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# european community


COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM

## Commemorating the Signing of the Rome Treaties

# CONTENTS



The views expressed by contributors do not necessarily reflect the policies of the European Community.

EUROPEAN COMMUNITY now in its 13th year of publication celebrates the 10th anniversary of the signing of the Rome Treaties creating the Common Market and Euratom. By happy coincidence, this year marks the 20th birthday of George C. Marshall's proposal on June 5, 1947, at Harvard University. *William Diebold* bows to this felicitous juxtaposition of anniversaries. It is by accident that they come together this year; but it is no accident that they are 20th century events related not only by causality but by singular greatness of vision.

General Marshall's unrhetorical words of 1947 contained the observation that ". . . a (U.S.) program designed to place Europe on its feet economically . . . is the business of the Europeans. The initiative . . . must come from Europe." The European initiative came, as *Theodore Geiger* recalls by way of the OEEC. Thus the process began. The concept of unity in Europe, recounted by *Paul Hoffman,* already was in the minds of certain European and American statesmen. *Jean Monnet's* vision of Europe has remained steadfastly clear; Europe is a "process"–organic, growing, and changing but moving always toward unity—creating a new entity which as *Walter Hallstein* predicts, will introduce a vital new dimension to the world's political scene.

The testaments of *Pierre Chatenet* and *Dino Del Bo* stress the step-by-step pragmatic quality of the unification process—that there are lessons and experiences learned, but that behind the arduous day-to-day work remains the vision. *Étienne Hirsch* observes how short a decade is in history's perspective when the foundation of a new political structure is in the building.

The building process itself is fraught with dangers and *Emanuele Gazzo* braves a look into the future to focus upon unpleasant as well as hopeful prospects. *Boyd France* steps back to assess the multi-faceted aspects of technology in a Europe being put together stone-by-stone but racing to keep pace with industrial giants to the East and West. Viewing the predicament of a proud non-giant, *Roy Pryce* sees in the situation of the United Kingdom *vis-à-vis* the Common Market a constant reappraisal of Britain's future, a painful rediscovery of Europe, and the ultimate realization that there are no alternatives. *Andrew Shonfield* looks at the subtle impact of the Treaty of Rome, he wonders if its effect upon international relations has not been more profound than realized. *Elena Bubba* asks some hard questions about the future of Europe unless moves toward democratizing European institutions such as the European Parliament are made. Finally *Kaye Whiteman* looks abroad to the developing countries to measure the scope and examine the effect of the Common Market's own "Marshall Plan" in Africa.

This issue of EUROPEAN COMMUNITY contains not only tributes but reviews, evaluations and criticism of the contemporary European integration scene. The tributes may be due, but constant review, criticism, and evaluation of progress toward European unity are essential for its process.

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*On March 25, 1957, in Rome, the Six members of the European Coal and Steel Community (ECSC) signed the Treaties instituting the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). Reading from left to right, P. H. Spaak and J. Ch. Snoy et d'Oppuers signed for Belgium; C. Pineau and M. Faure, for France; K. Adenauer and W. Hallstein, for the Federal Republic of Germany; A. Segni and G. Martino, for Italy; J. Bech and L. Schaus, for Luxembourg; and J. Luns and J. Linthorst-Homan, for the Netherlands.*
Photo: Courtesy of Italy's News Photos. Copyright Rome.

# "The Common Market Is a Process"

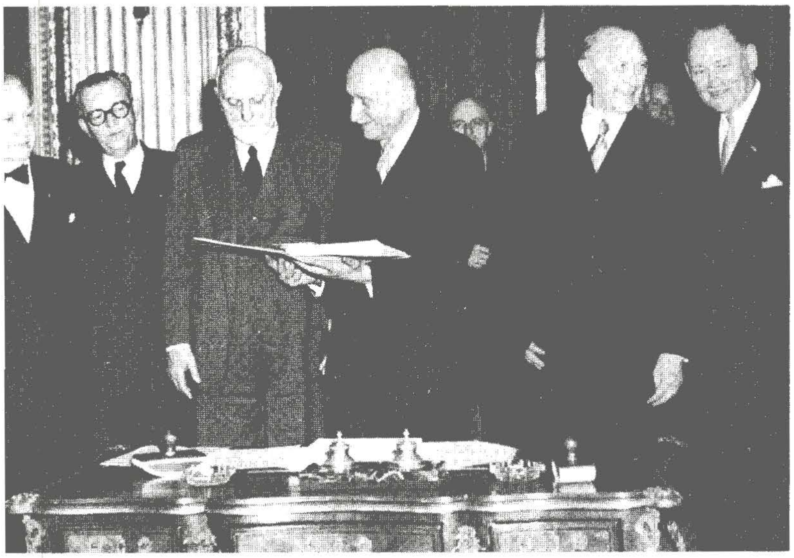
TEN YEARS have now passed since the Rome Treaties were signed. Sixteen years have passed since the same countries—Belgium, France, Germany, Italy, Luxembourg, and the Netherlands—signed the Paris Treaty setting up the European Coal and Steel Community. So, for sixteen years, Europe has been striving towards unity.

By July next year, the bulk of the economic barriers between these six countries will have been removed. They will form one vast market of 183 million people pursuing common economic policies, working out and applying common rules through common institutions. Great Britain stands on the threshold, a living proof of the great progress that has been made.

Americans should understand better than anyone the benefits for Europe and the world of the peaceful revolution that is taking place in Europe, for America too is a common market whose states apply common laws through their common federal institutions.

The Common Market is a process, not a product. Europe is on the way to achieving economic unity, but we must have no doubt that in due course it will move towards unity in foreign policy and defense. What is gradually emerging is a great new entity—the United States of Europe.

*Jean Monnet*



*Robert Schuman, proponent of the European coal and steel plan, holds the Paris Treaty creating the first European Community, signed in Paris on April 18, 1951. Among the signers were (left to right): Joseph Bech representing Luxembourg; Joseph Meurice, Belgium; Count Carlo Sforza, Italy; Konrad Adenauer, the Federal Republic of Germany; and Dirk Stikker, the Netherlands.*

On March 25, 1967 Europe celebrates the tenth anniversary of the signing of the Treaty of Rome, the birthday of the European Economic Community. In these ten years the landscape of world politics has changed sufficiently to ask whether the aims and methods written into the treaties of economic integration still hold good. The answer can only be an unqualified "yes." Only a securely knit and independent Europe made possible by the Community can assume responsibility and maintain its individual character.

It was the intention of those who created the European Economic Community that it be the core and vanguard of an all-European community. Wherever freedom and human rights are cherished in the West and in the East, the peoples of Europe are summoned to collaborate in the task of unification. The Community embodies no Europe of fear—for it is not an instrument of the cold war—but Europe of growing unity. It is not a Europe of poverty, but the Europe of economic and social progress.

The Community is going along the road indicated by the Treaty of Rome. Economic integration is not yet complete. The aim is to build a common market of continental scale and to merge the economies of the six Community countries in one great European economy. However, important progress has been made on both counts. Most impressive are decisions on the establishment of the customs union and the common agricultural policy by July 1, 1968. Economic union merely by its existence gives its members the opportunity to reach agreement more easily in other areas of political union such as non-economic foreign policy and defense policy. This occurs even where vital national interests are at stake; it is possible because of a Community constitution to find balanced solutions for Europe and in the long run this is to the advantage of all concerned.

