FEBRUARY 1967 NO. 100

european community

COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM

1967—LAST FULL YEAR TO PREPARE FOR CUSTOMS UNION

Businessmen, Farmers, "Eurocrats" Race Against July 1, 1968 Deadline

BUSINESS, INDUSTRY, AGRICULTURE, and 185 million consumers in the European Economic Community have started their tenth and last full year of preparation for the "Common Market."

As business completes strategies to capture the enlarged market and increasingly prosperous and discriminating consumers, a mountain of complex and technical tasks awaits the EEC Commission and the Council of Ministers. During 1967 the Commission and the Council will race against the July 1, 1968 deadline for customs union.

Completing Market Systems for Agriculture

In agriculture alone, 300 technical and administrative regulations must be drafted by the Commission and discussed by the Council of Ministers to give effect to last year's political decisions. Those decisions in May and July provided market organizations for beef, dairy products, fruit, vegetables, oilseeds, and sugar. The Council must also pass on the market systems for tobacco, ordinary table wine, and several other commodities, once the Commission has drafted proposals.

On January 1, 1967, the common market for fruit and vegetables took effect following the introduction of the common market in olive oil in November 1966. On July 1, 1967, single markets for eggs, pork, and poultry will come into force, as decided on December 15, 1964. In September the Community will have a common market in rice. Eggs, pork, poultry, and rice constitute 35 per cent of the six countries' total agricultural production.

Beginning on July 1, the member governments' expenses for supporting products under common market systems will be reimbursed in full by the European Agricultural Guidance and Guarantee Fund (EAGGF).

5% Tariff Reduction on Industrial Goods

On July 1, 1967, the Six will lower their tariffs by 5 per cent on industrial goods produced in the Community, bringing internal duties to 15 per cent of their 1957 level. The last reduction will occur on July 1, 1968.

French duties, the highest in 1958, now average less than 10 per cent for 19 out of 20 products, and less than 5 per cent for nearly 14 out of 20 products. As consumers choose from a greater variety of comparably priced goods, competition will continue to stiffen in France and throughout the Community.

Non-tariff Harmonization Increasingly Important

As tariffs fall, non-tariff distortions of trade, whether deliberate or accidental, will become increasingly important.

To complete the customs union by July 1, 1968, some areas of customs legislation must be harmonized, technical standards unified, and customs inspections and other formalities at the borders between member states simplified. "Tax borders," however, will not completely disappear before 1972. The EEC Commission has prepared draft directives for the harmonization of turnover taxes similar to the French system of taxation on the "value added" at each stage of manufacture and distribution. After adoption of the harmonized system, different rates of taxation could still distort competition.

Rome Treaty Seeks "Economic Union"

A real "common market" depends on more than the elimination of customs and trade barriers. The Treaty of Rome sets a more ambitious goal—economic union—which includes free movement of workers and capital, freedom of establishment for business and non-wage-earning persons, and common policies for transport, foreign trade and economic development.

The first draft medium-term economic policy, which the

IN THIS ISSUE

Council has asked the Committee of Permanent Representatives to examine, would intensify the coordination of national policies. As the six economies grow more interdependent, cyclical fluctuations in the business cycle will also require coordinated short-term adjustments to maintain high employment and to avoid the two extremes of inflation and stagnation.

To strengthen the European economy for world competition, ways are being studied in Brussels to remove legal obstacles to the formation of multi-national "Community companies." Consideration is being given to planning a common policy for scientific research, to creating a single Community capital market, and to coordinating Community aids to shipbuilding, textiles and other depressed industries.

A common development policy accompanied by greater harmonization of social policies and closer coordination of regional policies has just reached the outline stage.

1967 External Relations—Accent on Kennedy Round

The Community's external relations will be dominated in 1967 by the Kennedy Round of tariff negotiations in Geneva.

Towards the end of January the Community plans a new phase in its negotiations with Austria to eliminate customs duties and economic boundaries. Political figures in both the Community and Austria have expressed hopes that an agreement will be signed during the year.

The Community will concentrate its economic and trade development assistance during 1967 in the associated countries: Greece, Turkey, and the 18 African and Malagasy signatories to the Yaoundé Convention. In particular, the Community's development assistance to Greece will be re-examined, since the association began its fifth year in November 1966 and the financial arrangements cover only the first five years.

In addition, however, the Community will be preparing for the next meeting of the United Nations Conference on Trade and Development (UNCTAD) which will deal, in part, with preferential treatment granted by industrialized countries to the developing nations. The Community will also be preparing for discussions in the General Agreement on Tariffs and Trade concerning suggestions for international agreements to stabilize commodity prices.

Spain has proposed to the Community a customs union, linked with harmonization of economic policy. At the end of 1966, the Commission sent a memorandum to the Council describing its discussions with the Spanish delegation. The Council will study this account in 1967.

In the Mediterranean area, the Commission will hold negotiations on the economic association of Morocco and Tunisia as requested by both countries. In December the Commission submitted to the Council draft terms of reference for the negotiations, dealing at the same time with agricultural exports from these countries to the Community. As requested by Algeria, the Commission must also decide on the opening of negotiations for its association with the EEC.

JUNE 1963-64 FARM PRICE AID TOTALED $51 MILLION

France Received 90% of the EAGGF Reimbursement

THE SECOND PAYMENT from the Guarantee Section of the European Agricultural Fund, covering June 1963-64, amounted to nearly $51 million.

For that period, the Fund, which operates retroactively, was responsible for reimbursing the member governments for one third of their subsidy payments for products then covered by the common agricultural policy. The Guidance Section of the Fund, which is responsible for modernizing agriculture, that year paid $17 million.

Total payments from the European Agricultural Guidance and Guarantee Fund (EAGGF) from June 1963-64 break down as follows:

(in thousands of dollars)

Expenditure by Guarantee Section		50,690
Refunds on exports to non-member countries	41,798	
Support for home markets	8,892	
Expenditure by Guidance Section		17,134
Total disbursements for June 1963-64		67,824

The Fund received 90 per cent of its resources in June 1963-64 from contributions by the member governments, according to the ratios specified in Article 200 of the Rome Treaty instituting the European Economic Community. Contributions proportionate to each member's net imports of the commodities covered made up the remainder. Italy's contribution, however, is fixed. The provisional totals of the other member countries' contributions to the Fund during that period are shown below, with each government's receipts from the Guarantee Section:

SHARES OF GUARANTEE SECTION

	CONTRIBUTIONS		RECEIPTS	
	(in thousands of dollars)	*Per cent of Total*	*(in thousands of dollars)*	*Per cent of Total*
Belgium	5,420	8.02	383	0.76
France	17,337	25.65	45,418	89.60
Germany	18,843	27.88	2,637	5.20
Italy	18,924	28.0	705	1.39
Luxembourg	145	0.21	5	0.01
Netherlands	6,374	9.43	1,542	3.04

The Fund's responsibility during June 1963-64 extended only to grains (of which France is the main producer and exporter), pork and eggs and poultry.

GUARANTEE EXPENDITURES 1963/64

(in thousands of dollars)

Grains:	Export refunds	40,130
	Market support	8,892
Pork:		—
Eggs:	Refunds	968
Poultry:	Refunds	700

Since 1964, the Fund has been responsible for three new sectors: dairy products, beef and veal, and rice.

COMMUNITY CONTINUES WAR ON PRICES IN 1967

Budgetary Restraint Urged to Control Inflation as Demand Slackens

THE COMMUNITY WILL CONTINUE to battle price inflation this year, but with different policy mixes as demand slackens at home and abroad.

The Council of Ministers of the European Economic Community made its semi-annual evaluation of the economy on December 20 and adopted a recommendation proposed by the EEC Commission to the member states. At the December 20 meeting, devoted entirely to economic and financial matters, the Council also agreed to ask the Committee of Permanent Representatives to edit the Community's first draft medium-term economic policy program for 1966-70 and instructed the Committee to continue working on two Commission proposals for harmonizing turnover taxes. In addition, the Council asked the Committee to report on work necessary to harmonize excise taxes and tax provisions affecting capital movements.

The Council said it would again discuss fiscal harmonization before the end of January. It will make its next review of the Community's economic situation in July 1967.

Mixed Growth Patterns Forecast

The economic policy recommendation for the first half of the year based on the Commission's Fourth Quarterly Economic Survey made different suggestions for each member state. Their growth patterns still vary widely within the overall Community averages. The Commission estimated economic growth at 4.5 per cent last year and predicted a 4 per cent expansion for 1967. (The U.S. economy expanded by 5.5 per cent in 1966, and unofficial forecasts set a rate of 3.5 to 4 per cent for 1967.)

The general outlook for 1967, the Commission said, reflects the past few years' inflation which the member states either tolerated or attacked with the wrong instruments and mixes. Prices and costs have continued to rise in some countries, the Commission pointed out, although their rates of growth and investment have deteriorated and their supply has kept pace with demand. The industrial production index rose 5.5 per cent in 1966, to a level of 67 per cent above the 1958 level. U.S. industrial production rose by 9 per cent.

