranational body, the High Authority. During the course of the negotiations to establish the ECSC it was decided that the High Authority should be supervised by two further bodies: the Council of Ministers, and the Assembly. The Council was to be composed of government representatives. The Assembly—which came to be called the Common Assembly—was to be composed of 78 representatives from the parliaments of the six states. The chief powers given to the Assembly were the right to question the High Authority, the right to discuss its annual report, and—a completely new departure in an international organisation —the power to force its resignation if necessary by a motion of censure. In practice, in the course of development of the ECSC, power tended to shift away from the High Authority towards the Council of Ministers. As a result the Assembly often found itself supporting the High Authority *vis-à-vis* the Council.

When, in 1957, it was decided to establish the EEC and Euratom alongside the ECSC, a new parliamentary assembly was created to serve all three Communities. The Rome Treaties refer to this body simply as the Assembly, but in 1962 it adopted the title of the European Parliament. The Parliament benefited greatly from the previous experience of the Common Assembly. It was granted supervisory powers very similar to those of the latter, but in addition was given considerable consultative rights, which will be described later on.

Structure

The European Parliament holds its plenary sessions in the chamber of the Council of Europe in Strasbourg, while its Secretariat is located in Luxembourg. It usually meets between six and eight times a year, each meeting lasting about five days. In addition, the Parliament has an annual two-day joint session with the Consultative Assembly of the Council of Europe, at which it presents a report of its activities and an exchange of views takes place. Repre-

sentatives from the Parliament also meet from time to time with parliamentarians from the African countries associated with the European Communities.

Composition

The Parliament is larger than the former Common Assembly, being composed of 142 members nominated by the parliaments of the six member states. This larger number is intended to enable all shades of political opinion in each country to be represented. The distribution of members is as follows:

France	36
Germany	36
Italy	36
Belgium	14
Netherlands	14
Luxembourg	6

The method of nominating members is left to the individual countries and varies considerably in practice. The Dutch and Belgian members are nominated from both houses of parliament in such a way that political parties are represented in proportion to their strength. The German members are also nominated on a proportional basis, but from the Bundestag alone. The French and Italian members, on the other hand, are chosen by a majority vote in both houses. Finally the Luxembourg members are nominated by the parliamentary committee for foreign and military affairs.

An important result of these different methods of nomination is that the French and Italian Communist parties are not represented in the European Parliament. In other words, in France and Italy the centre and right-wing parties, who form the majority, never vote for a Communist representative to the Parliament. Recently, as a result of the "opening to the left" of the Italian government, a determined effort was made to secure the representation of the Italian Communists. But difficulties arose which have not yet been resolved. Consequently at the beginning of 1969 the Italian delegation to the European Parliament was still that designed before the 1963 general elections, despite the fact that many of its members have since lost their seats in the Italian national parliament. It is thought however that the new Centre-left government of Signor Rumor which came into being in December 1968, will tackle the problem in the near future.[1]

Direct elections

Although the Parliament is at present indirectly elected the Treaties provide for the eventual holding of direct elections. The EEC Treaty states that "The Assembly shall draw up proposals for elections by direct universal suffrage in accordance with a uniform procedure in all Member States. The Council shall unanimously decide on the provisions which it shall recommend to Member States for adoption in accordance with their respective constitutional requirements." The European Parliament drew up a draft Convention on direct elections in May 1960 which it presented to the Council of Ministers. This Convention proposed a two-stage move to a directly elected Parliament, but fully defined only the first of these stages. During its first period, which was to last from the entry into force of the Convention until at least the completion of the third stage of the Common Market, the Parliament was to be enlarged to 425 members, of whom two thirds would be directly elected. The remaining third would continue to be nominated by the national parliaments.

The Convention did not provide for a uniform system of election for those members directly elected during the first stage. They were to be elected either according to the existing national electoral procedures for each state, or according to the new procedures laid down by each state. A detailed and uniform electoral system for all its members was to be worked out by the Parliament during the first stage and implemented in the second.

Despite repeated requests by the Parliament, the Convention has not yet been approved by the Council of Ministers. There are, of course, many technical problems connected with direct elections. The electoral systems of the six countries differ considerably, and it might be difficult to agree on a uniform system.

But clearly the main problem lies not in the mechanics but in the "politics" of such a move. A directly elected Parliament, given that the elections were properly conducted and the people of Europe participated in them, would be legitimately entitled to demand a much larger share in the making of European policies than the present Parliament, indeed it could claim to be the supreme power, the only one based directly on the people. Few of the governments would be prepared to sanction such a radical development and this explains the Convention's lack of success.

Internal organisation

Turning now to internal organisation, the Parliament is directed by a *Bureau*, consisting of a President and eight Vice-Presidents elected by the members. The Parliament has also created, to facilitate its work, a number of standing *committees* each specialising in a particular aspect of the Communities' activities. Today there are twelve such committees, of which the biggest (29 members each) are the political committee, the economic committee, the agricultural committee, the committee for social problems, the committee for external relations, and the committee for energy, research and atomic problems. The committees meet frequently both during the plenary sessions of the Parliament and between them—in fact there are usually over 200 committee meetings each year. Many of these meetings are held in Brussels, and members of the Commission are invited to attend them and explain their policies

[1] At the time of going to press (21.1.69) the Italian Parliament has nominated a new delegation including Communists for the first time. This delegation is made up as follows: Christian Democrats 16; Communists 7; Socialists: PSI 6, PSIUP 1; Liberals 2; Independent Left 1; Monarchist 1; Republican 1; Italian Social Movement (neo-Fascist) 1. This will also change the composition of the political groups (see p. 3).

before them. As the meetings are held in camera full and frank exchanges of views can take place. Apart from this the committees prepare the reports which form the basis of the Parliament's debates; in contrast to British practice, debates are not normally held before a committee has discussed the issue in question.

One of the most interesting aspects of the European Parliament is the degree to which party groups have formed which cut across national boundaries. These groups began to coalesce from the very earliest days of the old Common Assembly, and today they dominate much of the working of the Parliament. To take the most obvious example, the members of the Parliament sit according to party affiliation rather than according to nationality. Nearly every election or nomination for offices within the Parliament is decided by the party groups rather than by the national delegations. Similarly, many of the debates of the Parliament have a strong partisan flavour, and party spokesmen take precedence in the order of speaking. Considerable allegiance to the party groups is also shown in the voting patterns of the Parliament.

There are four party groups in the Parliament. In September 1968 their strength was as follows:

Christian Democrat Group	60
Socialist Group	33
Liberals and Associates	25
European Democratic Union	16[1]

The Christian Democrats have always been the largest group in the Parliament. They are well organised, and are linked through their Secretariat with the national Christian Democrat parties of the Community. They publish their own periodical, and set up working parties to study particular European problems.

The Socialists are even more cohesive than the Christian Democrats, and are linked to the national parties not only through a liaison office in Luxembourg but also through regular conferences. They publish a journal, set up working parties, and have adopted forceful policies not only on food prices and cartel policy, but also on the democratisation of the Communities.

The Liberals, drawn from a broad spectrum of parties, are the least cohesive of the party groups, but have provided some very effective speakers.

Finally the European Democratic Union, established in 1965, is composed entirely of French Gaullists. It frequently provides the role of an "opposition" within the European Parliament.

It should be added that the party groups are subsidised from the Parliament's budget. A fixed sum is paid to each group, and a variable amount added in proportion to their respective strength.

The Parliament's Secretariat in Luxembourg has at present a permanent staff of about 560, to whom a considerable number of temporary staff are added during plenary sessions. It is responsible solely to the Parliament, and services all its activities.

[1] Total: 134. There are 8 vacant seats, resulting from the death of members.

Functions and powers

The EEC Treaty classifies the European Parliament's powers as "advisory and supervisory." The most important of the advisory powers is undoubtedly the Parliament's right to be consulted over major policy proposals in the EEC and Euratom. This right provides the Parliament with the substance of most of its debates and committee work—though the substance is often highly technical.

According to the Treaties, consultation is made by the Council after it has received a given proposal from the Commission. In practice the Commission has sometimes consulted the Parliament while it is in the process of drafting its proposals. Only when it has been decided, within the framework of a given policy, to delegate implementing powers to the Commission is Parliament no longer asked for its opinion.

The right of consultation is not a power of decision. The Council is not bound in any way by the opinion which the Parliament gives, and the Commission too may change its original proposals as it thinks fit, after the Parliament has been consulted. The most the EEC Treaty says is that "the regulations, directives and decisions of the Council and of the Commission shall be fully reasoned and shall refer to any proposals or opinions" which the Treaty requires to be obtained.

In practice the influence of the Parliament's views on measures adopted by the Council has varied considerably from case to case. For example when the EEC's policy towards cartels, mergers, and monopolies was being drafted the Parliament's opinion carried considerable weight. On this occasion the Parliament was fortunate in having as one of its members, Mr. Deringer, an international expert in the field of restrictive practices. The report drafted under his name made a number of very precise amendments to the policy drawn up by the Commission, and several of these amendments were incorporated in the final text. In the field of social policy too the Parliament's views have often been incorporated in Community policy. Over agricultural policy the position is not such a happy one. Here the very protracted negotiations between the Commission and the Council tend to develop a logic of their own and the Parliament's views sometimes fall by the wayside.

The Parliament can, without waiting for official consultation, make proposals, and take initiatives of its own. It did this notably in 1961 when it convened a conference with the parliamentarians of the associated overseas territories. The Parliament has also done pioneer work in the field of transport policy, thanks to two comprehensive reports by a Dutch member, Mr. Kapteyn. Again, during the negotiations for British membership, the report produced by Mr. Birkelbach, defining the principles on which the Community's policy towards membership and association should be based, had a very considerable impact.

The Parliament has constantly taken the initiative in pressing for the strengthening and consolidation of the Communities. For example it has carried on a long campaign for the merger of the three Communities, and can claim at least some of the credit for the decision to merge the executives in 1967.

Of the supervisory powers of the Parliament the most extreme is the right to censure the Commission and to force its resignation as a body. To be effective a censure motion has to be carried by a two-thirds majority of the votes cast, representing a majority of the members of the Parliament. Its chief weakness is that the Parliament has no right to nominate the successors of the censured body, and has therefore no guarantee that the new body will be more favourable to its views than the old. The motion of censure has never in fact been used, though it has been threatened on occasion.