The unification of Europe is directed neither against the Soviet Union nor against the United States, but it is in the interests of both. The establishment of a Community order in Europe may accomplish what cannot be achieved by a bipolar system of world power or by a Balkanized Europe. It may rid Europe of the dangers inherent in national frontiers and eliminate Europe's storm center from which two world wars have come. This would provide a solid foundation for cooperation with the rest of the world on a basis of mutual trust or genuine partnership.

In the forward-looking policy of President Kennedy, "Atlantic partnership" between Europe and the U.S. depended on the completion of European unity. President Johnson has reconfirmed this policy. Only when it is united will Europe be strong enough to assume the rights and obligations of an equal partner and so determine its own destiny. The Kennedy Round is a first example of this policy in practice. With these negotiations the economic dialogue of the Continents has been opened. This event was made possible by the existence of the European Economic Community. Many fields of common interest are still awaiting a partnership policy. This goal we shall pursue unswervingly.

*Walter Hallstein,* President, EEC Commission

The Community is ten years old. Ten years is a long time in the life of a young institution, but a short time in the life and history of nations. It is a long time for men whose efforts give life to these institutions, but a short time for all their accomplishments. Ten years is a long time to hope patiently, but a short time to surmount the difficulties that had to be overcome.

Anniversaries should not be merely an occasion to look back. Coinciding with an essential stage in the development of Community institutions, this anniversary, by reinforcing their unity, should be above all a starting point in a new stage for expanding horizons and perfecting methods for the Europe of tomorrow.

The stakes are decisive. The Community is already showing both the awareness of our Continent's shortcomings in the crucial sectors of the modern economy, and the will to correct them now. Europe's place and role in the world depends on it.

Ten years ago we undertook joint activities in the nuclear sector. Today we have teams of highly qualified Community scientists, equipment, and knowledge gained from experience which are part of the Community's patrimony.

We must continue with these activities and reinforce them, adapting our instruments and methods for use in the present situation. Then, taking into account this unique experience, define the ways and means of making progress in other advanced technological sectors.

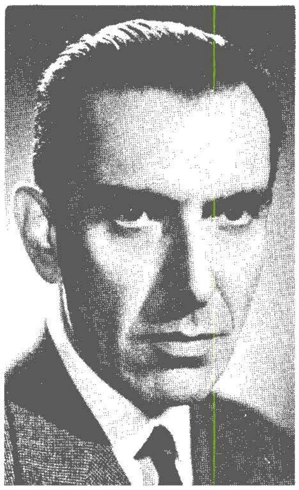
Euratom's experience provides lessons for the Community we hope will soon be realized.

*Pierre Chatenet,* President, Euratom Commission

The European Coal and Steel Community, the very first pillar of European economic integration, is delighted to participate in the tenth anniversary celebration of the Rome Treaties.

Some urgent tasks still face the Six if they wish to meet peaceful international competition and to fulfill the domestic need for a modern economy and society. Specifically, they must make every effort to achieve their role as a world presence. This is more a duty than a right, imposed by their past history and present wealth of cultural and human values. Their decisions to persevere derive not from dreams, but from achievements.

The past ten years have proven the worth of the Coal and Steel Community Treaty, even though it covers only a small part of the economy. By exercising its supranational powers to the utmost, the ECSC has achieved results which have benefited the six member countries' economies. It has turned a product and an energy source traditionally valued only for its strategic importance into one of the most important and decisive factors for peace.



The ECSC will soon combine its experience with the other two Communities. I hope this contribution of experience in a small but essential area of the European economy will assist the continuous development of the Community.

*Dino Del Bo,* President, ECSC High Authority

# What the Future Holds for Europe

by EMANUELE GAZZO

THE SIX COUNTRIES IN THE EUROPEAN COMMUNITY, in fifteen more months, will trade all kinds of goods freely. This means a single market will stretch from the very tip of Sicily, almost within sight of the African coast, right up to the beaches of the North Sea, within sight of the Scandinavian peninsula. A single customs border will encircle this market, in which the same rules will apply in several sectors. There will be a real and almost perfect customs union for all kinds of industrial and agricultural products, for all raw materials and finished products.

Right now, industrial products already move freely between seven other European countries, including Great Britain. But each of these countries has kept its own tariffs towards the outside world and they have not liberalized trade in agricultural products. Their arrangement, a free trade area, could continue as is. But there is a basic difference between these two groups of countries. For the Community of the Six, planned and oriented towards the future, the future is more important than its past. The Free Trade Area of the Seven, while a noteworthy achievement and one that should be preserved, has no future of its own. So, the future really ought to be explored to find out whether the Community will make progress, in the right direction, and how fast.

To evaluate its future correctly, the basic purpose of the Six must be kept in mind: to achieve a union of people—a full union—first economic and social, then political. The creation of a new unity, then, is the goal of the Community, the creation of something like, but not exactly like, the United States of America, something that has to be quite European. Once this goal is understood, the means for achieving it can be readied. To understand it, we must begin with the things that have already happened, especially in the last few years. During the Sixties, we notice, it has been relatively easy to modify and adapt the European social and economic structures to the new size, the new unity, but it has been very difficult, and still is, to modify and adapt the administrative and political organizations of the States and national Administrations. As a result, crises and serious setbacks have arisen.

## Crises Increasingly Belong to Community Life

Difficulties of this sort have become more and more a part of Community life in the four years since January 1963. This first observation leads to the first forecast. We will often meet similar, probably more serious, difficulties in our path in the future.

In the past, trouble has come from three sources. "Objective" difficulties have arisen because of the increasingly strong impact of unity on decisions usually reserved for sovereign states "Subjective" difficulties have arisen from the refusal by one government (not always the same) to accept and apply certain common rules and from its desire to prevent the "federal" power written into the Treaties of Paris and Rome from evolving. Without this power or without hope that it will exist some day, there can be no "United States," and the irreversibility of the European-Community process would prove a myth. The third type of difficulty depends on "outside factors." As Europe gradually moves towards unity, touching more and more political fields, the world political context cannot be abstracted. Each European state is more or less involved in different aspects of world politics, but united, they would have direct interests in every aspect of world, and even extra-terrestrial politics.

All of these troubles only confirm that establishing the European Community, too often called "the Common Market," is a profoundly innovating act of political creation. This explains why it is so difficult. The crises, jolts, and struggles are the price for unification, which is often the fruit of a civil war. The successive clashes of power inside the Community are a kind of civil war which will strengthen unity (or make it impossible once and for all). As in real civil wars, people are fighting for institutions, for legal equality, for a new political order, even if the apparent cause of conflict is the price of wheat or taxes on tea.

## "Imbalances" Impel Progress

So far, the "successive disequilibria," method so dear to the European founding fathers, has pushed the Community along. This method consists of making progress in one area, then finding that only progress in another area can adjust the "imbalance" caused by the first. Another "imbalance" occurs, to be adusted in turn. This chain reaction keeps the work of construction moving and forces the reticent to participate in it. With the elimination of customs duties, for example, tax borders become a source of imbalance, which harmonization must adjust. Later, the harmonization of indirect taxes and the free circulation of capital will make it urgent to harmonize direct taxes, and so on.

Can this method be used in the future? Forecasts hinge on the answer to this question. Conceivably, it could. In general, and barring the intervention of a catastrophe from outside, the Community will probably continue to develop. Even if current polycentric tendencies continue to strengthen the ascendancy of the State and weaken Community institutions, they could not prevent this kind of progress.

In the next few years, indirect taxes will probably be harmonized, and later, great progress will be made in harmonizing direct taxes. With the removal of legislative and fiscal barriers, "trans-national" companies will be formed in Europe, and will benefit from the first policy for scientific research, initiated by the Governments and the Commission.