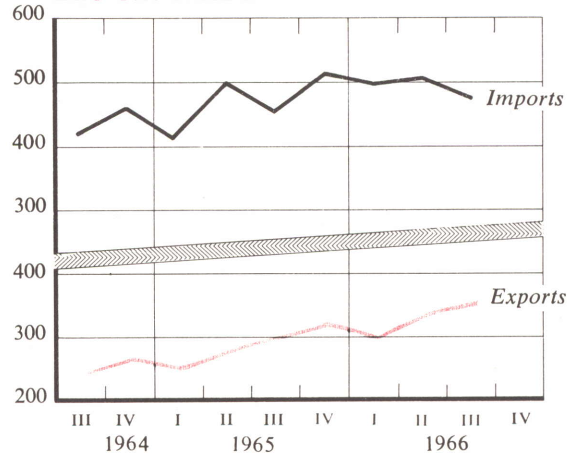
1966 Performance Most Buoyant in France, Italy

During 1966 price pressures persisted. Upward pressure was particularly strong in the Netherlands, the Federal Republic of Germany, and Belgium. Until the flood disasters in November, Italy had attained "extensive price stabilization." Prices increased by a "moderate" 3 per cent in France, the Commission said.

Private consumer expenditures for the Community rose 8 per cent in value after increasing 7.7 per cent in 1965. In France and Italy they gathered momentum, but in Germany they rose more slowly. In Italy, the Commission noted, public expenditures on goods and services slowed, but for the Community as a whole they remained "very vigorous."

Imports from non-member countries expanded 6 per cent in volume and 7.8 per cent in value while intra-Community trade increased by 12 per cent, compared with 13.5 per cent in 1965. Different trade patterns emerged reflecting the EEC countries' domestic situations. In Germany demand

EEC-U.S. TRADE



for imports from outside the Community decreased more than the combined increase in French and Italian imports. Germany's purchases from other EEC members also expanded less rapidly, while French and Italian purchases from other EEC countries accelerated.

The Community's trade deficit may shrink slightly in 1967, as internal demand weakens. Largely because of the improvement in Germany's trade account, the Community's trade deficit may have narrowed slightly during 1966 as well. Export expansion slowed from 12 per cent in 1965 to slightly less than 9 per cent in 1966. Community exports equaled the corresponding U.S. figure at $29.5 billion.

Recommendation Stresses Containment of Price Rises

The Council's recommendation, based on the Commission's evaluation of 1966 performance and its proposals for 1967, stressed that all member states must prevent further price increases in the interests of balanced economic growth.

Germany, where growth has slowed markedly in recent months, should use economic policy to maintain optimal growth and stability. Credit should be relaxed as part of a general stabilization program. If it becomes necessary, the recommendation stated, Germany should increase publice spending, but without excessive recourse to the capital market.

Italy and France were advised to watch prices and credit expansion closely. While French policy was considered appropriate, Italy was urged to encourage investment, reduce expenditures which affect consumption directly or indirectly, and place greater reliance on savings to finance budgetary deficits.

Belgium and Luxembourg were asked to reduce their public works deficits. Limiting the 1967 budget deficit to the 1966 level would suffice for the Netherlands, the recommendation said, in view of proposals pending in the Dutch Parliament.

The recommendation urged all member states now running public works deficits to reduce them by measures which will curtail private and public consumption but not capital investment. The reductions recommended could be accom-

Continued on page 14

Segre Report Describes Current Market Operations as Start

UNIFIED CAPITAL MARKET WOULD HELP GROWTH

AN INDEPENDENT GROUP OF EUROPEAN ECONOMISTS and bankers, under the chairmanship of Claudio Segré, have produced the first study on the practical aspects of unifying the European capital markets.

Although the Commission of the European Economic Community sponsored the study and Mr. Segré is a member of its staff, the report does not necessarily reflect the policies of the Commission or the opinions of the EEC member governments. Intended as the basis for discussion among the six governments, the study expresses the views of the 18 experts who prepared it.

Capital Sources Too Limited

A primary aim of the Rome Treaty was gradually to remove restrictions on capital movements between the six EEC members, but "less progress has been made with the development of a European capital market than with the other elements of the economic union. . . ," the study said.

"In all member states the financing of economic growth depends more and more on the capital market." Broader markets and closer coordination of economic policies would facilitate economic growth, the report explained, by:

- Giving business more outside sources of financing for their expansion to Common Market size.
- Aligning the conditions for financing in the Community, thus reducing distortions of competition.
- Increasing the supply of capital by attracting more savings with more varied investment opportunities.
- Intensifying financial flows to lessen the risks of disturbance attendant upon excessively narrow markets.

Causes of Narrow Markets

The experts attributed the present shortcomings of the capital markets "not so much to insufficient savings as to the impossibility of adjusting correctly supply and demand on markets that are too narrow."

In addition, the report mentioned European investors' preference for cash and short-term holdings; the inadequacy of saving by institutional investors such as insurance companies, social security organizations and local savings banks; and the tendency of public authorities to rely on bond placements to finance their expenditures. This last factor in particular, the report indicated, cramps the play of traditional market forces.

New Investment Patterns Could Combat Imbalances

"Though a European capital market ought to be the result of spontaneous developments," the report said, "it will nonetheless require constructive efforts on the part of governments and financial institutions." Governments' adjustments will involve closer coordination of national economic policies "and shifts in the . . . various instruments they normally use."

The report set out detailed suggestions for improving market conditions and operations. Among measures to encourage medium- and long-term investment, it advocated familiarizing the public with the mechanisms of investment in securities. A continuous flow of information on company operations and detailed information on securities quoted should also be available, it said.

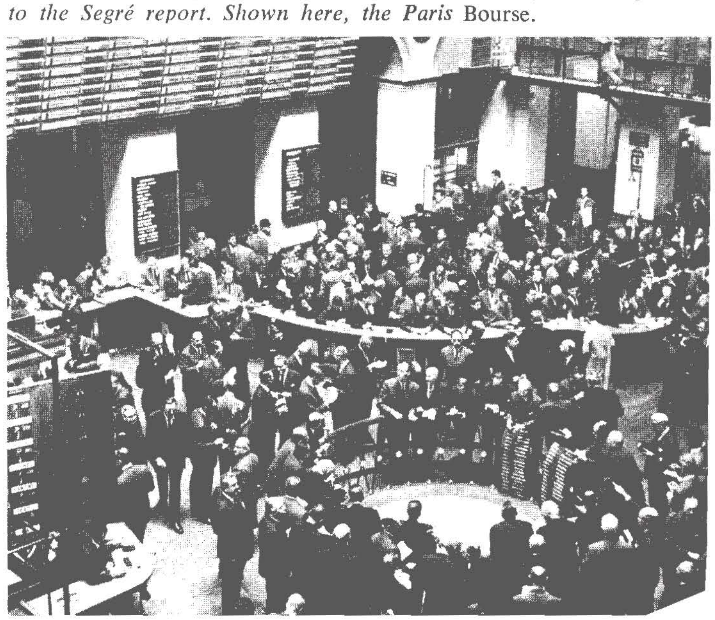
The governments could help by financing a higher proportion of their public expenditures by tax receipts instead of by bond floatations, the report suggested. In addition, they should influence investment with instruments which affect entrepreneurs' demand for capital, such as tax incentives, investment allowances, interest subsidies, and credit guarantees, rather than with direct action on fund allocation. The group indicated that the public sector would have to start bearing some of the necessary adjustments in aggregate demand. Without harmonization of tax and credit policies and of regulations governing quotation on national exchanges, the authors fear distortions of natural market forces will lead to imbalances in normal capital flows.

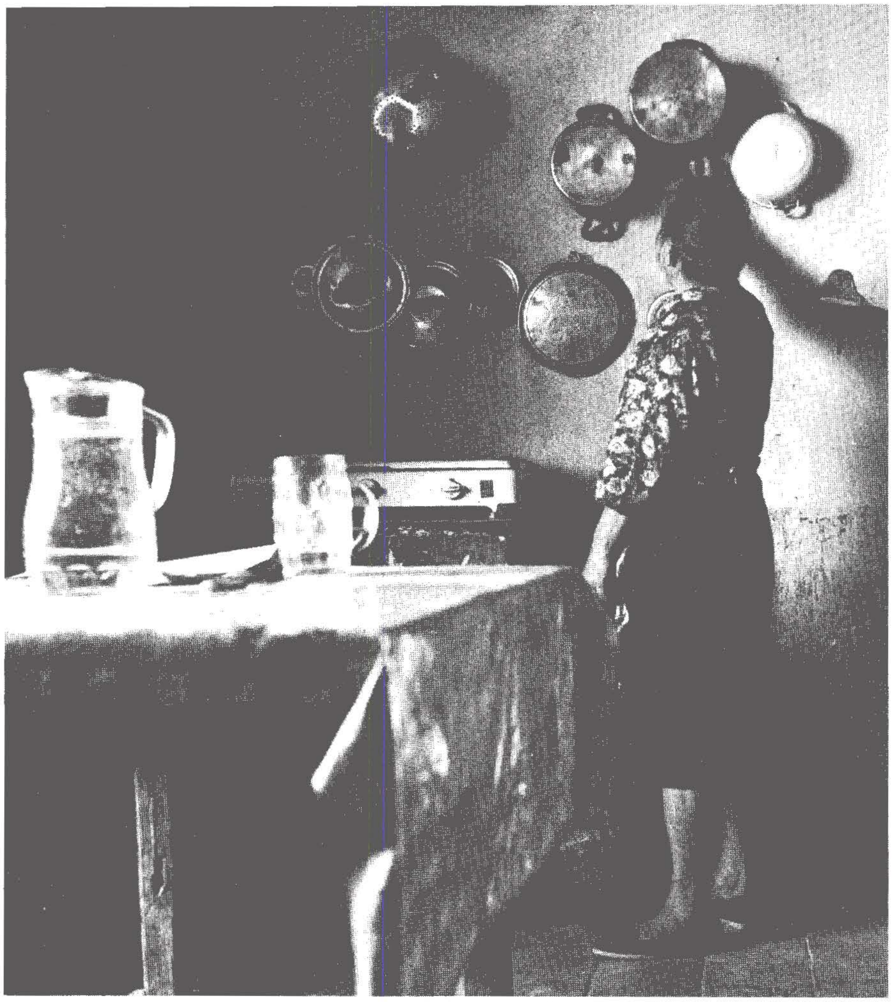
Basis for Single Market: Sound Policy, Financial Network