Of more practical use for the day-to-day supervision of the executive is the Parliament's right to ask questions. These can be of three types: written, oral, and oral with debate. In theory these questions can be put to both the Commission and the Council; in practice the great majority are put to the Commission. The written question is the form most frequently used, though there has been a significant increase in the number of oral questions with debate in recent years. Questions can be highly useful in exposing and publicising the lesser-known aspects of the Commission's activities. An energetic Dutch member of the Parliament, Mr. Vredeling, has asked a vast number of questions which have succeeded in illuminating the more obscure corners of the Community's agricultural policy. A lively debate about the effects of the nuclear non-proliferation Treaty on the Community was sparked off by an oral question to the Commission in March 1967. Recently an oral question by Mr. Dehousse, a prominent Belgian member, has brought the subject of a European University into the open once more.

Valuable questions are also put to members of the Commission who attend meetings of the Parliament's standing committees. Most members of the Parliament have considerable experience of committee work in their national parliaments and can use this experience to cross-examine and discuss matters with the members of the Commission. The latter usually make an effort to be on good relations with the committee dealing with the subject for which they are responsible.

Finally the debate on the annual report of the Commission provides the Parliament with a useful occasion to make an overall assessment of the Commission's work. On these occasions the Parliament makes a systematic and detailed examination of each aspect of the Commission's work, and calls attention to any weaknesses or errors of policy.

It is clear that the Parliament's supervisory powers relate chiefly to the Commission, not the Council. In the early years only the annual debates, or "colloques", between all three institutions allowed the Parliament to enter into a dialogue with the Council. In recent years the Council has usually presented a half-yearly report to the Parliament as well.

In the budgetary field the powers of the Parliament are limited. It can draft its own estimates, and is empowered to discuss, and propose amendments to the Community's budget as a whole. The final power of decision in both instances rests with the Council.

Conclusion

Of the many international assemblies now in existence, the European Parliament is the nearest to a real Parliament. It performs important supervisory functions over an executive with power, and it discusses proposals which in many cases become laws affecting directly the life of citizens within the Common Market. It serves as a public forum in which many of the complex subjects, discussed behind closed doors in Brussels, can be openly debated. It takes the initiative in pressing for action over a wide range of subjects. However, it would be wrong to overlook the restrictions on the Parliament's powers. It is not directly elected, it does not have the last word on the "laws" passed within the Community, and it exercises little supervisory power over the Council of Ministers.

There are clearly two directions in which the Parliament's status can be improved. The first is through the introduction of direct elections, and the second through an increase in its powers. There are some who feel that an increase in powers must take place before direct elections, because otherwise the European electorate might take little interest in such elections. Others argue that direct elections must remain the primary aim: they would like to see a "constituent assembly" draft a constitution for Europe.

In 1965 the EEC Commission made an effort to increase the Parliament's budgetary powers. It proposed that the common agricultural policy should be financed by direct Community revenues, and that the Parliament should be given an effective voice in approving the agricultural budget. These proposals sparked off the "constitutional crisis" of 1965—France strongly objecting to any increase in either the Commission's or the Parliament's powers. It was finally decided, in 1966, to postpone the creation of direct revenues and to hold over the issue of the Parliament's budgetary powers until the end of the transitional period.

As this episode makes clear, the future development of the European Parliament depends essentially on whether, in the next few years, there is a renewal of the political will to integrate Europe.

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European Studies, 3, 1969

The North Sea ports of the European Community and Britain

The waters of the North Sea, once peripheral to the main trading area of the Mediterranean, are now the most intensively used by the shipping fleets of the world. Around its shores have grown some of the world's greatest ports, each with a long history of mercantile activity. As political and economic power shifted from Southern into Northern Europe the ports along the Mediterranean seaboard, such as Venice and Marseilles, lost their role as major points of exchange. The colonial enterprises of Britain, the Netherlands and other Northern countries brought an increasing trade to their ports as tropical produce began, for the first time, to be carried in large quantities over long distances. The dominance of these Northern ports was reinforced as manufacturing industries grew up on the coalfields of Britain, Belgium, France and Germany. As the economies of these countries became increasingly dependent on the exchange of coal and manufactures for foodstuffs and raw materials so the docks of London, Antwerp and Rotterdam expanded. In contrast the Mediterranean ports, lacking important industrial areas within their hinterlands, without the advantage of large colonial markets or because their location was off the main ocean routes, lagged further behind.

Today the Northern ports seem firmly entrenched as the major trading centres for Western Europe. The economic heart of the continent stretches from Northern France across the Benelux countries into the Federal Republic. This compact area borders the North Sea on one side and the central areas are crossed by the Rhine on its way to Rotterdam. Excellent road and rail systems and a network of navigable waterways extend beyond state boundaries and have allowed the growth of great international ports. Yet this pattern, which appears to be one based on the advantage of location and to possess a certain stability, remains subject to the influence of many factors.

Commercial rivalries, such as that between the Belgians and the Dutch, have accentuated the natural competition which exists between ports. The foresight and energy of port authorities has also been a significant factor in their development, especially at a time when the technology of handling and moving cargoes is rapidly changing. The increasing size of modern bulk carriers has emphasized the advantages of deepwater channels and has caused all the major ports to undertake engineering projects to secure the necessary depths. The result has been a seaward expansion of estuarine ports such as London, Antwerp and, especially, Rotterdam. Large specialized freighters require a quick turn-round in harbour, which fact explains the importance of modern handling equipment and efficient dock labour.

The expanding trade between the EFTA and EEC countries has been facilitated by improvements in the transhipment of general cargo. The roll-on/roll-off technique is particularly suitable for short passages such as those across the North Sea and these freight services have been established at many ports. A second stage in the revolution has been the use of container ships. This development concerns not only the short sea-hauls but also the longer oceanic routes. The very specialized nature of container berths, with expensive handling gear and adjacent assembly areas, implies the concentration of such facilities at a limited number of large ports. Thus each major North Sea port is eager to establish itself as a terminal for those shipping lines operating ocean-container services.

An important consequence of the increasing size of ore-carriers and oil-tankers has been the reduction in transport costs in certain bulk commodities. This has led in turn to the increasing attraction of port-areas for industries. Large oil refineries are a long-established feature at ports such as London and Rotterdam and new iron and steel plants are exploiting the advantage of low assembly costs at tidewater locations. Oil, coal and metallic ores comprise a large proportion of the total tonnages handled at the main North Sea ports and often the greater part of these commodities is destined for use within the vicinity of the docks.

Changing techniques have led to a reduction in transport costs in many classes of cargoes which encourages a growth of trade generally. A further stimulus to port activity around the North Sea has been the rapidly growing exchanges between the members of the European Community and other West European nations, particularly Britain. Each of the ports concerned in this trade is seeking to assure itself of a share in this increase. The changing frontiers of the hinterlands reflect not only changes in land transport but also the evolving economic structure of the Common Market. "A Europe without frontiers" affords great opportunities for ports like Antwerp and Rotterdam to enlarge the range of their international services. The competition is intense, as it is too on a lesser scale between the ports on Britain's East coast.

Table 1

North Sea ports' goods traffic, 1967
(millions of tons) [a]

Rotterdam	141.4
London	60.1
Antwerp	60.0
Hamburg	35.4
Medway	25.9
Wilhelmshaven	19.9
Bremen	17.4
Dunkirk	17.0
Amsterdam	14.3
Emden	10.4
Tees	9.9
Immingham and Grimsby	9.6
Hull	9.2

Source: Statistical Review, Rotterdam Port Authority, June 1968.

[a] The statistics given for volumes of trade refer to metric tons in the case of continental ports and to long tons for British ones (1 metric ton = 0.984 long ton).

The scene is dominated by a few great ports endowed with certain geographical advantages. Thus the delta ports of Rotterdam, Antwerp and Amsterdam together handled

almost 200 million tons of cargo in 1965—that is one-sixth of all the goods transported across the seas. Will the pre-eminence of such ports be maintained? Two important factors are involved in this issue. First the size of bulk carriers may in the future restrict them to a very few deep-water ports and even exclude them from the North Sea channels. (This could create new opportunities for harbours along the Mediterranean and Atlantic coasts, and especially the latter, as is illustrated by the development at Bantry Bay.) Secondly, the reorganization and improvement of transport systems within the Community may affect the positions of advantage enjoyed by the major ports.

The Rhine Delta ports

These ports serve the main heavy industrial regions of the Common Market, importing fuels, ores and other raw materials and exporting finished manufactures. Good road, rail and waterway systems are the foundation of this transit traffic and, via the Rhine, their hinterlands extend beyond the frontiers of the EEC.

Rotterdam

Since 1962, when it overtook New York, Rotterdam has been the world's biggest port. It is located on the dredged and lockfree channel of the New Meuse and its connections to the Rhine and Meuse make it a focal point for the water-borne traffic of North West Europe. Thus Rotterdam, in addition to being the main port of the Netherlands, has become the major port for trade between Germany and countries outside the Common Market and also handles much of the trade of Switzerland and Eastern France.

The rate of growth in traffic through Rotterdam has remained steady at around 7 to 10 % in recent years.

Table 2 **Growth of Rotterdam's trade**

Year	Goods (millions of tons)
1960	83.3
1961	90.1
1962	96.6
1963	103.3
1964	113.3
1965	122.8
1967	141.4

Rotterdam's contemporary pre-eminence is a result not only of a favourable location, however. Post-war reconstruction and expansion modernized and greatly added to the system of docks which stretches along the New Meuse and within this system there is specialization within the basins—Waalhaven for bulk commodities and Eemhaven for containerized freight. At Botlek, begun in 1947, a new port for bulk cargoes was created with three basins for tankers up to 90,000 tons. Here a huge petro-chemical complex has grown up and an oil pipeline leads to Cologne and Frankfurt.

In 1958 work started on the new harbour basin of Europoort at the seaward end of the waterway, designed to handle imports of oil, coal and ores for industries nearby and along the Rhine. A further extension of this ancillary port is planned by means of dykes projecting two miles into the North Sea to accommodate tankers of at least 160,000 tons. Sites for metal and cement industries will be available on reclaimed land.

Rotterdam is essentially a transhipment point for bulk cargoes which in 1965 accounted for 85 % of the total traffic.

Table 3 **Breakdown of Rotterdam's trade, 1965**

Goods handled	Millions of tons
Total traffic	**122.8**
Bulk materials of which:	104.0
Petroleum	68.7
Mineral ores	15.9
Cereals	5.8
Coal	5.4
Fertilizers	4.0
Others	4.3

Most of the oil is refined at Rotterdam for the Dutch market or for re-export.

Almost two-thirds of the freight, mainly bulk cargoes such as ores destined for the Ruhr, which passes Lobith on the German frontier moves through the New Meuse and Rotterdam is the main port for Rhine traffic. (1965: Rotterdam, 45.5 m.t; Duisburg, 32.0 m.t; Strasbourg, 10.1 m.t.) This international transit traffic accounts for about one-third of the goods handled, although this proportion is declining.