Probably towards the end of April, the final hours of negotiation will resolve the most difficult problems in the Kennedy Round, such as American Selling Price and disparities. The psychological impact of even 18-20 per cent average reductions of the current tariff levels will help the Community to make progress in establishing its common commercial policy, progress all the more necessary if economic growth slows at the end of the war in Vietnam.

However, it is precisely the political factors outside the Community organization that could change the course of events, for better or worse. If the French Government's attitude towards the Community's practical achievements remains positive, the merger of the three Executives can be expected before the end of 1967. The merger as a factor for *détente* and change will allow the re-thinking of other problems.

## Detente and Dynamism by Merging Treaties

About the middle of 1968, the member states, in cooperation with the single Commission, could begin discussions for a single treaty which will take at least three years. Greater flexibility on the part of the French and realism on the part of the others would allow more rapid drafting of the new treaty.

**Emanuele Gazzo,** Editor-in-chief of *Agence Europe,* the daily and most complete report on the European Community, founded the news service in 1953. From 1935-40, Dr. Gazzo published the Italian historical and literary review *Emiliano degli Orfini.* A member of the Resistance during the war, a poet, historian, and critic, he entered journalism in 1945, drawing upon his early training in economics. From 1949-53, Dr. Gazzo was editor with "ANSA," the Italian national news bureau.

The new treaty could be placed in the context of an economic union as part of a gradual political union and, compared with the present treaties, be considerably simplified. The Council could act as a European Senate, deciding all questions in its competence by qualified majority. The Commission, deliberating with the Council, would then be an economic super-government, receiving general political guidance from a purely political body which, although unifying more slowly, would begin to decide some less-controversial aspects of a European foreign policy.

The economy, highly integrated, would benefit from the autonomy of decision and execution permitted by an independent budget and resources, although under the control of the member States. The European economic organization could take a quasi-definitive shape during the 1970's. Its primary objectives would be a monetary and economic union, an industrial and technological development policy, Europe-wide production planning (including agriculture), fiscal and legislative harmonization, and the achievement of one or several European satellite telecommunication networks.

## The Community's Future as a World Power

But all that will have to await a change in the size of the European Community.

Great Britain, after more soundings and informal talks, may formally seek admission. Negotiations could conclude at the end of 1967 or the beginning of 1968 with Britain's adhesion becoming effective on January 1, 1969. If Britain joins, perhaps certain other countries, such as Denmark, now prepared to enter would join at the same time, and the years 1968-1969 would be occupied with negotiating trade and association agreements to remove every danger of a European "commercial war."

Other European countries would join the Community only later, after completely accepting the treaty for political union. After a period of transition to a confederation, the Community would become a federation in the middle of the next decade. Its currency would become a reserve currency with the same standing as the dollar, and from that moment on, the price of gold would lose all importance. Politically united, Europe could then comment on every great world political question.

The most important foreseeable change, in relations with the United States and the Soviet bloc, will be brought about by forces outside the Community. First, the Soviet Union will recognize the Common Market as an economic entity. Second, either the war in Vietnam will end or the need will arise for Europe, the United States, and the rest of the world to establish new machinery to avoid grave economic and political crises. Third, the reform of NATO will be completed between 1969 and 1970.

Europe's assumption of greater responsibility for the Continent would enable a real and balanced partnership with the United States to be formed which would provide the framework for finding new solutions to mutual problems without upsetting Europe's new-found equilibrium. Starting with Euro-American representative bodies, the creation of Atlantic institutions could be started towards the end of the Sixties. They would prepare needed solutions for problems as difficult as reform of the international monetary system, world agricultural planning, and policy towards the rest of the world.

## Stronger Centrifugal Forces Would Kill Hope

However, events inside or outside the Community, more acute polycentrism, some governments' stubbornness, or all of these factors together may strengthen the centrifugal forces, allow only token economic progress, slow the Community's normal development by formulas such as "synchronization," and "parallelism," and call the institutions and rules of the Treaty into question again. In this case, the Community would be vulnerable to economic recession. Each Government would take back the powers it had relinquished. At best, the Community would mark time in the coming years, without drawing any closer to its real goal.

England could be induced to give up its candidacy. As some of the Six tried to solve their own trade problems with policies outside Community institutions, political crises would multiply. It would become impossible to merge the Communities. Serious and bitter disputes would arise, especially when it came time to re-examine agricultural prices and financing for the common agricultural policy.

Then, the notion of "irreversibility" would be revealed as an illusion. It would apply only to a part of what had been achieved, the part each considered most useful to himself. Each country would apply its own policy in every conceivable sector. Hope would have to be given up for a Europe, a world presence with its own ideas and one voice, behaving not like a new power center, but like a model and magnet for civilization.

*Ten years is quite a long time for one who is impatient to get results. For him, if much has been achieved in the way of economic integration, if trade barriers inside the Common Market are disappearing at a pace faster than was envisaged, the obstacles on the way towards political unity still appear formidable. But he can be comforted by the fact that governments will not be able to resist the tide as ideals of a united Europe are shared by a majority of the interested people, including now the British.*

*A decade is a short period for the historian. This decade will remain as a turning point. For the first time in history, nations which had just ended fighting against each other the most cruel war, agreed to reconcile and started building up, between equals, a new relationship. The European Community is the firm foundation on which to erect the United States of Europe which will allow nations, impotent as long as they remain divided, to speak and to cooperate on equal terms with the largest countries, and to contribute to the institution of a world order committed to ensure peace, freedom, justice and prosperity to all.*

ÉTIENNE HIRSCH
*Former President, Euratom Commission*

# The Rome Treaty as an Instrument of International Relations

*by* **ANDREW SHONFIELD**

BECAUSE OF THE ROME TREATY'S STRONG EMPHASIS on removing barriers to competition some observers concluded, at its signing, that the aim of the whole exercise was to organize a mass European return to the principles of *laissez-faire*.

Particularly in Britain, it was a commonly held view of the Left that the EEC was essentially an instrument of old-style capitalism—that under the guise of removing the barriers which states had erected to the free movement of goods, money and persons in Western Europe, it was really bent on a much bigger bid: to take the state out of the business of economic management altogether. As foreseen, strong modern governments, whose skill and power in economic management had been greatly enhanced by the wartime and post-war experience, were to be first constricted and then enfeebled by the Rome Treaty, while at the center of the Community a new agency with an authority far weaker than the typical West European state's would try to establish itself as a kind of surrogate.

The facts lent some plausibility to this interpretation, at least in the initial phase of the Treaty. In the late 1950's and the early 1960's, so much of the creative work of the Community was also a work of destruction. Creating an effective European market required first of all the wholesale removal of established forms of state discrimination and intervention. To establish conditions of equal competition between states frequently involved a prior attack on the existing competitive distortions inside states. Either the acts of intervention by governments had to be justified on some clear rational principle, capable of general application throughout the Common Market, or they had to be curbed.

## National Economic Policy Motives Revealed

A side effect of this attack was to force the underlying motives of national economic policy into the open. By making the criteria of government intervention clear and explicit, some forms of intervention were in fact given more force. But during the early period, up to about 1962, many people refused to look beyond the process of general dismantlement which seemed to be pointed at anything and everything that threatened the functioning of a free market. It was not only the critics outside. Some inside the Community tended to look on the whole operation as a forced march back to the pre-1914 world, to *la belle époque*, before governments had learned how to tinker with the economy.