As the governments make the necessary adjustments, the most active financial institutions will be able to set the pace for the rest of the market, the experts said. Financial techniques not now familiar in all member countries will become more widely used. Financial institutions will become less narrowly specialized, and "at the same time, the links between these institutions will be strengthened. They will set up joint services and be able to allocate their resources more effectively as a broader framework emerges." A single financial market will grow from a network of transactions which will gradually be extended to all types of financial flows, the report indicated. It could result simply from an increase in the volume of direct international lending, from the interconnection of banking systems, and from international refinancing of national credit institutions.

While the report indicated some existing areas of interdependency of the national markets, it stressed that initial progress towards an integrated capital market "will depend first and foremost on the general stability of currencies and on the extent to which public finances are correctly managed.

Small capital markets, not insufficient savings, account for the present shortcomings of the European capital market, according to the Segré report. Shown here, the Paris Bourse.





The Commission hopes to narrow the gap between urban living standards and those in less-developed and rural areas of the Community.

NEW GUIDELINES PROPOSED FOR COMMUNITY SOCIAL POLICY

Commission Stresses Need to Improve Training, Placement, Statistics

INDUSTRIAL DEVELOPMENT and labor mobility in the Common Market have created new social problems for the six nations of the European Economic Community.

The EEC Treaty recognized that the changes in Europe's economic structure wrought by a single market could adversely affect the welfare of workers and their families unless a European social policy were provided to meet new needs. Thus, the Treaty outlined a general Community social policy, created the European Social Fund (see box page 6) to facilitate social change, and entrusted policy development to several Community institutions.

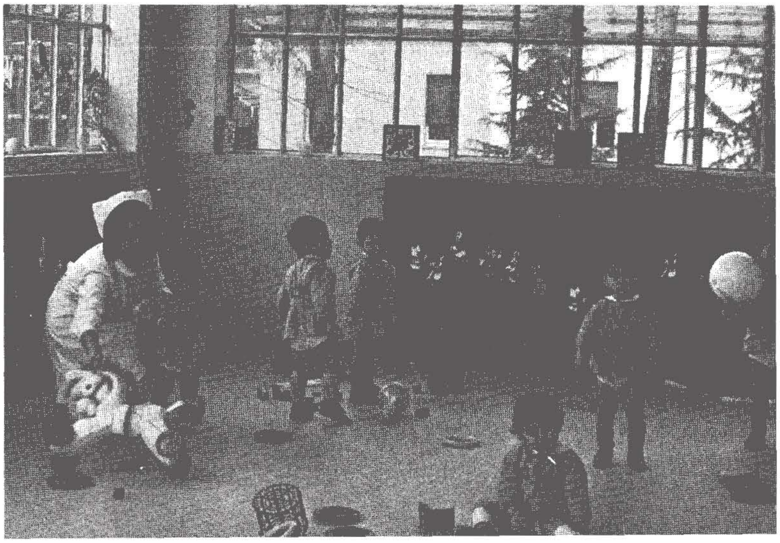
The type and scope of social problems faced by the Community are much the same as those handled at the federal level in the United States by the Departments of Labor, Agriculture, Commerce, Health, Education and Welfare, and an assortment of executive and inter-departmental agencies. To deal with these problems and to promote balanced development in all areas of the Community, in January the EEC Commission proposed guidelines for Community social policy until the end of the transitional period in 1970. The main points of the guidelines are summarized below.

Greater Coordination of Social Policies Needed

The Rome Treaty made the EEC Commission responsible for coordinating the member governments' labor, welfare, vocational training, public health, and social security programs to avoid duplication or neglect. It also instructed the Commission to coordinate the activities of the "social partners," the labor and employers' unions which collectively bargain on wages, hours, and working conditions with the national governments. They are called "social partners" because collective bargaining contracts become law as directly enforceable in courts as the Fair Labor Standards Act in the United States. (Contrary to practice in the EEC countries, collective bargaining decisions in the U.S. are enforceable only under state laws governing contracts.)

The Community's first medium-term economic policy will, when adopted, bring closer coordination of economic

Improved Community services such as child-care centers are planned for the small children of working mothers.



policy and statistical methods, thus providing better knowledge of the key elements of social policy: employment, income, social security, vocational training, housing and other social infrastructure. Planning a coherent social policy will be facilitated. Furthermore, the medium-term economic policy will allow examination of the social impact of regional differences in economic growth.

To coordinate social policy, the Commission will also need current information on the priorities set by the "social partners" as well as by the governments. This will require effective labor and management organizations at Community level to participate in the definition of Community policies at regularly scheduled meetings.

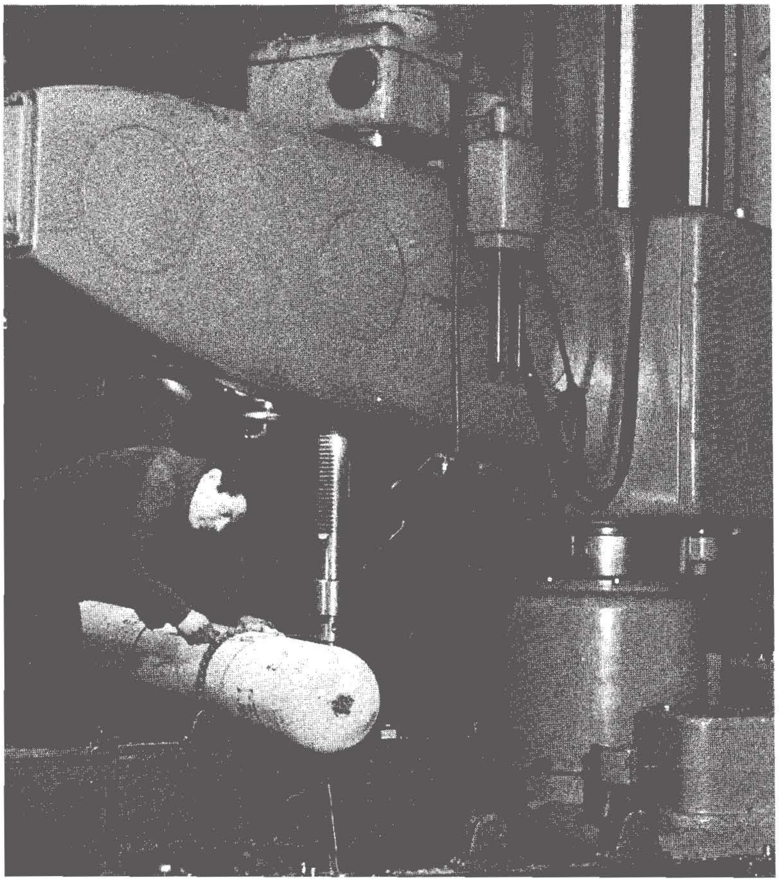
Vocational Training Needs Improvement

Most legal restrictions on labor mobility have been removed, and forthcoming proposals will remove the few barriers remaining. Then, the Commission will seek solutions for the human and social problems which accompany labor mobility. Besides housing and health services, workers moving from one EEC country to another may require language as well as vocational training.

Matching job vacancies with requests and aligning vocational training with employment trends requires better data on unemployment. This information should include general descriptions and comparable numerical data, by sector and region, on workers willing to move to new jobs and their qualifications. An inventory should be taken of the national, local, and Community facilities for vocational training and guidance of young people and adults. Training of teachers merits extra effort.

The national authorities should compare their own operations with the Common Market's economic needs and examine the social situation together regularly and at Community level. They should also compare their policies for recruiting workers in the associated states and non-member countries and consider the interests of the foreign workers when establishing these policies.

Safe use of industrial machines is to be the subject of proposed Community-wide regulations.



Women workers in the EEC countries still, in many cases, receive lower pay than their male counterparts.

Social Security, Family Allowances, Public Health

Long before the Common Market, the member governments ran comprehensive social security, public health, and social

European Social Fund Paid $8.7 Million

The Rome Treaty created the European Social Fund to promote full employment and labor mobility, both between jobs and between different parts of the Community.

In 1966, Fund reimbursements of $8,696,960 to the member states helped 53,632 workers. This payment covered half of their expenses to retrain and re-employ workers who had lost their jobs or whose salaries had been reduced as the result of industrial changes caused by the Common Market. Since it began operating in 1960, the Fund has spent more than $40 million dollars (and the members states, $80 million) to cushion the impact of abrupt economic changes on workers.