The imbalance between imports and exports, with the former representing 77 % of Rotterdam's total trade in 1967—imports: 109 m.t., exports: 32 m.t.—is characteristic of the major ports which serve the industrialized economies of Western Europe.

Antwerp

Antwerp is without easy or direct access to the Rhine, and its canal network, which extends into Northern France, needs modernization. Moreover, the winding Scheldt estuary limits access to vessels under 60,000 tons and necessitates floating docks and locks. Nor has Antwerp the advantage of a large national merchant shipping fleet. It is these disadvantages which help to explain the superior growth of Rotterdam and the differences in the character of their trade.

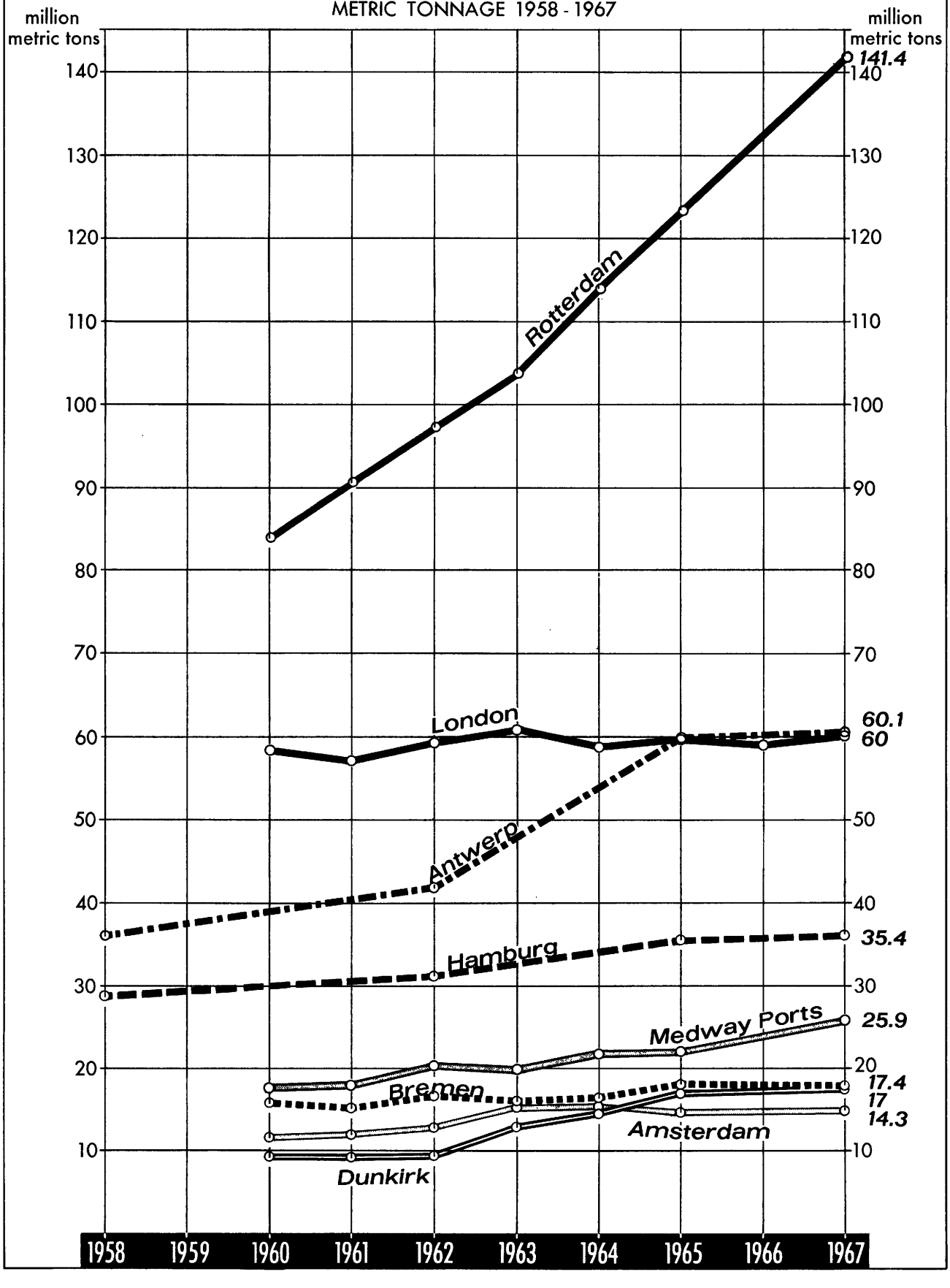
Antwerp is essentially a national port, which handles 87 % of all the Belgian sea traffic. It serves an industrialized country, importing fuels, metal ores, cereals and general cargo whilst its exports are dominated by iron and steel and other metal goods and a wide range of other manufactures. Petroleum, which accounts for 36 % of the total traffic, is imported largely for national consumption.

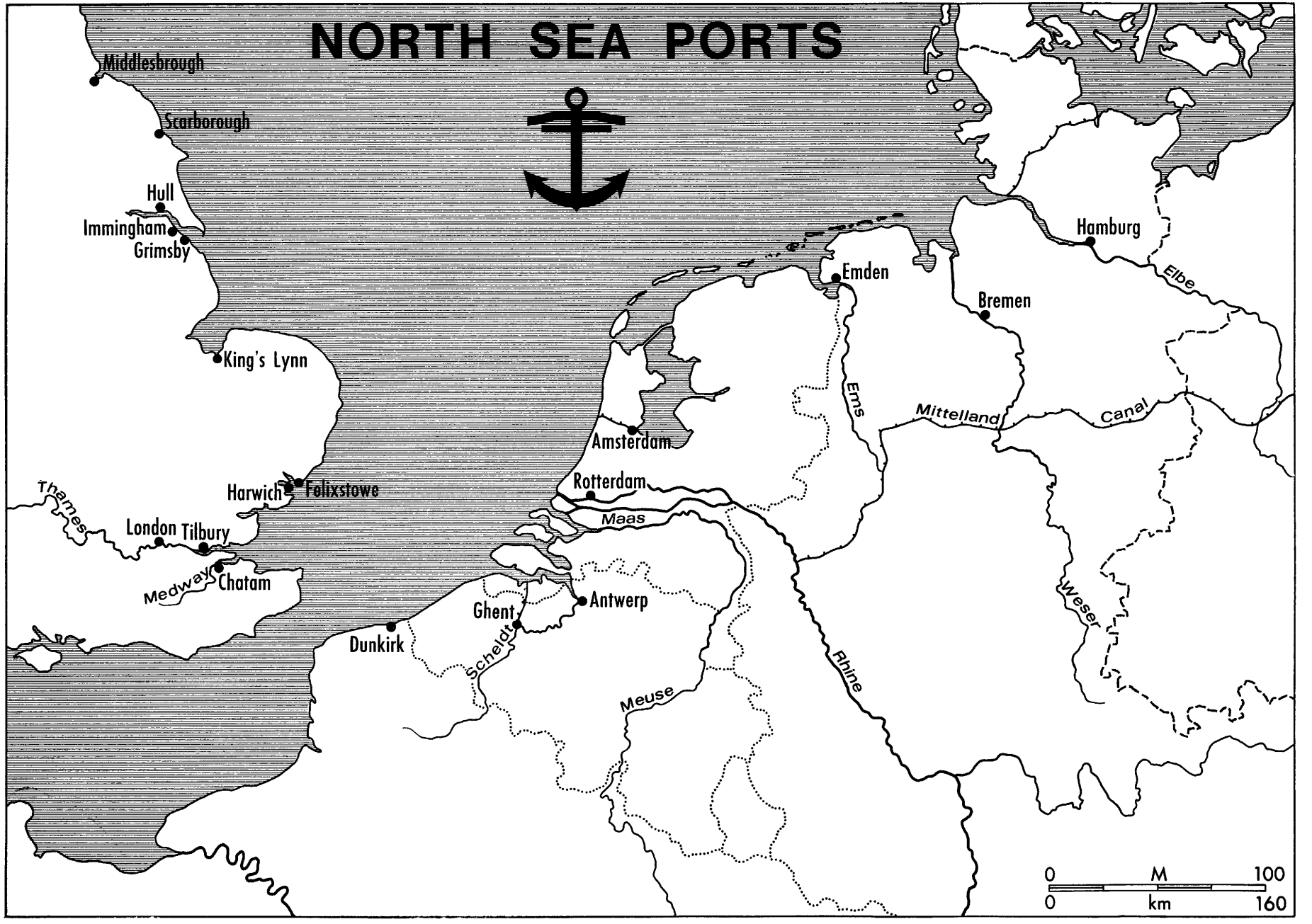
One-fifth of Antwerp's cargoes are in transit. This trade, consisting largely of general and dry cargoes, concerns the northern French coalfield, Lorraine, the Saar, Eastern France, Switzerland and the Rhine and Westphalian lands of Germany. Three-quarters of this traffic moves along the Rhine, using the devious waterways of the Meuse-Rhine delta. Traffic in 1967 totalled 60 million tons (imports: 40.9; exports: 19.1).

To increase its share in international transit traffic Antwerp has secured Dutch agreement for the construction of a canal to the Rhine. In addition, its water connections with Southern Belgium and France are being improved and a motorway links it to Cologne. The Scheldt is being deepened for larger ships and a new dock system, with twenty miles of quays, largely for bulk cargoes, has been created. Nearby a new industrial area, with oil refining, chemicals and car-assembly plants, has been established. Ironically this development may be to Rotterdam's advantage since the exclusion of supertankers from the lower Scheldt has led to a plan to pipe oil from Europoort to Antwerp's refineries. The alternative is a pipeline from a terminal port built eighteen miles off Zeebrugge on the Thornton Bank.

TRAFFIC OF THE EIGHT PRINCIPAL NORTH SEA PORTS

METRIC TONNAGE 1958 - 1967




NORTH SEA PORTS
Middlesbrough
Scarborough
Hull
Immingham
Grimsby
King's Lynn
Harwich
Felixstowe
Thames
London
Tilbury
Medway
Chatam
Dunkirk
Ghent
Antwerp
Scheldt
Meuse
Rotterdam
Maas
Amsterdam
Ems
Emden
Bremen
Hamburg
Elbe
Mittelland
Canal
Weser
Rhine
0 M 100
0 km 160

Amsterdam

Amsterdam's pre-war function as a national port handling the commerce of Dutch colonies has largely disappeared. Tropical produce, for processing and redistribution, has become of minor importance, particularly since the loss of the Dutch East Indies. This setback has been offset in two ways—by attracting industries to the port and by improving the connections with the Rhine.