That this was a deep misunderstanding became progressively more apparent as the Community tackled its second round of problems which concerned the establishment of *managed* markets on a Europe-wide basis. Whereas the main task for European industry was initially to remove the barriers to the free movement of goods, when it came to the reorganization of European agriculture a quite different process was involved. It was necessary to create a new centralized system of management, guided by a number of deliberate decisions taken jointly by the members of the Community about such matters as the desired levels of production, the standard of living of producers, the volume of supplies to be drawn from the outside world, and so on.

It took some time before the commentators of the *laissez-faire* school (both *pro* and *contra*) woke up to the fact that the Community was now involved in an exercise in long-range economic planning. Because the chief instrument of agricultural supply management was the price mechanism, there was a tendency to treat the whole policy as if it belonged with the rest of the traditional ideology of the market-place. Some of the argument about the EEC in Britain still fails to recognize that in agriculture the Community is engaged in a uniquely ambitious piece of interventionism, using a combination of price-fixing and subsidy to secure long-term structural change in a branch of production which still employs more people than any other industry on the European continent.

## Systematic Interventionism—Clearest in Farm Policy

Yet the Rome Treaty has set out intervention as a point of principle clearly from the start. Under Article 42 it specifically stated that "the rules of competition" laid down elsewhere in the Treaty for trade in manufactured goods were not to apply to agricultural produce, unless the Council of Ministers positively made a ruling that they should in some particular case. Any such ruling, moreover, would be guided by the special aims of the Community's agricultural policy.

These goals have a large welfare component. They are not at all concerned with maximizing competition to reduce prices to the lowest possible level. On the contrary, as the latest Annual Report of the EEC Commission states in its account of the principles followed in setting the prices for new products to be brought under the EEC system of centralized control, "producer prices should . . . be fixed at the highest level possible compatible with other economic requirements . . ."

Once the detailed behavior of the EEC is more closely examined, especially during the second half of the decade since the signing of the Rome Treaty, it becomes apparent that the foundation principle of the agricultural policy—systematic joint intervention by six governments with an agreed set of objectives—has in fact been generally applied over a wide range of activities in industry and commerce as well as in agriculture. What the agricultural case brings out with special clarity is that nowadays governments can only act effectively in unison with one another on matters of economic policy, if they are prepared to accept that their partners will be trespassing extensively on the area traditionally marked out as the purely domestic concern of independent sovereign states. No effective agricultural agreement would have been possible for the Community if the six governments had not been ready to argue with one another freely about changes in some of the most intimate aspects of domestic political policy.

## Right of Foreign Interference Established

What was established on this occasion was the right of foreign states to interfere with decisions taken by individual governments about their treatment of a particularly numerous and powerful class of voters. And within that class, particular groups of farmers and peasants found the very conditions of their livelihood changed as a result of the wishes of some remote politician sitting in a foreign capital.

Of course it has happened in the past that trade agreements between two countries have harmed some economic interests and helped others. What is novel in the approach of the Community is that the details of each government's method of regulating

**Andrew Shonfield,** Director of Studies, the Royal Institute of International Affairs, London, was formerly Economic Editor of *The Observer*. From 1949-57, he was Foreign Editor of the *Financial Times*. He is the author of "British Economic Policy since the War" (1958), "The Attack on World Poverty" (1960), and "Modern Capitalism: The Changing Balance of Public and Private Power" (1965).

the economic affairs of certain of its citizens are from the start a matter for international negotiations.

To take an example from an entirely different sphere of activity, the methods adopted by national railway systems for fixing the rates charged for inward freight (coming from abroad) and freight moving outward to the national frontiers (usually for export) have been subjected to the surveillance of foreigners. That is because the foreigners' right to be assured that the domestic control of transport rates is not being used as a clandestine means of giving domestic goods an advantage over imported goods is recognized as a necessary part of the larger bargain on economic collaboration. Or again, in the sphere of taxation, the Community has decided that to secure effectively equal treatment for the goods of any member country in all parts of the Community, the six countries must adopt a uniform method of indirect taxation, based on the value-added system at present operated in France.

Here then is one country interfering with the sacrosanct budgetary decisions of another. In Britain such matters are traditionally treated by the Chancellor of the Exchequer as a close secret, even from fellow members of the Cabinet, until the day before Budget Day. Arguing with foreign Ministers of Finance in advance of his Budget would be a new and invigorating experience for any future incumbent of No. 10 Downing Street. He might even be induced in the process to break down some of the grotesque exaggeration of the ritual of Budgetary secrecy for the benefit of ordinary British citizens.

## A Decisive Political Shift

This decisive shift in the conventional dividing line between internal and external affairs of sovereign states is the EEC's main political achievement to date, secured without requiring these states to accept the prior framework of a federal system. That is the novelty of the Treaty as an instrument of international relations.

Can this instrument be applied more generally, when countries are involved in a relationship which is something less than a full economic union? The question is relevant to certain new international relationships emerging in the 1960's whose further development depends on the systematic blurring of the old sharp line between the internal and the external business of nations. The method of "multilateral surveillance" adopted by the Group of Ten in their financial dealings with one another is one example. The emphasis in the Kennedy Round of negotiations in GATT on "non-tariff obstacles to trade" may point to another. And in an altogether different sphere, there is the growing weight of evidence that any effective agreement on nuclear disarmament will require close supervision of the domestic industrial behavior of the countries taking part in it.

The EEC's experience so far suggests that the intimacy between states, required if certain external relations become in some measure "internationalized," is unlikely to occur unless at least two conditions are satisfied. The nations concerned must be approximately equal in their economic development and equipped with an advanced and sophisticated administrative system. It is not just a matter of the state administrative apparatus; the system as a whole, including its industrial management, must be capable of responding with sensitivity and skill to the new demands made upon it.

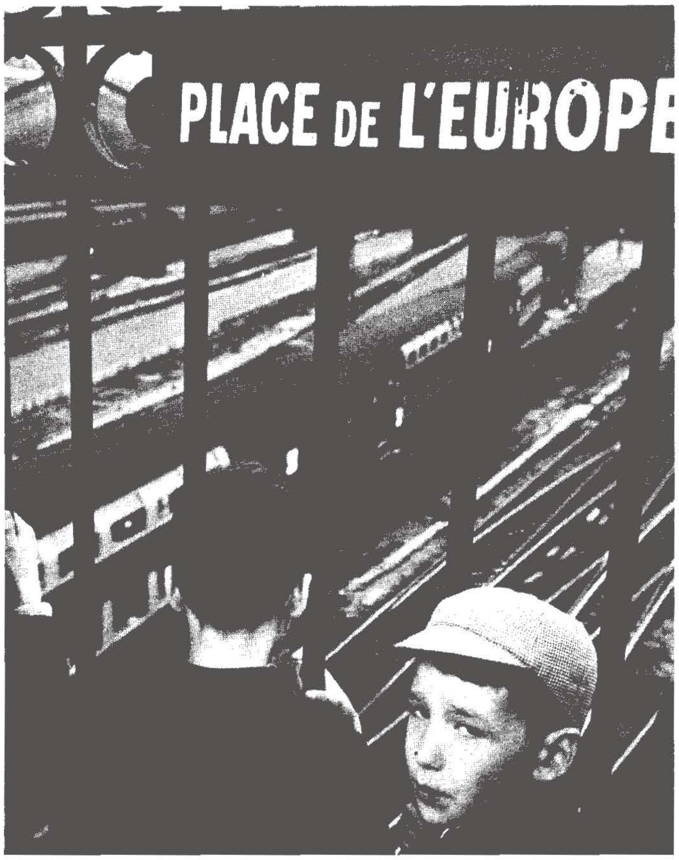
## Only Public's Representatives Can Decide Other Issues

However, the EEC's own experience with the method is still incomplete. It has had to depend excessively on the administrative ingenuity of the Commission in this major political experiment, because of the absence of effective parliamentary institutions. In the long run the external relationships of nations cannot be successfully internalized solely by the efforts of an appointed bureaucracy, however sensitive it may be to public opinion, aided by an element of judicial power. Certain tasks do not lend themselves to administrative or judicial decisions or to the process of international diplomacy which is conducted in the Council of Ministers. There are some issues that can be successfully tackled only by the elected representatives of public opinion, arguing vigorously with one another, bargaining for advantages, getting angry at times, but always recognizing in the end that they and the various peoples whom they represent have decided to live together on the basis of a common set of rules.