The Fund is administered by the EEC Commission in consultation with an advisory committee of governments, trade unions, and employer representatives and receives its resources directly from the member states. Germany and France pay 32 per cent each; Italy, 20 per cent; Belgium, 8.8 per cent; the Netherlands, 7 per cent; and Luxembourg, 0.2 per cent of its operating expenses. Since reimbursements are not proportionate to contributions, fund operations involve real transfers of money from one country to another.

In 1966, Fund operations involved net transfers of $2,059,724 to Italy and $900,468 to the Netherlands. The other member states contributed more to the Fund than they received: France by $1,418,448; Germany, $1,355,559; Belgium, $168,792; and Luxembourg, $17,393.

welfare programs which included family allowances. Since the six countries' programs differed in coverage and in distribution of cost between government, employers, and workers, the Rome Treaty required their harmonization. With labor mobility between countries, arrangements had to be made for the transfer of social benefits paid by the workers.

Social security now covers migrant workers who may collect their pensions in any Community country no matter where they earned them. In the future, the Commission will try to simplify and improve the administration of social security, extend its coverage to more workers and coordinate the national systems for non-wage earners. The costs of social security, health programs and family allowances must be studied to determine their effects on income and on the national budgets.

The Commission will continue to make recommendations to improve the functioning of the Common Market. New initiatives are planned to raise living conditions in less-favored areas of the Community to improve services for the aged, the physically handicapped, and working women with small children.

The Commission plans to make more studies and proposals for the safe use of dangerous substances and agricultural and industrial equipment.

EEC Council Approves $4.2 Million Aid To Workers in Italian Sulphur Industry

The Council of Ministers of the European Economic Community granted $4.2 million to assist unemployed workers in the Italian sulphur industry at its December 19 meeting, devoted entirely to social policy.

The decision also made available a number of scholarships for children of workers in the Italian sulphur industry. Severe unemployment resulted when the Common Market exposed the protected industry to competition.

The Council extended the time limits for European Social Fund aid to workers who have difficulty in finding new jobs, raised the ceiling for resettlement allowances, and extended the time limit for the member states to request refunds for vocational training.

After reviewing the Commission's report on the labor market situation in 1966, the Council asked the Commission to continue promoting measures to reduce the labor shortage. The Council also asked the Commission to report on the member states' efforts to achieve the specific Treaty objective of equal pay for men and women performing the same work. A new Consultative Committee on vocational training was also appointed.

EUROPEAN UNITY THROUGH "DE FACTO" SOLIDARITY

by **FRITZ HELLWIG,** *member of the High Authority, European Coal and Steel Community*

MANY BESIDES THE "CONVINCED EUROPEANS" find European integration taking place too slowly. They are impatient, fearing that the political momentum towards integration will weaken and split under the barrage of technical details. Complicated agreements reached after tedious and lengthy negotiations arouse little enthusiasm.

As the tenth anniversary of the Rome Treaty approaches, it is appropriate to recall the declaration Robert Schuman made on May 9, 1950: "Europe will be united through practical achievements which first create *de facto* solidarity." Robert Schuman knew by experience that political efforts alone would never unify Europe, for it was a process that could be accomplished only a step at a time.

The first step came with the Paris Treaty of 1952 creating the European Coal and Steel Community; then, the Rome Treaties of 1958, creating the European Atomic Energy Community and the European Economic Community.

Today Robert Schuman's words contain more than the memory of a great man. They provide a course of action, especially at times when interests clash so strongly as to jeopardize Community solutions to our difficulties.

Among its "practical achievements" the ECSC can list the abolition of customs duties and quotas on coal and steel traded between the Six and a single system of anti-trust legislation. As the Community was taking shape, it also found answer to the problems that arose in its *de facto* solidarity.

Some Other "Practical Achievements"

Displaying *de facto* solidarity in 1954, the Community created a compensation fund to reduce the high cost of scrap imports for some Community members. The German, French and Luxembourg steel industries contributed $125 million to the fund, which saved an even greater amount for the Italian and Belgian steel industries. Thirteen million tons of scrap were purchased before the difference between Community and world scrap prices evened out and the scrap compensation fund was abandoned. Scrap exports from the Community are prohibited today to assure an adequate domestic supply.

The ECSC countries showed *de facto* solidarity by extending aid to the Belgian coal industry after 1958 when the Treaty subsidy obligations ceased and a general coal crisis further complicated the situation. The Community intervened, this time to protect the Belgian coal market, while Belgian collieries carried out major programs for modernization or shut down. The Community budget provided special funds to help Belgian miners affected by underemployment.

Solidarity Chosen, though Not Required

The Paris Treaty gives Community institutions only limited powers to coordinate the individual member states' trade policies. For several years, while making full use of its limited powers, the High Authority has repeatedly asked the member governments to rectify this weakness in the Treaty which hampers energy policy.

Community solidarity on trade policy for iron and steel has improved markedly. The external tariffs on iron and steel, bitterly disputed in 1963-64, are today effectively unified as the High Authority recommended. In addition, the member governments have adopted a common attitude for iron and steel in the Kennedy Round of tariff negotiations. As the Community steel industries now have parallel interests, the member governments consider Community solidarity the best way of meeting increased competition on the world market and of solving long-term problems of reorganization.

Little Solidarity on Coal

Unfortunately, the same solidarity towards coal imports has not evolved, and a few countries have been saddled with the burden of reorganizing Community coalmining.

Years ago, when the world market price of coal was high, Community coal producers supplied cheaper coal to all parts of the Community, and the member states shared the cost of importing more expensive coal from the United States. Today Community coal is more expensive. When Community countries in which coalmining plays a relatively unimportant economic role admit lower-priced American coking-coal for use in their steel industries, manufacturing costs become seriously distorted.

The Community has only one way out—practical solidarity. The Community should lower its coking-coal prices to the price of imported coal to put all Community steel producers on the same footing. A Community system in which all member countries would participate should make up the loss to Community coal producers.

Essentially, this is what the High Authority has proposed to the ECSC Council of Ministers (see *European Community* No. 99). The Council will discuss this proposal at its next meeting, on February 7.

If allowed to continue, this situation would have dire consequences. Hopefully, the Community's practical achievements will encourage the member countries to demonstrate again the "*de facto* solidarity" which Schuman envisioned.

UK and ECSC to Study World Steel Problem

SENIOR BRITISH AND COMMUNITY OFFICIALS will make an urgent study of the world steel market, it was decided on January 13, at the meeting of the United Kingdom-European Coal and Steel Community Association Council.

Too much steel chasing too few orders has depressed prices on the world steel market. At the Luxembourg meeting of the ECSC and its only associate, the United Kingdom, the task of examining the increasingly serious problem for all steel-producing countries was entrusted to a new ad hoc committee. By outlining action for the specifically European aspects of the steel glut, affecting Britain and the Community similarly, the committee hopes to prepare for wider talks later. British Minister of Power Richard Marsh, the leader of the British delegation to the Luxembourg talks, suggested the creation of the new committee. Stressing the gravity of the situation, he pointed to the underutilization of men and machinery in both Britain and the Community. "None of our countries," he said, "has sufficient scientific and technological reserves to be able to afford such waste."

For the ECSC, Albert Coppé, Vice-President of the High Authority, warmly welcomed the proposals. The Council repeatedly underlined the similarity of the problems both Britain and the Community face in coal and steel.

DEVELOPING COUNTRIES SEEK "TRADE, NOT AID"

EEC Commission Endorses Tariff Preference Principle

THE "TRADE, NOT AID" SLOGAN, adopted by the developing countries in 1964 at the U.N. Conference on Trade and Development (UNCTAD), reminded the western powers that export earnings, as well as development aid, finance economic growth.

The European Economic Community countries agreed on the principle but not the method of granting non-reciprocal tariff preferences to the developing nations' exports. Like most other industrial powers, the EEC members abstained from voting on the resolution proposing this arrangement.

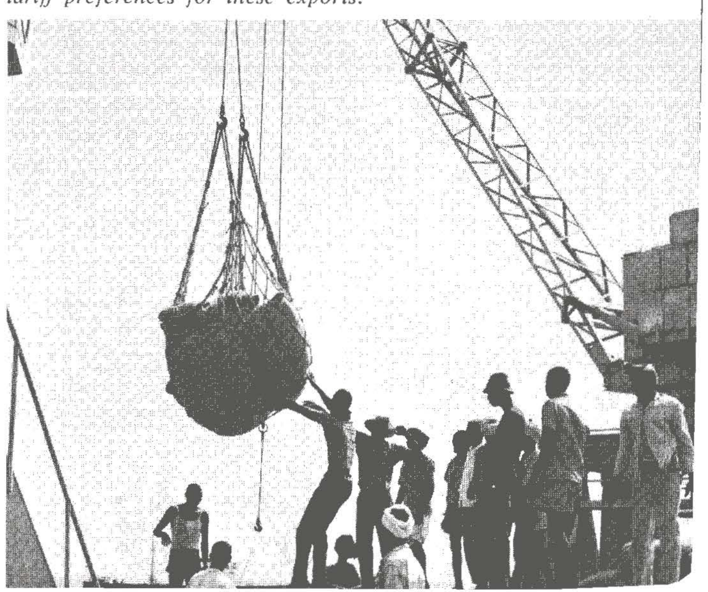
Now, the EEC Commission reported to the EEC Council of Ministers, it is time for the Community to translate its positive attitude on the principle into practical methods for meeting the developing countries' wishes. The Commission indicated that it considered this matter urgent because the Community would have to give its views on studies which are nearing completion in the UNCTAD, the General Agreement on Tariffs and Trade, and the Organization for Economic Cooperation and Development.