The foundation of Amsterdam's modern growth is the North Sea Canal which has been deepened to 50 feet and widened to allow two ships of 65,000 tons to pass. At IJmuiden, on the sea-ward end, jetties have been built for ships up to 100,000 tons.

The modernization of the canal to Tiel in 1952 enables Amsterdam to share in the traffic moving along the Rhine, for it reduces the journey to the German-Dutch frontier by one day and allows pushed convoys of six barges to operate from the port.

These improvements have led to a growth of activity, largely through the increase in transit traffic moving up the Rhine and also through the demands of the industries which flank the North Sea Canal. Here waterside sites have been used for iron and steel, oil, cement and fertilizer plants. Through these recent developments Amsterdam has become a port for bulk cargoes and is trying to attract more large ocean carriers by its improved facilities.

The goods handled in 1967 totalled 14.3 million tons, of which exports were 4 million tons. An increasing proportion of the total consists of goods in international transit, almost all of which are carried by inland waterways.

The North German ports

The marshy, dune-fringed coast and shallow estuaries of North Germany provide harbours inferior to those of the Low Countries, but proximity to the Baltic, to Rhine-Westphalia and to the water-routes of Central Europe has encouraged the growth of large ports. Reconstruction after the wartime devastation, improved road and rail communications and further industrialization have enabled Hamburg and Bremen to offset some of the difficulties imposed by a location eccentric to the industrial heart of the EEC and by the political and economic barrier of the Iron Curtain. The hinterlands of these ports embrace the industrial regions of Lower Saxony together with their own important manufacturing areas and Hamburg retains something of its international character by its links with Central Europe.

Hamburg

This city, the largest in West Germany, is also the chief manufacturing centre and the main port. In 1967 the docks handled 35.4 million tons of freight (Imports: 26.7; Exports: 8.7).

Table 4 **Growth of Hamburg's trade**
(millions of tons)

Year	Imports	Exports	Total
1936	14.8	7.2	22.0
1946	3.1	0.9	4.0
1950	7.4	3.5	10.9
1958	20.7	7.3	28.0
1962	24.4	6.2	30.6
1965	26.6	8.5	35.1
1967	26.7	8.7	35.4

Of the imports petroleum shows an increasing proportion (45 %), whilst the importance of general cargoes (35 % of total trade in 1967) reflects the size of the local markets and the industrial character of the city.

The partition of Germany severed a large part of Hamburg's pre-war hinterland and, although limited trade with East Germany, Poland and, especially, Czechoslovakia has been resumed, the international transit traffic remains much less than pre-war. In 1966 Hamburg handled 1.5 million tons for Czechoslovakia. Re-exports to Scandinavian countries and Great Britain amounted to a further 2 million tons in 1964. The existence of a freeport area, in which foodstuffs are processed before distribution, is an important basis for this transit trade.

The establishment of new industries such as oil refineries, chemical and machinery manufacturing has led to an increase in bulk cargo traffic requiring an extension of the docks towards the sea and the provision of large sites to the south of the port. Downstream the Elbe has been deepened to accommodate 60,000 ton ships and at the river-mouth the outport of Cuxhaven is being equipped to handle ore-carriers and oil-tankers of up to 100,000 tons.

New motorways to the north-east and south-west and rail-electrification have improved Hamburg's links with its West German hinterland. In 1965 work began on the Seiten Canal, parallel to the Elbe, which will join the Mittelland Canal at Wolfsburg and give Hamburg a share in the heavy traffic moving between the Salzgitter and the Ruhr.

Bremen

Traditionally the port for North American trade and for the unloading of cotton, coffee, tobacco and tropical foodstuffs, Bremen has not expanded as rapidly as other major ports: 1967 total trade: 17.4 million tons; 1965: 17.5 million tons; 1964: 15.3 million tons; 1960: 15.1 million tons. The character of its trade is now undergoing changes with the development of its outports. Bremerhaven, the major passenger port for North Atlantic lines, is being equipped to handle bulk cargoes.

From the modern terminal at Weserport iron ore is moved by rail to the Klöckner works at Bremen or Salzgitter and the Ruhr. Four shipping lines operate trans-atlantic container services from two berths at Bremen and one at Bremerhaven.

Emden

The challenge of Weserport to Rotterdam's position as Germany's main ore-port is increased by Emden, which specializes in handling Swedish ore. But although Emden has the shortest all-German water-connection to the Ruhr handicaps are imposed on its growth by shallow draught.

Wilhelmshaven

Since the construction in 1959 of a pipeline to Cologne and the Ruhr, Wilhelmshaven has developed steadily as an oil-port and refinery, lessening German dependence on Rotterdam. There are plans for an ore-terminal here too.

Northern France

Dunkirk

This port is essentially artificial, created from sand-dunes and marsh and protected by a breakwater. Without the long history of the major Belgian and Dutch ports, Dunkirk's growth stems largely from the exploitation and industrialization of the North coalfield. Its function as the entry-point for raw materials has been accentuated in recent years by the establishment of a manufacturing-zone adjacent to the docks. The same development has made Dunkirk the fastest growing French port, now ranking third after Marseilles and Le Havre. In 1965 exports totalled 4.5 million tons and imports 11.7 million tons, of which 6 million tons were petroleum and 3.5 million tons iron ore. The proportion of imports to exports has steadily increased, and the ratio is now almost 3 : 1.

In 1962 a huge mineral dock, doubling the size of the port, was opened. The following year the integrated steelworks of Usinor, fed by conveyor belt from the quayside, began operations. In addition to the steelworks and the

BP oil refinery, served by a new oil-jetty in the old port, other industries such as sheet-metal and rolling mills are being established to the west of the mineral basin.

The transit trade to the manufacturing region of the interior is effected largely by railways, recently electrified, and by road. The waterway system, on which Dunkirk's ability to retain its hinterland depends, is being improved, notably the deepening of the canal to Valenciennes to accommodate 1,350 tons barges. Unless its waterway connections can be further improved, Dunkirk may lose some transit traffic to Antwerp, for already Lorraine potash and ore are moving to the Scheldt estuary.

The east coast ports of Britain

Table 5

Near and short sea trade of leading British east coast ports: 1966
(by value — in £ millions)

	Imports		Exports	
	EEC	Total	EEC	Total
London	205.5	558.7	234.2	690.2
Hull	76.6	208.8	85.5	244.2
Harwich	86.6	141.7	79.6	132.1
Grimsby and Immingham	9.8	88.0	4.1	31.2
Felixstowe	40.8	57.0	38.9	61.5
Goole	28.5	49.8	33.3	53.0
Tyne	13.2	57.7	4.3	33.6
Leith	14.9	37.8	13.8	28.8
Ipswich	26.5	32.7	14.4	16.0

Source : *Digest of Port Statistics*, 1967. National Ports Council.

London

The Port of London's dominance of Britain's foreign trade is long established and today it handles over one-third of the country's total exports and imports. The value of goods handled is more than twice that of Liverpool, the nearest rival. London occupies a leading position in many types of freight and particularly in imports of timber, grain, textile fibres and foostuffs and in exports of machinery, chemicals and other manufactured goods. Although it is a national port with a hinterland extending far beyond the limits of the London Basin, the bulk of the traffic concerns Central and South East England. This reflects the importance of the metropolitan region as a consumer of food and raw materials and a producer of manufactures. The presence of several refineries on the Thames estuary explains the importance of oil, which makes up almost half of the port's total trade.

In recent years the growth of London's trade, especially in general cargoes, has been reduced by competition from East Anglian ports such as Felixstowe and Ipswich. But its most serious rivals are the continental giants with whom it shares the West European hinterland. Its geographical position within the great industrial belt which stretches from the English Midlands to the Ruhr would seem to encourage the development of one of the "end-ports" for the whole region. Yet in comparison with Rotterdam goods in transit are of minor importance in London's trade. (In 1967 transhipments were 2.6 million t. out of a total, foreign and coastwise, of 60.1 million t.) Re-exports are significant in a limited range of goods such as raw rubber, furs, tea and raw wool.

Factors limiting London's growth have been the congestion in the docks and the relative shallowness of the Thames estuary. Thus bulk grain carriers, unable to enter the estuary, have increasingly begun to use Rotterdam, whence the grain is transhipped to Britain. In addition the creation of ocean container berths at continental harbours introduced the possibility of London and other East coast ports becoming merely feeder-terminals.

To alleviate these difficulties and to meet continental competition a major expansion has been undertaken at **Tilbury**, which has been primarily a passenger and transit port with limited warehousing facilities. This scheme, to be completed in 1969, is creating fourteen berths (six for deep-sea container ships) along two miles of deep water. The number of roll-on/roll-off quays and container berths for short-sea traffic to the continent is being increased and regular container services are now operating to Rotterdam and Dunkirk. A deepwater grain terminal, beginning operations in 1969, will enable large carriers to discharge quickly.

The lower estuary has been dredged to give access to larger vessels and tankers of 200,000 tons are now able to dock at **Thames Haven**. In addition to the Tilbury development—which is likely to continue further downstream—reorganization has led to the closure of those docks furthest upstream (London Docks) and the modernization of the Royal Group.

The **Medway ports**, which rank fourth amongst British ports in terms of tonnage handled, are largely concerned with oil traffic to the Isle of Grain.

Other east coast ports

The increasing trade between Britain and the continent is stimulating expansion at many harbours which serve the short routes across the North Sea. This growth in traffic, which is particularly significant in trade with Scandinavia, West Germany and the Low Countries, has been facilitated by dock modernization schemes. Roll-on/roll-off services for private and commercial vehicles have been widely introduced to provide quick connections to the continent. Thus, for example, **Hull** is linked to Gothenburg and Rotterdam, **Immingham** to Gothenburg and Amsterdam and **Middlesbrough** to Helsinki, Sweden and Rotterdam. The advantages of good inland communications to industrial areas and proximity to the Dutch and Belgian coasts has led to similar developments at smaller East Anglian ports and services have been established between **Felixstowe** and Europoort, **King's Lynn** and Hamburg, and **Harwich** and Zeebrugge. In many cases the introduction of freight liner-trains has assisted these developments.

These developments indicate the efforts being made in rapidly changing circumstances to establish a secure role in Britain's trade with the continent. Planning and rationalization may in the future eliminate some of the competition between the ports of the East coast, but the challenge presented by those across the North Sea will remain.

Conclusion

The efficient functioning of their ports has long been vital to the prosperity of the countries of Western Europe. Technological innovations and political decisions make the future of individual ports uncertain but the general trend in favour of harbours affording deep-water access and rapid discharging facilities for bulk cargoes is well established. This has led, on the one hand, to the creation of specialized ports handling a narrow range of bulk commodities and, on the other, to great engineering projects to enable the major ports to maintain their superiority.