*What Marshall perceived in the plans which his State Department staff laid before him was the importance of the economic unity of Europe. If the nations of Europe could be induced to develop their own solution of Europe's economic problems, viewed as a whole and tackled cooperatively rather than as separate national problems, United States aid would be more effective and the strength of a recovered Europe would be better sustained.*

HARRY S. TRUMAN

MEMOIRS, Doubleday & Company, Garden City, N.Y., 1955.



# Changing Trade Issues: 1947-67

*by* **WILLIAM DIEBOLD, JR.**

ANNIVERSARIES CAN BE AWKWARD. Life does not fit naturally into the decimal system. And a double anniversary is more than twice as likely to make no kind of sense at all. So it is something of a marvel that the sequence 1947, 1957, 1967 not only hangs together as a framework for comment but is positively stimulating as an *optique* for looking at postwar changes in international trade.

Though the Marshall Plan and the Treaties of Rome were concerned with the whole spectrum of international relations, each relied on trade to do a central part of its job and each also altered the shape of world trade, especially transatlantic trade. Each answered certain questions and posed others. The trade problems we face in 1967 are to a great degree the result of a conjuncture of forces that got going in 1947 and 1957. While at best the Kennedy Round cannot be a drama with the impact of the Marshall Plan or the launching of the European Economic Community, it could be a major landmark in the development of trade between the United States and the other industrial countries of the world. And if it falls too far short of that it could signal a dangerous bend in the road.

## 1947: Marshall Plan Primed Trade to Revive Europe

There were two great trade problems in 1947: Europe and the world. The Marshall Plan dealt with some parts of the first and had as part of its several motives American concern with the second.

It was no joke that Europe had to "export or die" but first it had to import to live. To close the dollar gap eventually it was necessary to permit the dollar gap to exist for the time being. That was what the Marshall Plan promised to do by providing Europe with raw materials, food, fuel and machinery it could not pay for but needed to restore an economy that could earn its way in the future.

To do that, two other things had to be done (more than two, but we speak here of trade alone). First, the European countries had to trade more with one another. Only that way could they make the most of their own resources and so get the greatest value from American aid. Standing in their way were the extraordinary pressures on each government to subordinate everything else to the things it could do for itself to earn hard currencies, spend soft currencies, and withal meet the demands of its electorate. The results were trade restrictions, bilateral payments agreements and their economic distortions. In the efforts to deal with these problems lay the first faint hints of 1957.

The second problem lay outside Europe. No matter how well European production revived, the Continent's viability depended on exports and, while all markets were important, the biggest in sight was the United States (though it turned out to be less important than Europe itself). American production had expanded and living standards had risen while destruction was the order of the day in Europe.

For Europeans the United States was the land of high tariffs and indeed largely so to keep out European manufactures. It was the country that would not import enough between the wars to let Europeans pay their debts and that met the depression by raising tariffs to record heights. Would the Americans be different this time?

## Freeing Global Trade Gave Further Stimulus

That was not just Europe's problem, it was the United States'. Americans thought it not just an Atlantic problem, but a global one; not just a question of reconstruction, but of what was to follow. Since early in the war the United States Government had been working toward a comprehensive international agreement that would commit governments to a reduction of trade barriers and the building of a system of non-discriminatory, liberal, multilateral trade. To carry out its responsibilities under such an arrangement, the United States had to follow a course drastically different from the commercial policy it had pursued from Alexander Hamilton to Cordell Hull, but consonant with the changes it had begun to introduce in 1934.

In the same summer of 1947 that saw the beginning of the Marshall Plan, there took place the penultimate negotiations for an International Trade Organization and the completion of work on the General Agreement on Tariffs and Trade. The questions these negotiations posed were: Would an important part of the world go along with these progressive ideas and would the United States Congress, and the country as a whole, in the end commit themselves to the results of the work that had been pursued so strenuously by the administrations in Washington? Not surprisingly some of the hardest parts of the negotiations at that stage concerned the restrictions and discrimination that could be practiced by countries in balance-of-payments difficulties (Europe) while countries in stronger trading and payments positions (the United States) moved toward the greater removal of restrictions and continued to grant equal treatment.

The link was strong between the Marshall Plan and the efforts to create the machinery and principles of a world trading system. The trading world the Americans pictured required a strong European economy. Otherwise the "network of world trade" would be rent. But the two years since V-E Day had taught a hard lesson.

European recovery, Marshall said, "will require a much longer time and greater effort than had been foreseen." The \$10 billion or so already provided for one form or another of aid to Europe was not enough. It was aid that was given because Europe needed it and the world economy needed Europe. The largest loan had gone to Britain precisely because London had a key role in world trade and payments. But in 1947, the money ran out, partly because of a premature effort to make sterling convertible in accordance with the American world picture.

The great initiative of 1947 had answered a crying need but, at the same time, raised new questions.

## 1957: U.S. Free Trade Initiative Ran Down

Ten years later those questions looked different, but one, at least, had been answered. There was no longer doubt about the strength of the European economy. Not only had it reached new heights of production, consumption and exports but its rate of growth also seemed to have become immune to American recessions. Access to the American market seemed dramatically assured. The United States imported over \$3 billion from Marshall Plan Europe in 1957, compared to \$666 million ten years before. Trade generally was booming, but Europe's share of American imports had doubled.

Even so, the old question about American trade policy had

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ıot died. In view of the statistics, this looked like cultural lag. 3ut there was some evidence to worry about. Tariffs had ɔeen raised against some traditional European exports, notably watches and bicycles, and quotas had been put on Danish blue :heese, the sales of which had been fostered as part of the Marshall Plan. But the use of the escape clause, which worried Europe so much, was exceptional; out of 41 applications made n the years 1953 through 1956, only four led to an increase in luties. Though the reductions made in the American tariff as a esult of the bargaining under GATT at Geneva in 1956 were airly modest, they followed very substantial cuts made in earlier 'ears.

It was a period of running down rather than reversal. What ıad been lost was the American initiative in reducing trade ɔarriers. In 1955 Congress had restricted the President's powers ınder the Trade Agreement Act (which had been expanded in 945), and there was no strong disposition to use even these to he fullest extent. Part of the explanation may have been the apparent one-sidedness of what had happened since 1947. Because of the dollar shortage, tariff cuts by Europe and Japan meant little for American exports while quotas and exchange controls remained in force, but American tariff reductions took effect right away. Lower tariffs, combined with the recovery of European and Japanese production, made imports conspicuous in the American economy. In 1957 American exports to Marshall Plan Europe for the first time were as high as they had been in 1947—but more of them were paid for.