The Commission observed that the Community must take into account association agreements with Greece, Turkey, and the 18 African and Malagasy nations which prevent the Community's applying an automatic system valid for all products. Instead, the Commission proposed a product-by-product solution.

Combination of Preferences Proposed

The Commission's preference system included a waiver of the most-favored-nation clause under the GATT agreement. This clause stipulates that any GATT signatory granting a tariff concession to any nation must extend the same prefer-

Developing countries feel exports are basic to their growth; the EEC Commission seeks to reexamine the nature and use of tariff preferences for these exports.

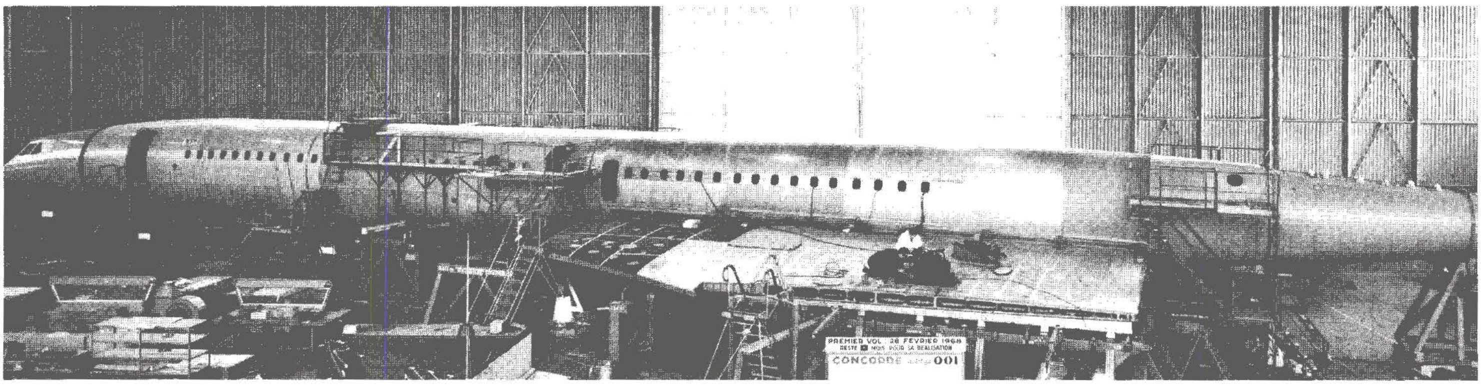


ence to all GATT members. Thus, unless GATT grants an exemption to this clause, the beneficiary loses his preferential position.

The number of preferences granted for products directly competitive with domestic products should be limited, the Commission said, either by granting tariff quotas at reduced or duty-free rates or by placing a time limit on the tariff reductions. Since this method as well as the waiver of hte most-favored-nation clause presents drawbacks as well as advantages, the Commission indicated that a combination of both would give the best results.

All industrialized countries should participate, according to the Commission. It would be desirable for them to start granting the developing countries export preferences without waiting for international agreement. However, the Commission cautioned the EEC members that in extending preferences they must safeguard the interests of their associates, "unless it is absolutely certain that a world system can usefully replace the present regional system."

Since criteria for defining "developing countries" differ, the Commission observed that an approved list of beneficiaries should be prepared. Because of the limited economic effects of preferences, the Commission stressed that preferences should be granted only in consultation with the developing countries. If for tactical reasons the developing countries might prefer group consultations which would also encourage regional co-operation between them, the Commission indicated that it would favor this approach.



U.S.-BUILT AIRLINERS ENTER EEC DUTY-FREE

AIRLINES IN THE EUROPEAN ECONOMIC COMMUNITY can import American planes free of duty but American airlines expect to pay customs charges of up to $1.5 million for each supersonic Anglo-French *Concorde* they add to their fleets.

On December 22, 1966, the EEC Council of Ministers agreed to renew the three-year suspension of duties on aircraft weighing more than 15 tons, at the request of Italy and the Federal Republic of Germany. The suspension would have expired on December 31, 1966.

Alitalia and *Lufthansa* (the Italian and German national airlines) depend on operating and maintenance spares manufactured by the American companies Douglas and Boeing. Thus, the Council also agreed to

- Suspend duties on operating and maintenance spares for aircraft larger than 15 tons. The three-year suspension starts on January 1, 1967. It will be automatically renewed provided that no member state objects.
- Suspend duties on soft vulcanized rubber airplane parts and tires, effective January 1, 1967. Unless a member state objects, the suspension will be renewed automatically for two years.
- Establish duty-free quotas, based on actual and projected needs, for tires used on DC-8, DC-9, and Boeing aircraft. The allocated quotas, totaling $982,000, lapse on December 31, 1967.

Order-book Race—Concorde vs. Boeing SST

The *Concorde* will make its proving flight in February 1968, three years before the American supersonic transport (SST). On December 31, 1966, when the U.S. Federal Aviation Agency (FAA) awarded the contract to the Boeing Company, the American SST entered its second stage of design. When this phase ends in June 1967, the FAA will decide whether to participate in financing the prototype construction.

In early 1965, *Sud Aviation* and the British Aircraft Corporation started to build the prototype for the *Concorde*. They have now received 69 purchase options and expect 31 more before the end of 1967, BAC said in January, estimating minimum sales of the *Concorde* at 200.

By mid-January, the FAA had reserved 114 delivery positions for the Boeing SST, larger than the *Concorde* and faster by 500 miles per hour. Some Europeans (see *European Community* No. 99) have expressed fears for the European aircraft industry because airlines have shown greater interest in the American SST than in the *Concorde*, which is closer to completion. To compete with larger U.S. manufacturers, whose financial ability to perform research is reinforced by direct and indirect U.S. Government support, these Europeans advocate greater concentration in the European aircraft industry and more projects like the *Concorde*.

In January, Britain and France announced that they would cooperate to design a variable-wing SST, which BAC and Dassault will produce.

As for concentration, BAC itself resulted from a series of mergers in 1960. Now the British Government would like it to merge with the other large (but diversified) British airframe manufacturer, Hawker Siddeley Aviation, Ltd. Hawker Siddeley and BAC account for 95 per cent of the British airframe market.

The French Government owns *Sud Aviation* and *Nord Aviation*. Dassault (which produced the *Caravalle*) and Breguet, the other two French aircraft manufacturers, are privately owned.

BRITISH OPINION AND EEC MEMBERSHIP:

Labour Party Shifts Balance—Gallup Poll Shows Strong Majority Support

by **R. L. LEONARD**

BRITAIN'S SECOND APPLICATION for membership in the European Economic Community will not fail for lack of support at home.

Had Prime Minister Harold Macmillan's application in 1961 brought Britain into the Community, not five Britons in ten would have called this "success." (Harold Wilson, then a Labor Party Member of Parliament, might have called it a calamity.) Britain's new approach, by contrast, rests on the support of more than six out of ten British voters in all three major political parties, according to the Gallup Poll.

Each month for several years the Gallup Poll has asked a cross-section of British voters: "If the British Government were to decide that Britain's interests would be served by joining the European Common Market, would you approve or disapprove?" Gallup repeated this question on November 9, the day before Mr. Wilson announced Britain's firm intention of joining the Community (see *European Community* No. 99).

The results, which *The Daily Telegraph* (sponsor of the Poll) published on November 17, show broadly-based political approval of Mr. Wilson's new approach.

November 1966	*Total*	*Conservative*	*Labour*	*Liberal*
Approve	65%	68%	66%	64%
Disapprove	14%	14%	13%	17%
Don't know	21%	18%	21%	19%

In the past year "approves" have never fallen below 59 per cent of the replies; "disapproves" have never exceeded 18 per cent. According to Gallup, public support, weak at the time of Britain's first application, weaker still after negotiations were terminated, has swelled dramatically since then. The results of earlier polls bring this out clearly.

	Oct. 1961	*Jan. 1963*
Approve	48%	40%
Disapprove	18%	30%
Don't know	34%	39%

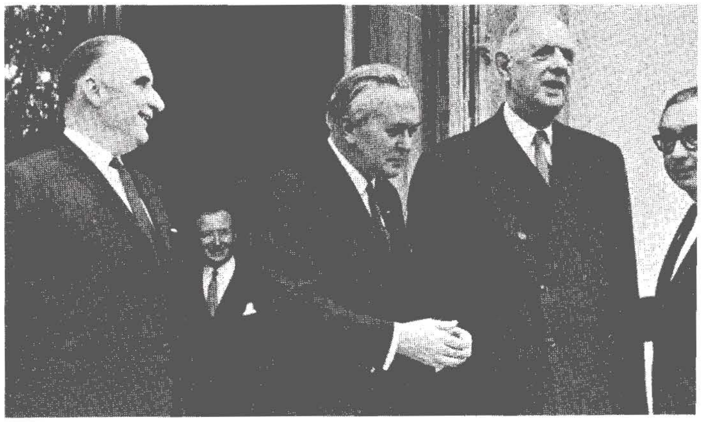
Press, Business, and Labor Support

The leading newspapers and journals of opinion more than match the public's overwhelming support for Mr. Wilson's decisions. The provincial press may be even more enthusiastic than the London papers, which, with two exceptions, strongly favor British membership in the Community.