The quick movement of general merchandise, handled in unit-cargoes, is another important feature of the present expansion at both large and small ports around the North Sea basin.

The enlargement of the EEC and the implementation of a comprehensive transport policy within the Community are developments which could have equally significant effects in the future, possibly leading to greater specialization and rationalization amongst the ports sharing the West European hinterland.

European Studies, 3, 1969

The Kennedy Round

By far the largest and most successful international agreement for the reduction of tariffs achieved since the second world war, the Kennedy Round owed its existence to an initiative taken by President Kennedy in 1962 when he obtained approval from the United States Congress for the "Trade Expansion Act". This Act gave the US President power to negotiate much more liberal trade conditions, especially lower tariffs, over a 5-year period.

This initiative taken by President Kennedy was the direct result of the successful development of the Common Market and the British decision in 1961 to try to join it. The existence of a major negotiating partner—the EEC—was also a major factor in ensuring success.

Started in May 1963, the negotiations ended on May 16, 1967. They were carried out under the aegis of the GATT (General Agreement of Tariffs and Trade) set up in 1947 which with 80 member countries now covers about 80 % of world trade.

The General Agreement on Tariffs and Trade

In one sense the Kennedy Round was but the last in a series of tariff cutting negotiations to have taken place in the framework of GATT, but it should certainly be regarded as its most notable achievement so far. The General Agreement on Tariffs and Trade, signed in 1947, was originally intended as a stop-gap until an international trade organization could be set up. The central feature of GATT was—and still is today—an undertaking by its member countries (known as contracting parties) to negotiate tariff reductions and agreed tariff levels, and to extend these concessions to all other contracting parties. Thus if one participating country agrees with another to make a tariff cut of 10 % on the duty on cars imported from that country, the reduction must apply also to duties on cars imported from all other participating countries.

Tariff negotiating conferences were held by the GATT at Geneva (1947), Annecy (1949), Torquay (1950), and again at Geneva in 1956, and in 1961-1962. At these sessions, many thousands of tariff rates were reduced or "frozen". As time passed the law of diminishing returns operated at the bargaining sessions. Tariff reductions which caused few domestic difficulties were relatively easy to achieve; but by the end of the nineteen-fifties most reductions of this kind had already been negotiated and it became increasingly difficult to find mutually acceptable and balanced concessions. The contracting parties therefore agreed that an attempt should be made to base future rounds of negotiation on across-the-board tariff cuts covering a whole range of products rather than on an item-by-item approach. Thus from the beginning the Kennedy Round aimed at an across-the-board tariff reduction. It was hoped that this reduction would be of the order of 50 %.

The background to the Kennedy Round

The Trade Expansion Act

The Kennedy Round also differed from its predecessors in that it was strongly inspired by political motives, especially in the United States. When President Kennedy took office both he and his advisers were anxious to take a new initiative, strengthening both the political and economic ties between the countries of the free world. In the early 1960's it was clear that the EEC had come to stay; moreover, in 1961 and 1962, the UK and several other countries were negotiating entry into the Community. President Kennedy was determined to do all he could to develop closer Atlantic ties and at the same time to

minimize the risk of an enlarged Community being a rival power bloc, economically and politically, to the United States.

Without this political background it is unlikely that President Kennedy would ever have sought, still less obtained, approval from Congress for the Trade Expansion Act. In passing the Trade Expansion Act in 1962, Congress gave the President a 5-year mandate to negotiate cuts up 50 % in US tariffs against equivalent concessions elsewhere.

The prospect that the EEC would shortly be enlarged, particularly through British membership, also led the Congress to grant the President special powers to reduce to zero the tariffs on products for which the external trade of the enlarged EEC and the United States together would account for 80 %, or more of world trade. This would have implied virtual Atlantic free trade on many products.

The European position

But, alas for Kennedy's Grand Design for an Atlantic Community, Britain's application to join the EEC came to nothing and part of the political driving force disappeared from the desire to see lower transatlantic tariffs.

It was still hoped however that the tariff reductions envisaged as part of the Kennedy Round would go some considerable way towards reducing trade barriers within the Western World. Indeed, in some countries, notably the UK, the Kennedy Round came to be looked upon as a kind of second-best trade policy to membership of the Community.

The Kennedy Round was moreover of great political importance to the EEC since it was the first major international negotiation [1] where the Community spoke with a single voice. The six countries were represented in the Geneva talks by an EEC Commission negotiating team led by M. Jean Rey, then Commission member responsible for external relations, and since July 1967 President of the Commission. The six countries were thus forced to adopt common viewpoints on many aspects of trade policy earlier than might otherwise have happened. While the need for the Commission to consult and gain the approval of six instead of one government made it at times a rather unwieldy negotiating partner, the size and importance of the EEC and the fact that it was acting as a single unit, also meant that the prizes for success were that much greater. There is no doubt that this strengthened its position and allowed it to speak on equal terms with the USA, thus ensuring a greater degree of reciprocal liberalization.

Agriculture, non-tariff barriers and developing countries

The Kennedy negotiations differed from the traditional GATT pattern in other respects too. It was hoped that the cuts would cover tariffs on agricultural as well as industrial goods. Trade barriers in the agricultural sector take the form of quantitative controls and domestic agricultural support programmes rather than tariffs. It was hoped to modify these policies so as to allow a higher degree of international division of labour in agriculture as well as manufacturing industry. Western Europe is a very important market for United States agricultural products. Congress was therefore not prepared to accept the tariff reducing provisions of the Trade Expansion Act without an assurance that, in return for industrial tariff cuts by the US the countries of Western Europe—and particularly the EEC whose agricultural policies appeared to be a direct threat to United States farming interests—would grant freer entry for agricultural goods. Accordingly, when the first moves were made in GATT to prepare the Kennedy Round, it was agreed that negotiations on trade in agricultural products should be an integral feature of the bargaining. This was of immediate interest not only to the United States, but also to other primary producing countries, whether they were high income ones, like Australia and New Zealand, or whether they were at relatively early stages of development.

A further innovation of the negotiations was the decision to include a whole range of so-called non-tariff barriers, such as anti-dumping policies, the use of arbitrary or excessive values for customs purposes, government purchasing policies and an array of technical regulations which might be deemed to hinder trade.

Finally, but by no means least important, when the Ministers of the leading Contracting Parties met for preliminary discussions in Spring 1963 they agreed that the less developed countries, although they would receive most-favoured-nation benefits agreed to among the industrialized countries, would not be expected to make tariff concessions themselves.

In short the Kennedy Round was originally conceived of as much more than a routine series of negotiations on tariffs; it was to be a package deal, involving not only a bigger general reduction of tariffs than had hitherto been achieved, but also the loosening of other impediments on free trade (particularly in agricultural products) and the provision of wider trade opportunities to developing countries.

The negotiations open

The negotiations proper began in May 1964. They soon ran into difficulties, partly because the leading Contracting Parties did not start with tariff levels which were even roughly similar. United States tariffs, for example, were much higher than those of the EEC, and Switzerland and the Scandinavian countries had lower tariffs than either the UK or the EEC. This was known as the problem of disparities and, despite 18 months of hard bargaining, no general solution was found. This was partly because of the extreme complexity of any comparison.

In effect while some tariffs are assessed on quantities imported (specific duties) others are calculated on values imported (ad valorem duties). Some countries have more detailed tariff nomenclatures than others; some tariffs are subject to seasonal variation. A more fundamental problem arises in deciding whether to measure the weighted or unweighted average height of a tariff. If a country spends more on importing commercial vehicles than on importing farm tractors, then it would seem reasonable for more weight to be given to the customs duties on imported commercial vehicles than to those on imported tractors. But this method of calculation does not give adequate consideration to the effects of very high duties in discouraging imports. Accordingly, it is often more sensible to use unweighted rather than weighted arithmetic averages.

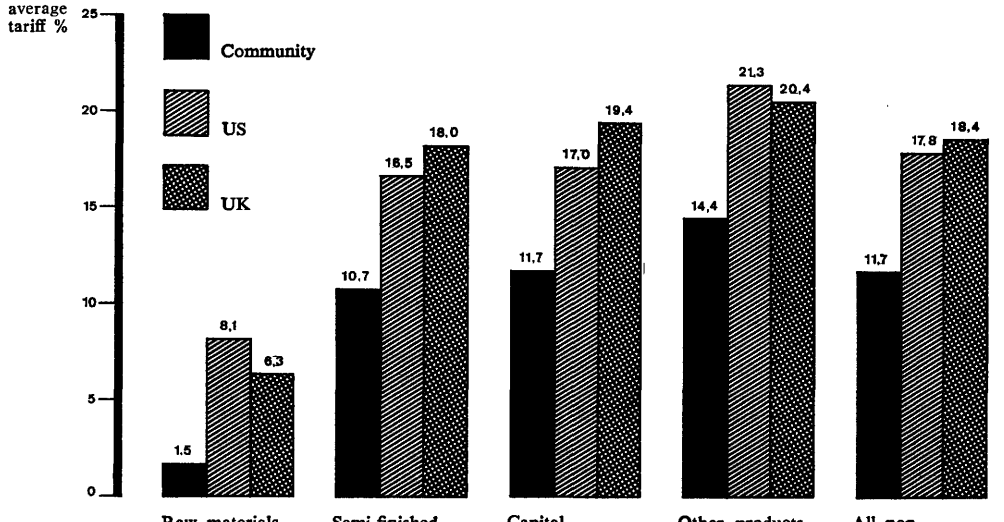
[1] It was also true of the earlier but less important GATT negotiations of 1961-1962.

Some attempts have however been made to compare the relative "heights" of tariff structures of various countries in spite of these difficulties. When the Kennedy discussions started the EEC Statistical Office made one of the most up-to-date studies of unweighted tariff levels. According to these calculations, the arithmetic average of the common external tariff of the EEC for all industrial materials and manufactures was 11.7 %; the average United States tariff on similar products was 17.8 % and that of the United Kingdom 18.4 %. Some idea of the relative tariff heights before the Kennedy cuts became operative is obtainable from Table 1.

they were disappointing. But in the case of tariffs on industrial products the cuts finally agreed proved considerably bigger than seemed at one time possible. During the negotiations, it became an open secret that most of the leading participants would have regarded their labours as being worth while if they emerged with average tariff cuts of as little as 25 %. In the event, in May 1967 they were able to announce average tariff cuts on industrial products of about 35 %. For some 6,000 products the full cut of 50 % was made.

The UK agreed to make reductions amounting to an average of 37 % on tariff on goods from the EEC, and

TABLE 1 Average tariff levels for non-agricultural products before planned cuts



Source: EEC.