So, while the question about what the United States would be willing to do to liberalize trade remained a question, it arose at a new level. As to the creation of a world trading system, 1957 had answered some of 1947's questions. The ITO was dead, for complex reasons—largely American—but unaccompanied by any European grief. GATT was very much alive and appeared to be a resilient working arrangement that had played an important part in reducing barriers to world trade in manufactured goods. Its effect on agricultural trade was less impressive; while

domestic American farm policies seemed to contribute a disproportionate share to the difficulties, balance-of-payments restrictions still sheltered other countries.

## The Rome Treaty Raised New Trade Questions

The great new trade questions of 1957 were those of the Treaty of Rome. Would it work? If a European common market were created, who, eventually, would be in it? What kind of trade policy would the new entity follow toward the rest of the world?

The aspiration for European unity was old but clear. The contemporary manifestations were of several orders. Very practical work on the removal of barriers to intra-European trade in the OEEC had played an important part in the economic recovery but had left national jurisdictions largely intact. The imaginative leap of the Monnet-Schuman plan for coal and steel that had followed looked like a radical new departure. The defeat of the European Defense Community in 1954 and its attendant political community and common market had seemed to set new bounds. Then Messina, aided by Suez, set a new drive in motion. When the two Treaties of Rome were signed, many eyes focused on Euratom, though the other's scope was greater. But would it work?

The commitments for forming a customs union for manufactured goods were clear, but would the built-in provisions for delay be utilized, especially if an important member found it hard to live with the conditions of an open European economy? France seemed only too likely to be in that position. If it could be done, if trade could be freed among old economies, hereditary rivals, whose historical barriers were mostly directed against one another. . . . If it could, then the implications were enormous, not just for Western Europe but for the rest of the world.

New questions arose as rapidly as one could pose them. If this great nexus of trade could be freed of all barriers, what was possible for the rest of world trade, or at least trade among industrial countries with some degree of political affinity? The Six were only a part of Western Europe. Was Europe in unifying to be split? Would others join? Where would the line run around Europe? What would be the position of other trading countries, notably the United States, Canada, and Japan, who accounted for an important share of world trade? Still another question, barely visible in 1957, arose when France insisted on association arrangements for its then dependent African territories. How would the proposed European Community deal with the underdeveloped world?

Verbal answers meant to be comforting came quick and fast, but only time would tell how valid they were.

## 1967: Inflexible Farm Trade Policies Crossed the Atlantic

In another decade the trade questions had changed again. Had the reading been taken at the halfway mark, in 1962, the changes would have seemed even greater. That year, Britain seemed on the verge of joining the European Community's pell-mell rush toward economic unity. The United States stood ready to free trade with "the new Europe" as a step toward "partnership."

In 1967, the Community's pace was slower, Britain's position unsure, and the bloom off the American initiative. It was indeed a different world, but different also from 1947 and 1957.

Europe's economic strength validated 1957's answer to 1947's question. Trade had been freed inside Europe, within EFTA as within the Six, though what the future relations between them would be was still in doubt. The United States was still pursuing its line of 1947 and 1957—working toward the liberalization of trade on a multilateral basis—although it had for some years been struggling with balance of payments difficulties of a sort wholly alien to it in those earlier years.

Though it might seem incautious to predict how liberal a "free trader" the United States would prove at the moment of final decision, most observers agreed that it was ready to go farther than the Common Market was. And for a change the agricultural shoe was on the other hoof. The common agricultural policy put the Common Market governments in as inflexible a position in discussing farm trade barriers as the United States had been over much of the past two decades. The outcome of this interplay of facts and suppositions is locked in the Kennedy Round. When it ends, it will be easier to compare 1967 with its counterparts of 10 and 20 years earlier.

On the outcome of the Kennedy Round hang also large questions about the impact of Europe's kind of economic regionalism on the trading structure of the world. The convertibility of European currencies that came in 1958, some subsequent reduction in trade barriers, and the continued growth of production and trade brought Western Europe more fully into the world economy than at any time since the end of the war. The conditions needed for building the kind of multilateral trading world envisaged by postwar planners (many of them American) in 1943 and 1944 were more fully met in 1967 than in 1947 or 1957.

## Europe: A Constructive or a Disruptive Force?

But maybe the world had changed course. A massive trading bloc in Western Europe, whatever its ultimate dimensions, might fit into such a trading world as a major participant, but it might also change the whole shape of it by the emulation it incited, the defensive reactions it inspired, or the temptation it offered others to come to terms with it. The counterpart of the extraordinary progress in removing trade barriers within the Common Market has been the creation of external trade barriers that both protect the commercial privileges of insiders and act as a political and psychological cement. If the outcome of the Ken-

*Progress toward the economic integration of Europe requires action on many fronts. The peoples of Europe can be expected to make these necessary drastic adjustments with confidence in the success of their efforts only if they have confidence that we are prepared to cooperate with them . . .*

*Readjustments of United States economic policies will be necessary. The problem which confronts us can be stated very simply: to maintain the volume of American exports which the free world needs and which it is in our national interest to supply as a necessary part of building a successfully functioning political and economic system, the free world must obtain the dollars to pay for these exports.*

DEAN ACHESON

STRENGTHENING THE FORCES OF FREEDOM, U.S. Department of State, Washington, D.C., 1950.

nedy Round reinforces these new qualities instead of indicating that the region's external barriers are as susceptible to modification as are national tariffs in the rest of the world, then important new questions will arise. Major outside trading nations, such as the United States, Japan and Canada will have to decide whether they can afford to persist in past patterns or must look for new approaches, possibly even new partners. The effects will be felt too by underdeveloped countries, including both those that have a privileged position in the Common Market and those who find themselves discriminated against. Even the future of the growing East-West trade relations will look rather different.

If, however, the Kennedy Round substantially reduces trade barriers, quite a different prospect emerges. The remaining trade barriers will still be important, regionalism will continue to be a major new factor in world trade, the problems of East-West trade will still be unsolved, and the rich nations will continue to have before them the complicated questions of what they can reasonably do to improve the trading positions of the poor ones. 3ut trade among the industrialized countries—Western Europe, North America, and Japan, at least — will not follow the same ines as in 1947, 1957 or even early 1967.

The common agricultural policy has invigorated the old difficulties that brought so many past negotiations to an impasse, ɔut the Kennedy Round has opened a new possibility for freeng agricultural trade. Instead of limiting the bargaining to trade ɔarriers, negotiations would deal with farm policies—prices, ɔroduction, and subsidies. The course is difficult. A world food shortage may make it easier to agree on some point. Eventually he forces that have changed American agricultural policy may ɔegin to operate in Europe as well.