The mass-circulation *Daily Express*, owned by the heirs of the late Lord Beaverbrook, has reacted with predictable hostility. However, it has not launched a drive comparable to the crusade Beaverbrook personally directed with his unique verve and panache from 1961-63. The other exception, the communist *Morning Star*, has a circulation and influence which are minuscule.

Industrial opinion has not yet officially pronounced, but the support of organized employers is considered a foregone conclusion. A Gallup Poll of company directors in July showed 89 per cent in favor (with 8 per cent against and 3 per cent undecided).

British Prime Minister Harold Wilson and Foreign Secretary George Brown arrived in Rome on January 15 for the first of their visits to Community heads of state. Italian Prime Minister Aldo Moro (right, foreground) and the European Students' Union welcomed the British visitors. On January 24, Mr. Wilson told the European Parliament, in Strasbourg, that he believed problems concerning British membership in the Community could "be overcome, given the same spirit of constructive ingenuity, tolerance, understanding, give and take, which have animated the relations of the six members in their dealings with one another from the outset." The next day in Paris, Mr. Wilson and Mr. Brown (foreground right) met with French President Charles de Gaulle and Foreign Secretary Georges Pompidou (left foreground).



[A special committee of the employers' organization, the Confederation of British Industry, has since endorsed the Government initiative, see page 11 Ed.]

Although there is less unanimity in the ranks of organized labor, more than half the members of the General Council of the Trades Union Congress are known to be pro-European, which leads the Government to expect something more than "benevolent neutrality" from most of the trade union movement.

Opposition Probable Only from Farming

The farming community is the only important pressure group likely to oppose the British application. Its hostility centers in the National Farmers' Union (of employers) and the National Union of Agricultural Workers. Both organizations have expressed serious reservations about the Treaty of Rome.

The British Government considers agriculture by far the touchiest area of negotiations. Although it will make a resolute attempt to safeguard British farming interests in the talks preceding formal application for membership, the relative weakness of agriculture, which employs barely 4 per cent of the labor force, cannot be discounted.

Parliamentary Opposition Muted

Opposition in the House of Commons has quieted conspicuously since 1961. No sign of dissent has come from the ministers in Mr. Wilson's Government who strongly opposed Mr. Macmillan's application. Nor does any influential Labour bencher appear likely to lend his weight to the "anti-Europeans" in Parliament.

The most serious Conservative and Liberal critics simply accuse the Government of half-hearted conversion to the EEC. The few real anti-European Conservatives are distinguished more by their gray hairs than by their influence. The other anti-Europeans, mainly left-wing Labourites and right-wing Conservatives, show only a secondary interest in the EEC issue. The Labour leftwingers are currently more exercised over Vietnam, while the Rhodesian question preoccupies the Tory rightists.

Although the House of Commons debate on November 16-17 was not followed by a vote, it is doubtful that even fifty members of Parliament would now oppose the Government on this issue.

Major Change—Labour Party's Attitude

Since 1961 the big change, of course, has occurred within the Labour Party. The Conservative and Liberal parties have consistently supported British membership in the EEC.

From 1961 to 1963 the Labour Party was badly split on this issue, but at least two-thirds (certainly including Harold Wilson) would have followed Hugh Gaitskell in opposing the Macmillan-Heath application, had it finally come to a vote in the House of Commons. For numerous reasons many Labour MP's subsequently converted.

Those who have become ministers have been persuaded by the benefits of British membership argued by their own departments. General de Gaulle's freedom to pursue an independent foreign policy has lulled fears that Common Market membership would rule out a distinctive international approach for Britain. The gradual diminution of Commonwealth objections has also helped.

But the strongest reason has been political. Many Labour Party members considered Macmillan's championship of Europe little more than an election stunt to save the Conservative Party from defeat. With a *Labour* Government now edging towards the Community, Labour MP's are inclined to interpret its motives more charitably. At the same time, the Conservatives (led by Mr. Macmillan's Foreign Secretary Edward Heath) are now so deeply committed to Europe that a parallel reaction on their part can be discounted.

Britain now wants to join the European Economic Community. Having successfully negotiated the first obstacle to membership, Mr. Wilson can devote his full attention to the political climate on the Continent.

Mr. Leonard is a freelance journalist specializing in political affairs and the author of a book on British elections. His views as expressed in this article do not necessarily reflect the policies of the European Community.

LEADING EUROPEAN PROFESSIONALS WANT BRITAIN "IN"

Recent Polls, Public Statements Complete Opinion Spectrum

LEADING EUROPEAN BANKERS, businessmen, lawyers, civil servants and members of other professions told the Gallup Poll they would welcome Britain into the European Economic Community.

Gallup asked 400 European leaders in the professions: "Would you like to see Britain become a member of the European Community?" *The Daily Telegraph,* which sponsored the survey last fall, recently reported the following replies by country and occupation:

	Yes	*No*	*Don't Know*
Germany	98%	2%	—
Netherlands	94%	2%	4%
Belgium and Luxembourg	90%	8%	2%
France	84%	7%	9%
All Five Countries	91%	5%	4%
Professionals	97%	2%	1%
Civil Servants	92%	3%	5%
Company Directors	91%	6%	3%
Politicians	91%	6%	3%
Bankers	87%	6%	7%

The pollsters also asked the respondents if they thought Britain would actually join the Community. The professionals—doctors, lawyers, educators—tempered their enthusiasm for British membership by being the most sceptical about its probability. Thirteen per cent of them did not think Britain would join. Bankers on the other hand, the group least favorable to British entry, had the highest expectations that it would take place anyway. Only 5 per cent of them doubted Britain's eventual entry. The general consensus was that Britain would join in four to five years.

British Industry Sees EEC Membership As Best Growth Prospect

The Confederation of British Industries (CBI) sees "the best prospect of dynamic and profitable growth for British industry" in "Britain's membership in an enlarged European Economic Community."

Joining the Community would intensify domestic competition, put pressures on costs and cause shifts in established trading patters, but the advantages outweigh the drawbacks, according to CBI. The industry association, in a new study published in January 1967, urged the Government to secure membership as soon as possible, starting now to prepare the economy and the Common Law system for the adjustments membership will entail. With a reasonable transition period, industry can "accept the Treaty of Rome and the Community's method of operation."

Community membership would require Britain to make major changes in its food purchasing habits, CBI recognized. However, it maintained that "commodity regulations would have to be reconsidered in the light of the agricultural situation in a considerably enlarged Community." Otherwise, since the Community would ultimately defray the costs of financing the agricultural policy with customs receipts from agricultural imports, CBI believes that Britain as the biggest food importer in the Community would bear a disproportionate share of the financing burden. CBI estimated that accepting the common agricultural policy would raise each Briton's weekly living costs by 4s 6d ($1.25).

The balance of payments could undergo a short-term setback immediately after Britain joins the Community, but there is "no reason to suppose that this burden would be unmanageable," CBI indicated, "A good deal would depend on whether the transitional period also coincided with one of high economic activity."

If Britain returns to balance-of-payments stability, the position of the pound sterling as a reserve currency "should present no fundamental difficulty to the Community. . . . As a trading currency, properly managed, with the unrivaled facilities of the city of London, the pound sterling has much to offer an expanded Community."

Pending accession to the Rome Treaty, CBI suggested that the Government use economic policy to encourage profitable investment, savings and capital mobility (including freedom to invest overseas). It should aim fiscal policy at broadening the tax base and aligning taxation with the continental practice.

CBI reminded the Government to consider the implications of Community membership before signing or renewing bilateral trade agreements.

Closer Ties With Europe Preferred to "Special Relationship"

More than half of the British public would now choose closer links with Europe rather than Britain's traditional ties with the United States if the two relationships were mutually exclusive, according to the latest Gallup Poll.

The poll, published in the *Daily Telegraph* on December 12, revealed a sharp change from January 1963 in the British public's attitude towards the United States. At that time 39 per cent of a representative cross section of British citizens said they would prefer membership in the European Economic Community to closer association with the United States. Of those questioned 30 per cent preferred closer ties with the United States and 31 per cent were undecided.

In November 1966, 56 per cent preferred European to American ties (24 per cent preferred the latter). On this occasion 20 per cent were undecided.

Some British Trade Unionists Still Oppose Community Membership

The British newspaper *Tribune* published on December 16, 1966, Clive Jenkins' report of a visit by some "formerly active trade union opponents of British entry into the Common Market." The following excerpts were taken from the article:

"We were invited to look at EEC institutions, and I think we all returned with our convictions sharply strengthened. We were against entry last time and we are still against it.

"The Community *is* undemocratic and it seems to be getting worse. . . . [The Commission] is virtually uncheckable. It can be dismissed by the 'European Parliament.' But this sanction is the ultimate deterrent and almost impossible to use with political accuracy. . . .

"The Council of Ministers sets the policy but, while this body operates in a *federal* way, there are no federal checks upon it. . . . The powers of national Parliaments are being eroded. . . .