In addition to tariff disparities there was the problem of "exceptions", i.e. products which one or another country wished to exclude entirely or partially from the negotiations for special reasons of national interest. The EEC for example listed lories, buses, computers and nuclear reactors, where their industry is weak by comparison with Britain or the USA as exceptions; the USA refused to include petroleum.

Both "disparities" and "exceptions" were solved in practice by detailed negotiation—quite contrary to the principle of across-the-board cuts which it had been hoped would apply. There were fears that this detailed bargaining would make the general negotiation far too complicated and prevent agreement within the deadline of five years agreed to by the US Congress. However enough of the initial determination to achieve major cuts remained for progress to be possible and lists of exceptions and disparities in fact grew shorter as the negotiations advanced.

The results

Success in cutting industrial tariffs

What are the fruits of the three years hard labour by the negotiators? At one stage it looked as if they would be very meagre indeed; and as we shall see, in some fields 40 % on goods imported from the USA. Some idea of the impact of these cuts can be gained when it is realized that the duty on tyres will fall from 24 % to 12 %, on leather footwear from 10-20 % to 5-10 %, on textile machinery from 12-40 % to 7.5-20 %, on office machinery (e.g. typewriters) 10-20 % to 3-7.5 %. On photographic equipment the duty falls from 15-50 % to 7.5-20 %, and on gramophones, records and tape-recorders from 10-33 % to 5-12.5 %. The duty on cars will fall from 25 % to 11 %.

In its turn the EEC will reduce duties on a wide range of products of export interest to the UK. These include cars and parts (from 29 % to 11 %), photographic equipment (from 12-18 % to 7-13 %), and furniture (17 % to 8.5 %). It is estimated that the total value of British exports affected by these reductions by the EEC was over £600 millions in 1964, or 85 % of total UK dutiable exports to the Community.

The US will make very significant reductions in import duties, including that on cars from 8.5 % to 3 %, chinaware 25-35 % to 12.5-17.5 % and gramophones 11.5 % to 5.5 %. The 1964 value of UK exports to the US affected by the reductions is estimated at about £300 millions.

In the closing weeks, difficulty centred round two groups of products, chemicals and steel. In chemicals, the US has been in the habit of valuing imports for customs purposes, not on the basis of import or foreign export prices, but upon a somewhat arbitrary price at which the products might have been expected to sell in the US

market. This device known as the American Selling Price System (ASP) resulted in duties on certain chemicals as high as 170 % ad valorem. The EEC and the UK were determined to see the end of this system and would make only a provisional cut of 20 % on their chemical duties until the US Government was in a position to terminate the ASP system. At the time of writing, ASP had not yet been abolished and the Community and Britain were still reserving their own positions.

As regards the implementation of the tariff cuts the participating countries have a choice of time-tables, but undertake to complete their reductions by January 1972. By that date the UK average tariff on manufactured industrial goods will be about 10.2 %; for the US it will be 11.2 % and for the EEC it will be as low as 7.6 %. Some idea of the future shape of the tariff of the three is shown in Table 2.

Table 2

Some typical tariff cuts resulting from the Kennedy round
(per cent ad valorem duties)

A. Pre-Kennedy Round level

B. Post-Kennedy Round level (i.e. from 1 January 1972)

Product	EEC		UK		USA	
	A[a]	B	A	B	A	B
Synthetic fibre yarns	19	9.5	24	13	32	10.5–25
Woven fabrics of synthetic fibre	21	13	22	17.5	46	3.2–30
Domestic glassware	24	15.5	21	15.5	35	10–30
Rotary printing presses	11	4.5	15	7.5	12.5	6
Passenger cars	29	11	30	11	8.5	3–5.5
Watches	13	7.5	30	17	46	8.5–16
TV and radio sets	22	14	17.5–30	15	12.5	5
Dolls	25	16	25	12.5	36	17.5
Electric shavers	13	6.5	15–17.5	7.5	14–20	6.5
Typewriters	16	6.5	10–20	3–7.5	0–13	0–5.5

Source: EEC and *Atlantic Tariffs and Trade* (PEP).

[a] The common external tariff: the arithmetical average of the six national tariffs for 1957, less cuts agreed in the 1961-1962 GATT negotiations. The CET at this basic rate was never fully implemented because the first stafe of the Kennedy Round cuts were carried out on 1 July 1968, the same date on which the final alignments of the national tariffs on the CET were due.

Disappointment in other fields

While in terms of reducing tariffs on industrial goods most people regard the Kennedy Round negotiations as very successful, this cannot also be said of other aspects of the negotiations. Little progress was made on **non-tariff barriers** apart from the American Selling Price package—still not confirmed by the US Congress, the agreement by France and Italy to look into the possibilities of induring the high road tax on big-engined cars, and a resolution to agree on an anti-dumping code.

Success in reducing trade barriers on **agricultural products** was also very limited, for if it is true that a number of duties on these goods were reduced, the reductions were in general substantially less than on industrial goods. Virtually no progress was made in modifying agricultural support programmes, which was particularly disappointing in view of the length of time spent in negotiations on agricultural policies. Indeed agreement to get down to the detailed negotiations in the industrial sector was delayed by fruitless attempts to reach agreement on agriculture. The one important decision in agriculture of special interest to less developed country participants was the agreement to raise from July 1968 the International Wheat Agreement minimum and maximum prices of hard wheat. The increases are fairly modest, however. For example, for one important type, hard red winter wheat of basic quality, the minimum and maximum increases are 5.4 % and 4.4 % respectively. Slightly more dramatic was the decision of the high income countries (both producing and consuming countries) to contribute to less developed countries the equivalent of 4.5 m tons per annum of wheat as a long term aid programme. The US will contribute 42 %, the EEC 23 %, Canada 11 % and the UK 5 %.

In general, however, the **less developed countries** emerged from the negotiations profoundly disappointed. As we have seen, virtually no progress was made in providing for freer access for their primary product exports, and as regards manufactures, the tariff cuts tended to be deeper on products of interest to other industrialized countries than on those of interest to less developed countries. Sectors in which the less developed countries are especially interested include foodstuffs, beverages, oils and fats, textile products, clothing and footwear. These categories all received less than average cuts. Indeed clothing and footwear, of very especial export interest to less developed countries, look like providing "peaks" in the future tariff structure of industrialized countries. It has been estimated that whereas only about 16 % of the value of all manufactured imports into industrialized countries remained unaffected by the tariff reductions, for manufactures of interest to the less developed countries, no less than 24 % failed to obtain any reduction. At the other end of the scale, 55 % of the import trade of the developed countries received cuts of 50 % or more, whilst on products of especial interest to less developed countries, only 47 % was affected in this way.

Conclusion

Nonetheless the Kennedy-Round can be considered a major achievement, primarily of benefit to the industrialized countries but since the tariff concessions are open to all GATT members including the developing countries, beneficial at least to some degree to all. It achieved far more in terms of tariff cuts than any previous multilateral negotiations of its kind and though this was less than was hoped for at first, it remained—at an average of 35 % cuts of all tariffs on manufactures—far more than at times seemed possible. Coming after previous GATT negotiations, it is likely to be seen in future as the culmination of a long post-1945 process of liberalization resulting in a situation where most manufactures imported into Western Europe and the USA will face tariffs as low as 5-15 %.

In these circumstances tariffs themselves become far less important than the many other obstacles to trade known as non-tariff barriers. In dealing with these the Kennedy Round was much less successful. But attention is likely to turn increasingly towards these barriers in the future when the effects of the tariff cuts begin to be felt. And the experience within EEC and EFTA in attacking these problems on a regional basis is then likely to be of value for a wider approach.

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The motor industry in the European Community and Britain

The automobile industry plays a central role in the economy of the European Community—particularly in Germany, France and Italy—just as it does in the UK. Its importance has become so great that any crisis in this industry affects many other sectors and weakens the economy as a whole. In turn, it is itself very sensitive to general economic fluctuation. Only in the Benelux countries, where, with only one national manufacturer, the main activity is the assembly of foreign vehicles, is the industry relatively unimportant.

I. Structure

Position in the economy

The automobile industry is a very important customer of other industries. In France, for example, the industry absorbs, each year, 90 % of the production of safety glass and 50 % of the rubber, 50 % of the fine and special steel, 50 % of shaped aluminium products and 21 % of the sheet metal produced. In Britain, it uses 12 % of all deliveries of finished steel of every type.

It is also a leading employer: 1.4 million French men and women or 5 % of the total work force, gain their living from the industry. In the UK, half-a-million people are directly employed in the industry and many thousands of others work for component manufacturers. Italy's Fiat has 134,000 people on its payroll, Germany's Volkswagen 100,000.

The motor companies are among the largest of European firms: Volkswagen, Fiat and Renault are the leading companies in Germany, Italy and France. The industry is also a prime contributor to a country's finances, from the point of view both of fiscal revenue (18 % of French tax revenue, for instance) and of exports—British Leyland Motor Corporation is the UK's leading single exporting firm.

The growth of the industry

The European motor industry begins with the foundation in 1890 of the German firm Daimler Motoren. The first French car, built by Panhard and Levassor, who had acquired manufacturing rights for the Daimler engine, took the road in 1891; the Daimler Motor Co. began production in Coventry in 1896, the same year that the first British car, designed by Lanchester, had its initial trials. Fiat was formed in 1899. Up to 1914 progress was slow and construction still a matter of pioneering and craftsmanship. In 1913 France produced more than 40,000 vehicles, Britain 34,000 and Italy 6,000. In the USA, on the other hand, the breakthrough had been spectacular: 4,000 vehicles in 1900, 187,000 in 1910, 970,000 in 1915 and 2 million in 1920.

The First World War confirmed the use of the motor vehicle and, with the introduction of mass production methods, the great growth began which continued up to the slump. On the Continent the number of firms multiplied, though in the UK they declined from 88 in 1922 to 31 in 1929. In the latter year, with American production at 5.3 million vehicles, total output in France was 254,000, in Britain 239,000, in Germany 156,000 and in Italy 55,000. The great economic crisis caused many mergers and wiped out the smallest firms. The Italian industry was especially badly hit and divided into two sectors: the mass producers personified by Fiat, and the others, led by Ferrari, who clung to the old idea of the car as a luxury, custom-built article for a moneyed minority.

The British motor industry was less affected by the slump. An upward trend in production continued: in 1937 Britain became second to the USA as a motor vehicle manufacturer, producing 379,000 cars and 114,000 commercial vehicles. Britain's comparatively favourable experience has been attributed to the rather slow rate of growth in the industry during the twenties, growth in real *per capita* income and taxes favourable to British cars. Production in the USA and Continental Europe did not regain the levels of 1929 until after the Second World War.