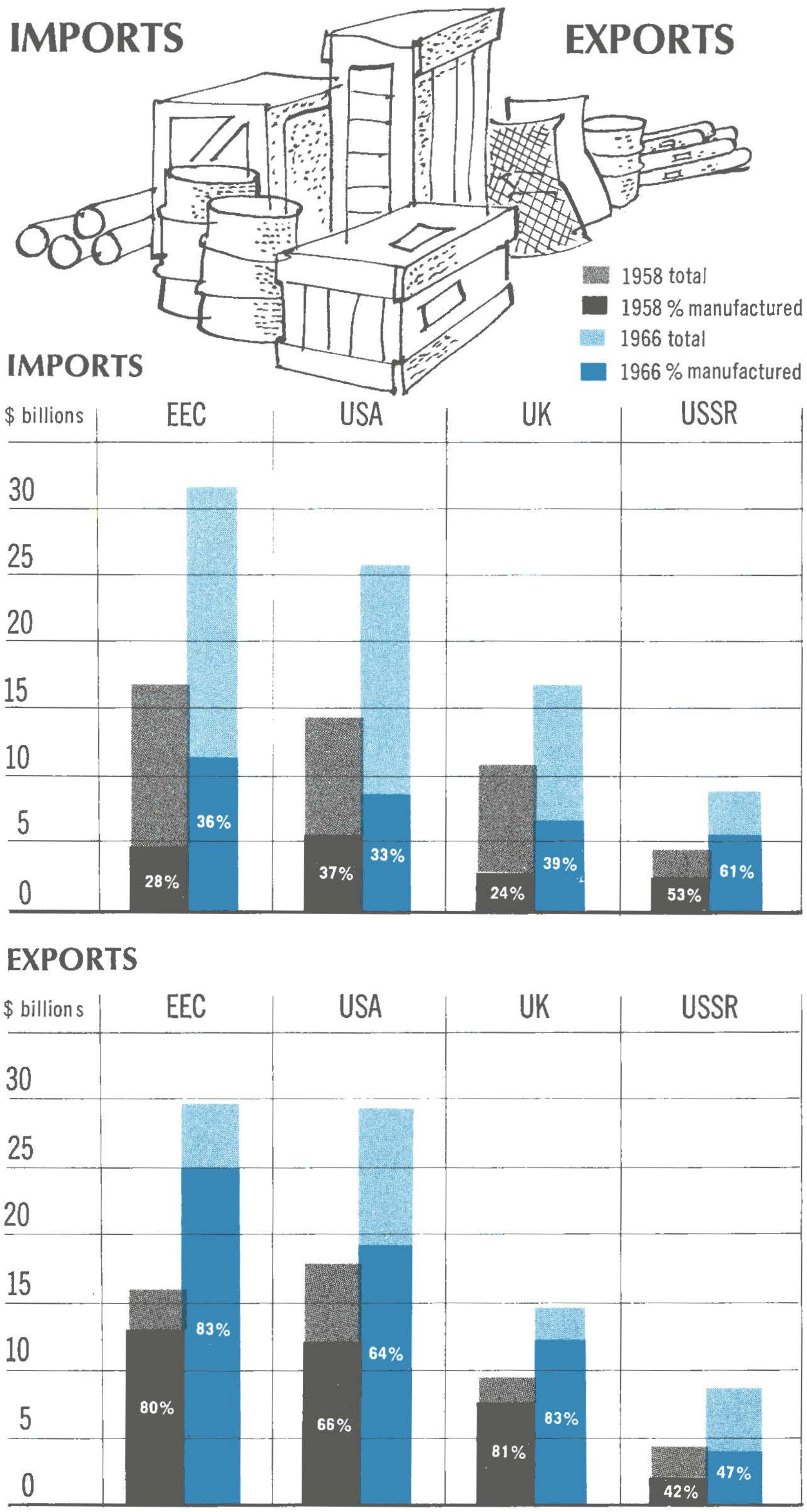
## World Trade Surge Has Altered Meaning of "Tariff"

The surge of international trade in the last 20 years has altered raditional patterns of "protected" and "export" interests—even of what is foreign and domestic. Increasingly specialization takes place within industries not just between them. Increasingly industries find themselves interested in reducing foreign trade barriers as well as maintaining domestic ones. Every year more firms produce in more countries, sometimes acquiring a stake in a foreign country's tariff levels. Sometimes hese companies pay little attention to tariffs as they develop ɔatterns of production and trade that span a large part of the world. American-owned firms in Western Europe sell more goods than the United States exports to the area. Inevitably the meaning of trade barriers alters and with it the balance of pressure for preserving old patterns.

Non-tariff barriers seem more important in the Kennedy Round than they were before. If tariffs are further reduced other rade barriers, private practices and public regulations previously considered essentially domestic will provoke international concern. European objections to the new American safety standards for automobiles is but a harbinger.

The Common Market countries' travail over turnover taxes —which goes back to the early '50's—is likely to be re-enacted on a broader stage. Churchill's remark about the Americans and British being "somewhat mixed up together in some of their affairs" may well apply with increasing force to the economic relations of the industrialized countries on both sides of the Atlantic and the Pacific.

If it does, then 1967 will take its proper place in the sequence from 1947 and 1957. But anniversary writers should be cautious. To look back is easier than to look forward. In 1947 no one properly foresaw 1957 and, in 1957, 1967 was mostly invisible.



# Would New Marshall Plans Work?

*by* **THEODORE GEIGER**

AS THE 20TH ANNIVERSARY of the Marshall Plan approaches, analogies are already being drawn between the European Recovery Program (ERP) of 1948-52 and the efforts today to assist the development of Asia, Africa and Latin America. Indeed, frustrated by the limited accomplishments and seeming interminableness of current foreign aid programs, people on both sides of the Atlantic have periodically urged new "Marshall Plans." But is this suggestion appropriate?

Advocates of a Marshall Plan for Asia, Africa and Latin America usually have in mind three characteristics of the ERP. First, it was a joint effort of the United States and the European recipient countries. Its central cooperative feature was a periodic mutual review of national recovery efforts conducted in a common institution, the Organization for European Economic Cooperation (OEEC). Second, the United States made enough funds available to accomplish the purpose within a specified period. Moreover, they were expended rapidly under flexible procedures with comparatively little friction between donor and recipients. Third, enthusiasm and a sense of commitment on both sides of the Atlantic animated the ERP. The participating governments had both the willingness to innovate and the expectation of success.

It is essentially these three features—effective intergovernmental cooperation, massive funds provided for a short specified period, and dedicated enthusiasm—that the proponents of a new Marshall Plan seek to recapture today. There can be no doubt that they were major factors in the success of the ERP. However, they also indicated the presence of other, more fundamental characteristics in the participating countries. These basic factors have not yet evolved in Asia or Africa, and are only beginning to develop in Latin America.

## ERP Assisted Reconstruction

Despite the economic, political and social disruption caused by Nazi conquest and occupation, the societies of Western Europe still preserved after the war the capabilities and skills that they had developed to unprecedented heights during preceding centuries. Though some were deeply riven by struggles between democratic governments and their communist opponents, all continued to possess at least the minimum capacity to make firm decisions regarding national goals and to fix priorities among them. Many experienced administrators in government and the private sector had been killed during the war or barred as collaborators from their occupations after it, but there was a sufficient number of men and women with the motivation and the training for carrying out effectively national recovery policies and programs.

Despite the widespread destruction of factories, railroads, ports, power systems and other productive facilities and the great shortages of capital equipment, replacement parts, raw materials, fuel, and operating supplies, the economies of Western Europe were nonetheless industrialized. They had an adequately skilled labor force, knowledge of mass-production techniques, and a readily reconstituted network of inter-industry relationships and of ancillary financial, commercial, technical, and other essential services. Much farmland was uncultivated and seeds, fertilizers, farm equipment, and other necessary production inputs were scarce. But the farmers of Western Europe knew how to use the efficient agricultural techniques developed for temperate-zone crops, and before the war many of them had achieved some of the highest outputs per acre in the world.

These were the foundations of the Marshall Plan's success—a success not likely to be duplicated without similar foundations. The Europeans could cooperate effectively with one another and with the United States because they possessed the self-confidence derived from their long-standing sense of national identity and from the successful exercise of national sovereignty both domestically and in their external relations. The Europeans could spend rapidly and effectively large amounts of U.S. aid because they already had the necessary capacity for decision-making and administration and the developed industrial and agricultural systems to absorb additional resources quickly and productively. The Europeans had the requisite sense of dedicated enthusiasm and the motivation to innovate because the relevant values and behavioral norms had long been integral elements of their inherited cultural traditions. In these circumstances, all that was needed for European recovery were sizable injections of economic resources over a short period. American grants and loans made this temporary "pump-priming" possible.