"The unions also get less important. . . . Mass democratic institutions in the Common Market yield power to the individuals who maneuver at the center of the three market authorities—the EEC Commission, the High Authority of the Coal and Steel Community, and the Euratom Commission.

These three bodies are in deep, competitive crisis. It has been argued that they should merge, but this means the merging and scrapping of many key jobs and the jockeying is vigorous. The key post is obviously that of president of the new amalgamation of power. . . .

"Our visit was a brief one but the image of crisis was sharply defined. One thing was *very* clear. Our capacity to decide British national policy democratically in Britain would be shattered by entry into the Common Market."

European Fellowship Exchange Proposed

By exchanging postdoctoral fellowships in science, the European governments could staunch the "brain-drain" to North America, according to the Chairman of Europe's twelfth largest corporation, Imperial Chemical Industries of Britain.

A reciprocal inter-university exchange worked out by the European governments could counterbalance the "huge numbers of postgraduate and postdoctoral awards available in the United States," ICI Chairman Sir Paul Chambers told a gathering of 250 chemists on January 5. This plan, he added, would also give students the "inestimable benefit of learning another language at its source. This is going to be immensely important when we become a full member of the European Community."

Socialists Support European Unity

"The end of the war in Vietnam, the settlement of the problems of Southeast Asia, and the resumption of the movement towards European unity are the three fundamental themes for examination, study and decision by the unified party."

Italian Socialist Party leader Pietro Nenni made this statement at the Party Congress in November. The Congress agreed to merge with the Socialist Party. The united party's program, Mr. Nenni said, calls for "economic unification through the European Economic Community and its extension to Britain and the EFTA countries, political unification through the election by universal suffrage of a European Parliament to which the Community institutions would be responsible. The lack of unity in Europe causes a vacuum in today's world. In the interests of peace, the Socialists must fill it."

AN AMERICAN VIEWS AMERICAN SELLING PRICE

By **EARL V. ANDERSON**
Senior Associate Editor, Chemical & Engineering News

EUROPEAN COMMUNITY *published in its September, 1966 issue a European view of the American selling price system (ASP) by Pierre Millet, Vice President of the French Union of Chemical Industries. The following article by Earl V. Anderson, Senior Associate Editor of Chemical & Engineering News, gives an American perspective of the controversial U.S. levy system.*

THIS ARTICLE does not present *the* American view of American Selling Price. There is no such thing as one, single, American view of ASP. American free-traders despise it. American protectionists cherish it. American chemical producers are for it. American chemical importers are against it. American negotiators find it a nuisance and stumbling block to their goals in Geneva. American Congressmen look upon it as theirs alone to keep as law or to legislate out of existence, as they see fit.

Back in 1787, a serious tariff crisis between New York and New Jersey threatened to erupt into a shooting war. The crisis, which later became known as the "Great Cabbage and Rhubarb Incident" or the "Siege of Sandy Hook," arose when New York levied heavy duties on vegetables, chickens, and eggs imported from New Jersey, notorious for its low wage rates. New Jersey, its dignity offended, countered with a heavy tax on a lighthouse which New York owned but which rested on New Jersey's Sandy Hook. The shooting war never came to pass and the incident now seems amusing.

Today, almost 180 years after the New York-New Jersey tariff feud, another heated argument over tariffs will soon reach a climax. Perhaps 100 years from now this argument, too, will seem amusing. . . . Focal point of the argument is the American Selling Price system.

"ASP" has become as much of a household word in Europe and the U.S. as any term in tariff jargon. The fight over ASP will not lead to a shooting war either. But it does threaten to disrupt the most ambitious, multilateral, tariff-cutting negotiation ever attempted—the Kennedy Round now being held in Geneva under the auspices of the General Agreement on Tariffs and Trade (GATT).

ASP Applies to 4% of U.S. Chemical Imports

What is ASP? Simply stated, it is a system by which duties on certain imports are calculated as a percentage of their domestic wholesale price rather than their foreign, or export, price. These "certain imports" include canned clams, knit gloves, rubber footwar, and competitive benzenoid chemicals. For all practical purposes, the entire ASP argument revolves around the benzenoid chemicals.

Note that ASP is a *system* . . . a rather unusual system, to be sure, but not without parallel in a few other countries. It is a variable levy system; duties fluctuate as domestic prices fluctuate. In this sense, it is not unlike the variable import levy which the European Economic Community recently adopted for imported farm products.

The uproar attending ASP has set it apart from all other tariff systems in the world. It is thus easy to assume that ASP applies to all U.S. imports ($21.3 billion-worth in 1965). It does not. Nor does it apply to all U.S. chemical imports ($778 million-worth in 1965). In fact, it does not even apply to all U.S. benzenoid imports ($64.9 million-worth in 1965). It applies only to the benzenoids deemed "competitive" with domestic products. In 1965, $31.1 million-worth of benzenoids were thus assessed under the ASP system—4 per cent of U.S. chemical imports that year.

"It would be tragic if a tariff system . . . like ASP which applies to $31 million worth of chemical trade, were allowed to scuttle the entire Kennedy Round." Shown here, a working session of the GATT, Geneva.

Multitudinous Arguments Pro and Con ASP

If this is true, why do U.S. benzenoid producers defend ASP with their industrial lives? Why do foreign producers, particularly those in Great Britain and the EEC, insist on ASP's elimination as a prerequisite to chemical negotiations in the Kennedy Round?

In this article it is impossible and unnecessary to recount every monontonously well-documented argument pro and con ASP. They run the gamut from "national defense" on one hand to "insurmountable trade barrier" on the other. Many are exaggerated, as arguments usually are.

Statistics used to support one case are twisted to support the other. U.S. benzenoid producers like to recall the fledgling days of their industry when shipments of benzenoid dyes and medicinals, run through the British blockade by the German submarine *Deutschland*, could spell doom for the entire industry. The entire U.S. chemical industry certainly is not that vulnerable to imports today. But some segments of it are.

It is doubtful, too, that without ASP foreign chemical imports would drive a commanding wedge into the lucrative, $40 billion-plus, U.S. chemical market. Chemical imports, which will approach $1 billion this year, constitute 2.5 per cent of the U.S. market. However, some imported products

---

The views expressed in this article do not necessarily reflect the policies of European Community institutions.

would be able to capture a disproportionate share without ASP.

Chemical Market Re-examined

Europeans take sport in pointing to the highly favorable balance of chemical trade which the U.S. enjoys with most European countries and, for that matter, with most countries of the world. There is no doubt about it. The U.S. has an enviable balance of chemical trade.

But foreign producers have not been doing badly on the U.S. market, ASP notwithstanding. This year, for instance, U.S. imports of organic chemicals will be 40 per cent higher than they were last year. Inorganics will be up about 35 per cent; dyes, 75 per cent; plastics, almost 100 per cent. Chemical imports should approach $1 billion this year, a two-fold increase in three years.

In the past decade, U.S. chemical exports have been growing at a very respectable average rate of 7.6 per cent per year. This pace loses some of its respectability in the face of the average 12.5 per cent annual growth which chemical imports have maintained over the same period. The market for chemical imports has widened despite that "prohibitive trade barrier," ASP. ASP, then, cannot be the insurmountable barrier that many claim it is.

There are literally dozens of other arguments used to defend or attack ASP. Some are based on labor costs, some on production costs. Some bring into the picture the interdependence of benzenoid chemicals, or lack of it; the rationalization of the benzenoid industry, or lack of it. Still others cite the uncertainty of tariff levels under the ASP system.

Through this haze of economic and emotional arguments, two things seem apparent.

- U.S. chemical producers have less to lose than they say, should ASP be abolished.
- Europeans have less to gain by its removal than they claim.

If these observations are correct, there should be room for negotiating ASP.

ASP Bargaining Hinges on Two Questions

Whether ASP will be negotiated (not necessarily eliminated) at Geneva depends upon the answers to two questions.

- Will President Johnson decide to offer ASP concessions?
- Will Europeans decide to consider these offers?

The answer to the first question began to unfold last winter when the Office of the Special Representative for Trade Negotiations asked the Tariff Commission to convert existing ASP rates to new rates. The converted rates, based on normal valuation methods, were to yield an equivalent amount of duty. After public hearings, a final list of converted rates was submitted to the President in July. The converted rates, apparently, pleased neither U.S. benzenoid producers nor European chemical leaders.

Later, the Tariff Commission held hearings and submitted a report to the President on the economic effects of abandoning ASP in favor of the converted rates. It also recommended a 50 per cent reduction of the converted rates. President Johnson will decide how ASP should be treated at Geneva largely on the basis of these reports.

U.S. representatives to the Kennedy Round talks have, meanwhile, been discussing with their trading partners the possibility of an ASP concession in the form of converted rates. These are exploratory talks and do not constitute a formal ASP offer. Europeans know as well as Americans that authority to modify ASP rests solidly in the hands of the U.S. Congress, which has the final say on any ASP package negotiated at Geneva.

If ASP is negotiated at all, it will be negotiated as a separate reciprocal package, unrelated to the general Kennedy Round agreement. Even so, Europeans and Americans, failing to agree on a solution to the ASP problem, could unleash a chain reaction. Failure in regard to ASP could lead to failure in the entire chemical sector, which, in turn, could trigger failure in industrial bargaining and, hence, the entire Kennedy Round.