During the war, car production in the UK fell practically to zero though more commercial vehicles were turned out. On the Continent, many factories were destroyed or badly

damaged but, thanks to Marshall Aid, post-war recovery was swift and the level of 1938 was passed by 1950. In that year British car production topped the half-million mark for the first time. (Later developments in production are given in Section II.)

Vertical integration [1]

The automobile industry could not exist without two types of suppliers: the raw material producers—steel, rubber, glass, paint and textile firms—and the subcontractors who make the components and accessories—electrical equipment of all kinds, brakes, carburetors, seats, etc. As a general rule, the European motor industry, unlike parts of the American industry, does not have financial links with these suppliers nor does it make the materials or components itself. Its "vertical integration" is, in economic jargon, "weak".

There are, however, some exceptions. In Germany Krupp, essentially a steel giant, produces commercial vehicles; two other commercial vehicle firms, Man and Vidal, belong to steel companies. The Flick group controls Daimler Benz. In France, the Michelin tire group has an important interest in Citroën; Renault has its own steel works and also makes machine tools. Fiat has integrated metallurgical raw material supplies for its own needs. In Britain, British Leyland owns Mulliners, a component manufacturer. In general the sub-contractors, while financially independent of the motor firms, are strongly "horizontally integrated." They are comparatively few in number in some important sectors, because of mergers, and have large market shares. Examples are the brake firms of Ferodo, Bendix and Lockheed; and Solex, which supplies all the French carburetor market, two-thirds of the German and half the British and Italian markets. Lucas is an outstanding British case of a firm with a dominating position in a component field—electrical equipment.

There are also the body-building firms, of two types. First, there are the *de luxe* companies (e.g., the famous Italians Ghia and Pinin Farina) who are closer to the world of *haute couture* than to an assembly line and who are the descendants of the early craftsmen motor producers. In Europe they have a fairly small market of high purchasing power but are gaining in importance in the USA, where the "dress" of a car is an essential selling point. Second, there are companies which make special vehicles—medium and heavy commercial vehicles, ambulances, caravans, coaches, etc. In the EEC most of the body-builders have retained their independence, but in Britain this is the area where the most vertical integration has taken place: British Leyland owns Pressed Steel and Ford now has control of Briggs Motor Bodies.

Horizontal integration [2]

Horizontal integration has gone far—and farthest of all in Britain. Only the firms of the greatest size have survived, apart from a few specialist producers.

In **Germany**, since the absorption of Auto-Union by Daimler Benz in 1958[3] and the disappearance of the Borgward group in 1962, four firms supplied 89 % of the 2.5 million cars and light commercial vehicles produced in 1967: Volkswagen 47 %, Opel 22 %, Ford 10 % and Daimler Benz 10 %. The balance comes from NSU, which developed the Wankel rotary engine, BMW which is gaining ground rapidly and a few small firms. The largest lorry manufacturer is Rheinstahl-Hanomag, a steel firm.

In **France,**[4] where there were 200 manufacturers in 1914 and 22 in 1938, four firms now account for 99 % of the total production of 2 million vehicles: Renault-Saviem 40 %, Citroën-Berliet 26 %, Peugeot 20 % and Simca (the French subsidiary of the US Chrysler Company) 14 %.

In **Italy,**[4] concentration is even more marked: one firm, Fiat, produced 86 % of the 1.54 million vehicles manufactured, and Alfa-Romeo 5.5 %. The other firms—Maserati, Innocenti, Lancia and Ferrari—are in the *haute couture* range.

In the **Benelux**[4] countries, there is only one national producer, the Dutch firm of DAF, founded in 1948. Despite a healthy growth in recent years, its production is still no more than 100,000 vehicles a year. Most of the output comes from foreign-owned assembly plants in Belgium, of which the most important are Ford (German and British), GMC (German and British)—both, of course, under American ownership—and Renault-Rambler (French/American).

In **Britain**[4] four groups now produce approximately 99 % of all vehicles. British Leyland Motor Corporation was formed in May 1968 by the merger of the two largest British-controlled automobile manufacturers, British Motor Holdings and Leyland Motors.[5] It produced about 46 % of the total production of 1.944 million vehicles, Ford 27 %, Vauxhall around 15 %, Rootes about 11 %. Nearly all the commercial vehicles are produced by these four groups, especially the lighter vehicles of up to 6 tons which comprise almost 80 % of the market. BLMC makes one third of all commercial vehicles, but Vauxhall is by far the biggest maker of vehicles of under 2 tons. There are some 15 other commercial vehicle specialists and 13 firms producing luxury and sports cars—e.g., Rolls-Royce and Bentley, Aston Martin, Lotus and Jensen. Unlike most other countries, Britain mass produces sports cars (both BLMC and Rootes); it is also the only country to specialize in the production of double-decker buses.

In the EEC, there is a certain amount of state participation. Renault, the main French firm, has been nationalized; Alfa-Romeo is controlled by Finmeccanica, the engineering branch of the state holding company IRI; since 1961, the Federal Government and the *Land* of Lower Saxony have each held 20 % of the shares of Volkswagen and thus have effective control as the 60 % of shares in private hands are very widely dispersed. Extension of public intervention seems, however, unlikely, nor can any such developments be expected in the UK.

Geographical location

The need to be close to its raw material suppliers, its subcontractors, an abundant labour supply and its main outlets caused the motor industry to develop in or near large centres of population. Thus, three of the four large French car firms are in the Paris region; 90 % of Italian production is centred on Milan and Turin; the British industry has been concentrated in the Midlands and the South-East. In Germany the industry is more widely spread and the smaller firms in all countries are also scattered.

This centralization, strongest in France, is not without its problems. Continual growth in production means that factories have to be enlarged, which may be difficult in metropolitan areas. A modern production unit, moreover,

[1] The integration in a single company or group of companies of several consecutive stages of manufacture and distribution e.g. iron ore → steel → cars.

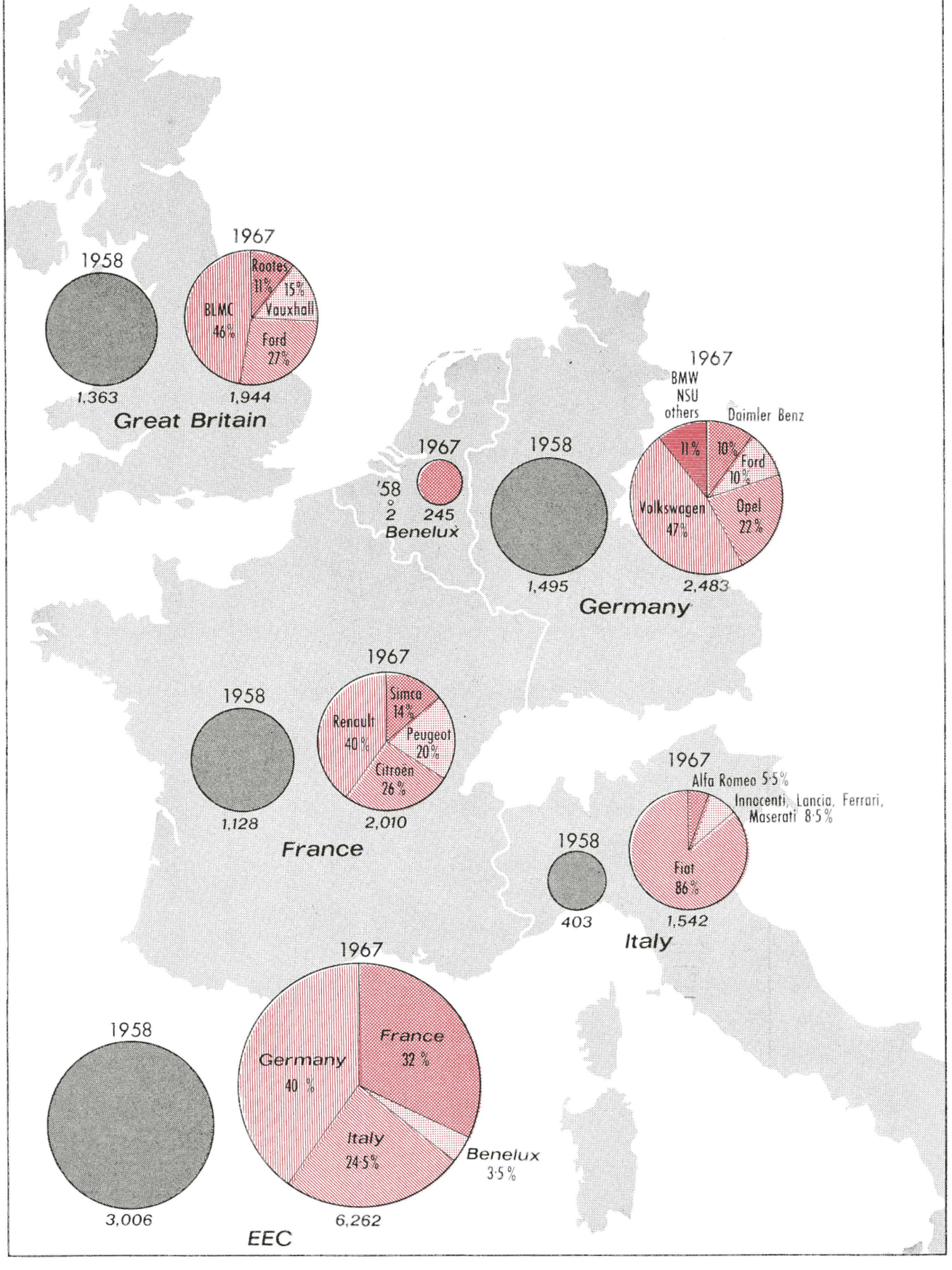
[2] Integration of firms at the same stage of manufacturing or distribution.

[3] Since then Volkswagen has acquired an important interest.

[4] All figures are 1967.

[5] BMH itself was formed in 1966 following a merger between British Motor Corp.—itself a result of a merger in 1962 between the Nuffield group and Austin—and the body-builders Pressed Steel. Leyland Motors was born in 1962 on the merger of the original Leyland Company and Standard-Triumph; it absorbed Rover and Alvis in 1966. Jaguar is also part of BLMC.

MOTOR - VEHICLE PRODUCTION (THOUSANDS)



needs more room for parking areas and depots than it does for plant. There is thus an incentive for motor firms to decentralize, so long as material and component supply is not made too expensive and labour is available. Because a car has a high value-weight ratio, the cost of delivering the finished product is not very important. Companies have been encouraged by the state to decentralize and have been offered inducements to move to areas where unemployment is above the average.

In France, Renault has advanced down the Seine from Paris to Le Havre. Renault-Saviem is established at Caen and is planning to set up a new plant at Nantes. But dispersal is not very far advanced. Nor is it in Italy where automobile production is still concentrated in the North of the country (success in attracting firms to set up in southern Italy, where heavy unemployment is chronic, has been more marked in heavy industries such as steel). The only example of automobile decentralization in Italy is the big plant now being built by Alfa-Romeo near Naples, with participation by IRI.

Decentralization has gone much further in Britain. The industry has spent more than £200 million in the last few years on expansion and modernization and a large proportion of this has gone to the building of new plants in areas of high unemployment. BMC moved all its heavy commercial vehicle production to Bathgate in Scotland and set up new factories in South Wales and on Merseyside; BLMC has further plans for expansion in the development areas. Ford now has an integrated car-body factory at Halewood, near Liverpool, and plans to add a transmission plant in the same region. Rootes opened a big new plant at Linwood, near Paisley, in 1963. Vauxhall's Mersey-side expansion projects date from 1960.

II. Production and markets

The motor industry has to produce for two very different markets: commercial vehicles and private cars. The former is relatively stable and follows trends that broadly reflect the general state of the economy. But commercial vehicles make up only a fairly small proportion of total production in Britain and the EEC. The situation is radically different in the USSR and Japan.

Motor vehicle production: 1967 and 1968 (thousands)

	1967			1968
	Total	Passenger cars	Commercial vehicles	Provisional total
EEC [a]	6,262	5,707	555	.
Germany	2,483	2,296	187	3,100
France	2,010	1,777	233	2,070
Italy	1,542	1,439	103	1,600
Netherlands	56	49	7	.
Belgium	189	164	25	.
UK	1,944	1,560	384	2,100
USA	8,988	7,404	1,584	10,900
USSR	732	252	480	.
Japan	3,132	1,914	1,218	4,000

[a] Total after eliminating duplication due to the fact that vehicles manufactured in one Community country and assembled in another have been counted in the figures for both.

Source: Statistical Office of the European Communities, *General Statistical bulletin 1968*, No. 10.

In the EEC the private car production sector is the most important. It is a far less certain and less rational market than that for commercial vehicles, but the industry's future health depends on it. The same is broadly true for the UK, although Britain is the largest European manufacturer of commercial vehicles. While car production has grown spectacularly in Europe since the war, capacity and markets do not always correspond.

Trade cycle difficulties

In the last few years, sudden falls in car sales have interrupted the steady growth that succeeded the end of the war and have forced the motor companies to readjust their production as stocks built up. Nevertheless, the market is so considerable that the future for the industry can hardly be anything but favourable. The EEC has 180 million inhabitants and saturation in the automobile market has by no means been achieved, despite the rapid growth of the number of vehicles on the roads: 5 million in 1953, 14 million in 1960 and 35 million in 1967. There is now one vehicle for every seven people, the density reached in the USA in 1920/1921.

This lag behind the USA presages a fairly favourable future for the European industry. Purchasing power is rising, hire purchase is becoming more widespread, leisure and mobility are increasing. All these factors are encouraging the growth of car ownership, which has been further boosted by the introduction of small popular cars.

The evolution of the market

There have been four stages in the evolution of the automobile market:

First, a period of rapid and regular growth in production corresponding to strong demand, shortages and long delivery delays. In Britain and the EEC this period lasted from 1945 to 1958/1960.

Second, a period when the market settles down and something of a balance between supply and demand is achieved: competition between makes and models becomes very keen. These were the characteristics of the market in Europe in the early 60s.

In the third stage, reached in Britain and the EEC during the last three or four years, replacements become increasingly important. In France, for example, 16 % of sales were replacements in 1959. By 1965 the rate for France was 40 %, for Germany 35 % and for Britain 42 %.

It is expected that the demand for replacements will represent more than half total sales in 1970. Signs of this change on the market are second-hand sales and swifter depreciation. The average life of a car is getting shorter: it is now 13 years in the EEC and 10 in the USA.

The fourth phase, scarcely begun in Europe but well advanced in the USA, is marked by the appearance of the second family car. In the EEC, 2 % of households had a second car in 1959 and 3.5 % in 1964; the estimated percentage for 1970 is 6. In the USA, more than 10 million families already possess two cars.

The shift to a replacement market has very important results and sensitivity to cyclical trends becomes extremely acute. Both in Britain and the EEC, the car industry has been much affected by the tendency of governments to use changes in the volume of car sales as a main regulator of the economy. Demand has frequently been damped down by means of credit restriction, taxation and hire purchase deposit requirements.

Competition

Competition within the EEC, eased by the abolition of tariffs, has led to increase trade in automobiles between the member states.

In **France**, imported vehicles represent about 14 % of new registrations in 1966. 47.7 % of imported vehicles came from Germany, 30.7 % from Italy and 12.6 % from the UK; the balance came from the USA, Sweden, the USSR and Japan.

In **Germany**, 56 % of the 200,000 vehicles imported in 1966 came from France (with Renault in a clear lead) and 39 % from Italy—Fiat being the biggest supplier of all, with 72,400 vehicles.

In **Italy**, the actual number of cars imported has fallen in recent years but, as a proportion of new registrations, has remained around the 20 % mark; French manufacturers have felt the squeeze most badly in this market.

In **Belgium**, where most sales come from foreign-owned assembly lines, Germany is in the lead with 43.7 % of new registrations, followed by France with 26.8 %, the UK with 12 % and Italy with 9 %.

In **Britain**, imports have increased steadily in recent years; rising from 60,000 vehicles of all types in 1960 to 97,000 in 1967. Nearly all imports are passenger cars: only 4,200 foreign commercial vehicles were bought by the UK in 1967. Most of the increase in imports represents purchases from Germany (39 % by value of all imported vehicles in 1967) but sales of French, Italian and Swedish cars were also buoyant.

On the export side, **Germany** is the most successful European country: more than half her total production is exported. Volkswagen sells 62 % of its output abroad; its percentage of "vehicle population" in foreign countries ranged from 57 % in Brazil to 3.4 % representing 2.5 million vehicles, in the USA. **France** exports 40 % of its production, Britain about 35 %, Italy 27 %, Japan 13 % and the USA 5 %. European manufacturers add to their direct export sales by assembly plants abroad, of which Germany has 55 and Italy 25, the USA have 122. Britain has assembly lines in about 30 countries. British car exports have expanded more in Western Europe than anywhere else during the last 20 years—from about 20 % to nearly 50 % by value. EFTA countries took almost 20 % (by value) in 1967 and EEC countries more than 15 %.

The American challenge

American cars are generally too large and too expensive for European tastes. US manufacturers have therefore set up plants inside the European market. General Motors bought Opel (Germany) in 1928; Ford opened its Cologne factory at the bottom of the slump in 1930; today, American firms control 35 % of the German automobile industry. Penetration into France was slower off the mark, but since Chrysler gained control of Simca in 1963 it has been more successful. Renault has been assembling American Motors' Rambler car since 1964; the Bernard lorry firm came under the control of Mack Trucks the same year; General Motors through its German Opel subsidiary completed a new plant in Strasbourg in 1968. In Britain, 52 % of production is under American control (Ford, Vauxhall and Rootes). American companies also own the largest assembly plants in Belgium. Italy is the only EEC country not to be affected in this way. In the Common Market as a whole, a quarter of all US investments since 1960 has been in the automobile industry.

It is obviously very difficult for European firms to compete with giants of this size. In 1963, a good but not exceptional year for the US automobile industry, GM's turnover was equal to the French budget and its profit more than Renault's 1966 turnover of Fr. 7.5 billion. In 1965, GM (in the USA, Germany and the UK) built 7.2 million vehicles, Ford (in the same three countries) 3.7 million and Chrysler (in the USA, France and Britain) 2.05 million. Volkswagen, the largest European firm, built no more than 1.6 million, followed by Fiat with one million and Renault with 583,000. The American firms have all the advantages of scale, which enables them not only to invest but also to carry out the essential research and development programmes at a level far higher than that of their European competitors. They also have the advantages, shared by many important sectors of American industry, of more advanced management and organizational techniques. Their European subsidiaries are given a great deal of independence, but are backed up by the vast resources of their parent firms.

Many European manufacturers believe that, faced with such a challenge, it is pointless to continue along old-fashioned competitive lines in the European market. European firms should get together to meet the threat. Collaboration of this kind could take various forms.

At the lowest level, **commercial agreements** for the sharing of sales networks have been concluded in the last five or six years between, for instance, Fiat and Simca, Renault and Alfa-Romeo, Citroën and NSU, and Saviem and Henschel.

A second form of collaboration, which, like the first, does not affect firms' independence, concerns **reciprocal assembly arrangements.** Deals of this sort have been concluded, among others, by BMC and Innocenti, and by Fiat and Neckar.

Technical co-operation agreements go deeper, as they affect the independence of companies and may in the end lead to mergers. Peugeot and Renault came to such an agreement in 1966—an unusual marriage of public and private enterprise. The two firms continue to compete but standardization of parts will lead to standardization of tooling and must result in lower costs. In the longer term, research and investment are to be co-ordinated. Despite talks between Volkswagen, Renault and Fiat, similar agreement on a European scale have not been concluded.

But the market is such that something more than mere agreements between "large" European firms is needed: **mergers** are needed if European companies are to put up a real fight against the incomparably larger US companies.

Rumours involving various companies have appeared from time to time, but the first concrete move came in September 1968 when Fiat proposed taking over Citroën, France's second largest motor manufacturer. Such a move had been rumoured as far back as 1962. The terms of the proposed merger were never published, but were reported to have involved the acquisition by Fiat of an important holding in Citroën (in which the Michelin family had a 53 % interest). However, there was strong opposition from the French Government to the control by a foreign firm of a major national asset. Nonetheless, the two firms continued their negotiations and it was finally agreed that Fiat should take a 15 % stake in Citroën and that the two firms would extend their commercial and technical co-operation through joint purchasing, research and development programmes. The Fiat-Citroën link-up therefore represents a significant step forward in intra-European integration even if the hope of a fully effective merger was frustrated.

Conclusion

In general, then, the European automobile industry has an uncertain future but one not without promise. Future American policy can only be guessed at; how long will US manufacturers remain content with the firms they now control? The Japanese offensive has no more than begun. In 1967 Japan produced 3.1 million vehicles of all types, overtaking Germany for second place in the world league, having overtaken Britain for third place in 1966 and France for fourth in 1964. In 1968 Britain ranks fourth before France.

It is clear that the long-term success or failure of the European automobile industry will be decided only within a wider framework. If the Community's customs union, already achieved, is to provide that framework by developing into a full economic union, it will require much greater realism and understanding in the part of national governments that has been shown in recent years.

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