It would be tragic if this happened. It would be tragic if a tariff system, even a controversial tariff system like ASP, which applies to $31 million worth of chemical trade, were allowed to scuttle the entire Kennedy Round.

Continued from page 3

plished by cutting expenses, by increasing current resources (particularly tax receipts) or by combining both. In this respect, expenses could be reduced by setting rates proportionate to the cost of public utilities and social security, unless careful planning permits cost cuts. Savings should also be encouraged.

All member countries should make greater efforts to align per capita income with productivity, the recommendation stated, especially those where reduced profits have hampered business capacity to self-finance its investments. The recommendation specifically mentioned the Netherlands, Belgium, Germany, Luxembourg as cases where the estimated increases in gross income per salaried worker during 1966 were twice the growth of gross national product per salaried worker.

CHRISTIAN A. HERTER

The Commission of the European Economic Community has expressed its deep regrets at the death of Christian A. Herter, U.S. Special Representative for Trade Negotiations.

In his capacity as Special Representative, Governor Herter had been in charge of U.S. operations in the Kennedy Round. In a lifetime spent in public service, Governor Herter had served in the U.S. foreign service, in the Congress, as Governor of Massachusetts, as Under Secretary of State and finally as Secretary of State. One of the architects of American foreign policy, Governor Herter was a stalwart of bipartisan support for foreign policy initiatives.

The EEC Commission said it "deeply regrets the death of this statesman who has so many claims on our gratitude and who placed the wide knowledge and experience acquired in many years of successful political activity . . . at the service of the tariff negotiations in Geneva." The Commission went on to express its "hopes that the Kennedy Round, which was Governor Herter's last great task, will continue in the way he would have wished and reach an early and successful conclusion."

Americans Raise $800 Million in Europe

Forty American companies have raised almost $800 million in bonds issued in Europe since June 1965, according to the German-American Chamber of Commerce.

This amount, the association reported, excludes $179.5 million in convertible bonds issued by Texaco. The bonds were floated by companies in the U.S. or by their subsidiaries in Luxembourg.

Prizes to Reward Best Theses on Community

The European Community will award three prizes for the best doctoral theses on legal, economic and political aspects of European integration. A jury will select one thesis in each field to receive a prize of FB 100,000 ($2000).

Entries, written in English, French, Dutch, German, or Italian, must be submitted in triplicate with a document certifying presentation toward a doctoral award. The Information Service of the European Communities (244 rue de la Loi, Brussels, Belgium) must receive all entries by April 1, 1967.

The results of the contest will be announced in December 1967. Rules and regulations for the competition may be obtained from the European Community Information Service in Washington, but entries must be sent directly to Brussels.

ECSC Imported 13% More Steel

The European Coal and Steel Community countries imported 2.54 million tons of crude steel in 1966, 13 per cent more than in 1965.

Operating at 78.5 per cent of capacity during 1966, Community manufacturers turned out 85.112 million tons of crude steel, a 1 per cent decline from the 1965 level when excess capacity averaged 14 per cent. (The United States produced 119 million tons in 1966.)

Production evolved quite differently in the Community and varied according to the type steel manufactured and the country. Although crude steel production decreased during 1966, the Community manufacturers' share of the world market rose to 7.6 per cent, a 2 per cent increase over their share in 1965.

The Community exported 16 million tons of crude steel during 1966, a 16 per cent decrease from the level attained in 1965 when United States imports were unusually high to hedge against a threatened steel strike.

CORRECTION

On page 4 of *European Community* No. 99 (December 1966-January 1967) in the gross national product table, the headings "1958 Prices" and "Current Prices" should be reversed for the U.S. The U.S. "Yearly Rise" column should read, from top to bottom:—, 4.0%, 5.3%, and 5.5%. In the "Common Market—World Trade" table below, the values for overall trade balance should all be negative.

Fifth ECSC 1966 Bond Series Issued

The High Authority of the European Coal and Steel Community has offered $20 million in new bonds underwritten by an international banking syndicate.

The bonds have a 20-year term and bear 6.5 per cent interest. Their issue price, 98.5 per cent, will be quoted initially on the Luxembourg, London, and New York exchanges.

This loan, the fifth in 1966, increases the High Authority borrowings for the year to $103 million. Since 1954 the High Authority has raised $662.5 million on the capital markets. The proceeds finance new investments in Community coal and steel industries. To promote new investments, the High Authority lends at lower than prevailing market rates. With High Authority backing, investors can more easily raise additional funds from other sources.

Guide to Evaluating Nuclear Energy Costs

The European Atomic Energy Community has published a guide for evaluating nuclear energy costs to facilitate capital-investment decisions in nuclear power plants.

The method of evaluation which the 68-page guide explains is based on experience in operating nuclear energy plants and analysis of all basic economic data affecting costs.

The Euratom Guide to the Evaluation of the Cost Price per kWh of Nuclear Energy (reference: Eur 3079.e), written by M. Willems, H. Huber, A. Al, and L. Barazzoni, must be ordered directly from the Presses Académiques Européennes, 98 Chaussée de Charleroi, Brussels 6, Belgium. It is not on sale in the United States.

The meeting of the EEC Finance Ministers, left to right: EEC Commissioner Hans von der Groeben, Belgium; Pierre Werner, Minister of Finance, Luxembourg; Michel Debré, Minister of Finance, France; Franz Josef Strauss, Minister of Finance, the Federal Republic of Germany; and Jelle Zijlstra, Prime Minister and Minister of Finance, the Netherlands.

Finance Ministers Review Segre Report

The finance ministers of the six Common Market countries discussed the "Segré Report" at their January 16-17 meeting in The Hague.

During the meeting, the ministers also reviewed progress towards fiscal harmonization in the European Economic Community. After discussing international monetary problems with the Central Bank Governors, the ministers decided to ask the EEC Monetary Committee experts to study methods of perfecting international credit.

PUBLICATIONS AVAILABLE

NINTH GENERAL REPORT ON THE ACTIVITIES OF THE COMMUNITY. EEC Commission, Brussels, June 1966, 374 pages $1.50

Annual report on Common Market activities from April 1, 1965 through March 31, 1966.

NINTH GENERAL REPORT ON THE ACTIVITIES OF THE COMMUNITY. Euratom Commission, Brussels, April 1966, 396 pages, Two Volumes $3.00

Annual report on Euratom activities from March 1, 1965, through February 28, 1966.

INDUSTRIAL STATISTICS: YEARBOOK. Statistical Office of the European Communities, Brussels/Luxembourg, 1966, 151 pages $1.50

Published in a single French-German-Italian-Dutch edition. Contains production indexes and figures for some 500 industrial products for 1957-65.

EURATOM'S SECOND FIVE-YEAR RESEARCH PROGRAM 1963-67. *Community Topic* No. 23, European Community Information Service, Brussels, October 1966, 11 pages . . . . . . free

This document is a revised edition of Topic 7 published in January 1963.

THE PROBLEM OF CONCENTRATION IN THE COMMON MARKET. *Competition Series* No. 3, EEC Commission, Brussels, 1966, 26 pages $1.00

Available in French or German editions. The Commission's memorandum of December 1965 on the economic and legal problems of economic concentration.

NATIONAL ACCOUNTS 1955-65. Statistical Office of the European Communities, Brussels/Luxembourg, 1966, 199 pages $2.00

This volume, which deals principally with the national accounts of the EEC countries, replaces the "Statistics of National Accounts." The Statistical Office has, for the last few years, published this data as a "Special Statistical Note" in the GENERAL STATISTICAL BULLETIN. (Some statistics on the United States and the United Kingdom are included.)

THE UNIR PLAN AND THE CONTROL OF CAPACITY IN INLAND WATER TRANSPORT. *Supplement to the Bulletin of the EEC* No. 11, EEC Commission, Brussels, 1966, 15 pages . $ .30

The Commission's memorandum of June 24, 1966 on the plan to establish an International Union for the Navigation of the Rhine.

CARTELS AND MONOPOLIES: MEASURES FOR THE IMPLEMENTATION OF ARTICLES 85 AND 86 OF THE EEC TREATY. *Information Memo* P-60, EEC Commission, Brussels, November 1966, 13 pages . . . . free

THE DEVELOPMENT OF A EUROPEAN CAPITAL MARKET. (Summary) Report of a Group of Experts appointed by the EEC Commission, Brussels, Nov. 1966, 42 pages.
Single copies only . . . . free

The full report of 450 pages is available in French on loan.

EUROPEAN COMMUNITY BULLETIN

EUROPEAN COMMUNITY bulletin is published monthly in English, French, Italian, German, and Dutch by the offices of the European Community Information Service. Subscriptions can be obtained from the European Community Information Service,

Washington: Farragut Building, Washington, D.C. 20006
New York: 155 East 44th Street, New York, N.Y. 10017
London: 23 Chesham Street, SW1
Paris: 61, rue des Belles-Feuilles
Rome: Via Poli 29
Bonn: Zitelmannstrasse 11
The Hague: Alexander Gogelweg 22
Brussels: 244, rue de la Loi
Luxembourg: 18, rue Aldringer
Geneva: 72, rue de Lausanne

european community
Information Service
Washington Office: Farragut Building, Washington, D.C. 20006

Return Requested