## Basic Social Change—Task of Today

In contrast, the task confronting the newly independent nations of Asia and Africa and the older nations of Latin America is not rehabilitation of an existing economic system but fundamental social change.

For Asia and Africa, social change involves a gigantic transformation. It means replacing many different varieties of traditional, homogeneous, stable, low-productivity agrarian societies with new types of modern, diversified, and much more productive market-oriented societies. For Latin America, even though it has been a part of Western civilization, it means a somewhat less profound but, nonetheless, difficult modernization process to overcome the inhibiting effects of its late medieval Iberian heritage and of four-and-a-half centuries of comparative stagnation. There are major differences between the development process in Asia and Africa and the modernization process in Latin America. However, both involve basic changes in the main institutional systems of their societies and in the motivating values, attitudes and behavioral norms of their cultures.

In Western Europe, additional economic resources were the sole significant factor that had to be supplied from outside to get European recovery under way. In contrast, additional economic resources from outside is one—but only one—of the factors that are missing or inadequate and that crucially affect the nature and rate of social change in Asia, Africa, and Latin America. Except in the few large Latin American countries that already possess social groups with modern attitudes and industrial systems of sufficient size, financial and technical assistance is not likely by itself to make a critical difference.

Space does not permit a discussion of the other, much more important, factors involved. Suffice it to say, that neither the development process in Asia and Africa nor the modernization process in Latin America is or will be rapid and easy. Both will continue to be full of uncertainties and dangers.

**Theodore Geiger,** Chief of International Studies, National Planning Association, began his association with the Marshall Plan after serving from 1945-47 with the U.S. Mission for Economic Affairs. As a staff member of the House of Representatives Select Committee on Foreign Aid (Herter Committee), Mr. Geiger helped to prepare the Marshall Plan legislation. As Special Assistant for European regional affairs in the Economic Cooperation Administration, Mr. Geiger participated in the administration of Marshall Plan funds. "The Conflicted Relationship: The West and the Transformation of Asia, Africa, and Latin America," his latest book, appeared in February.

## ıarshall Plan Analogy—A Hindrance?

n these circumstances, use of the Marshall Plan analogy has robably done more harm than good for American and Euroean development assistance efforts in the past 15 years.

Because the ERP was limited to a fixed numbers of years, fforts to fulfill the analogy have had to involve the setting of pecific program periods and objectives—as in the Alliance for 'rogress and the UN Decade of Development. Neither terminal ates nor quantitative targets are relevant to the long-term equirements for development assistance or the uncertain rospects for development progress. Failure to achieve these nrealistic expectation of the progress possible within the time eriod specified has disillusioned both sides of the foreign aid elationship.

The European countries' ability to assume the responsibility or initiating and executing recovery policies and programs elped to generate unrealistic expectations as to the performance f Asian, African and Latin American aid recipients. At first, was assumed that they possessed comparable decision making, rogramming and administrative capabilities. When this asımption proved unfounded in most cases, the reaction went ) the other extreme. During the past ten years, the aid-giving ations, especially the two largest dor ɔrs, the United States and rance, have in different ways allowed—indeed, required—ieir own personnel stationed in the recipient countries to asıme major responsibilities for initiating, planning and even xecuting development policies and programs.

This activist and directive approach—often euphemistically rationalized as cooperation or joint participation—has an ambivalent effect. On the one hand, it has made possible the short-term expenditure of a comparatively large volume of development assistance funds for purposes and in ways believed desirable by the donors, although not always by the recipients. On the other, it has inhibited the longer term evolution of the capability for self-help, the self-confidence, and the sense of self-responsibility that are indispensable for substantial and lasting development progress.

The capacity for coordination of policies and programs, mutual review, and joint efforts like those of the Europeans through the OEEC, varies widely between Latin America and Asia and Africa. Certainly, the common institutions of the Alliance for Progress have yielded benefits far beyond the efforts and costs involved. Still, in comparison with the OEEC, the Alliance has achieved much less coordination and the mutual review procedure is far less effective.

The differences between countries needing only economic rehabilitation and those experiencing major social transformation explain the seeming discrepancy of results. The basic issues in Latin American modernization concern, among other complex relationships, the distribution of economic wealth and income, political power, and social prestige. These fundamental problems express themselves in the form of social struggles over such issues as agrarian reform, tax reform, democratization of governments, and emancipation from inherited patronal and

*n April 3, 1948, President Harry S. Truman signed the Foreign Assistance Act of 1948, authorizing the Marshall Plan. Standing left to right: nder Secretary of Commerce William C. Foster; W. Averell Harriman, Chairman of the President's Committee on Foreign Aid; Paul G. offman, the first Administrator of the Marshall Plan; Senator Tom Connolly, Chairman of the Senate Foreign Relations Committee; Secretary State Dean Acheson.*

paternalistic relationships. Civil servants and technicians cannot resolve these issues merely by rational consideration of costs and benefits. Hence, although the Alliance machinery usefully sets examples and brings about a certain amount of mutual pressure on ministers and public officials, it cannot provide much leverage for forcing the pace of fundamental economic, political, and social reforms. In Asia and Africa, the basic problems are so much deeper and the capacity for cooperation so much less than in Latin America that OEEC-type arrangements should not be expected to achieve anything approaching the degree of effectiveness that they have attained under the Alliance for Progress.

It is questionable whether the dedicated enthusiasm that animated the Marshall Plan can be achieved, much less sustained, in Asia and Africa and even in Latin America. In Western Europe, not only was economic recovery a comparatively simple and well-understood task but there was also widespread agreement that it was essential and had to be accorded the highest priority. Neither in Asia or Africa nor in Latin America is there as yet so wide or firm a consensus regarding the overriding priority of development and modernization. Moreover, these processes, far more complex than economic recovery, are very much less well-understood.

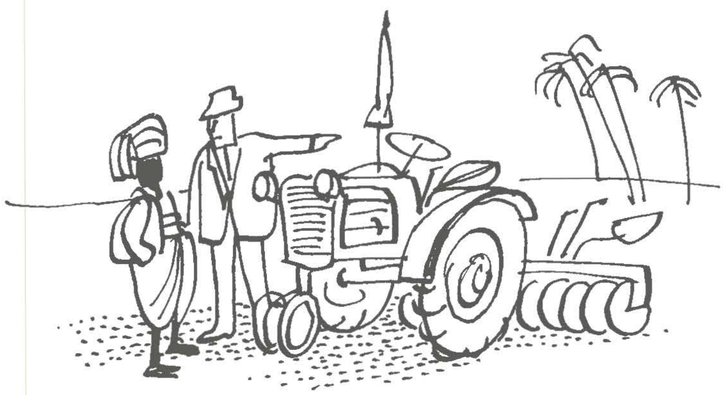
Even among the technically trained *élite*, usually the most enthusiastic supporters of development and modernization, individual interests and group loyalties compete for the resources, attention, and personal commitment essential for accelerating such difficult social processes. These requirements for faster progress are also diverted into efforts to realize other national objectives, internal and external. The realities of Asia, Africa and Latin America simply do not bear out the typical American image of these regions as single-mindedly committed to pressing on with development and modernization. If they did, half the difficulties of development and modernization would be overcome.

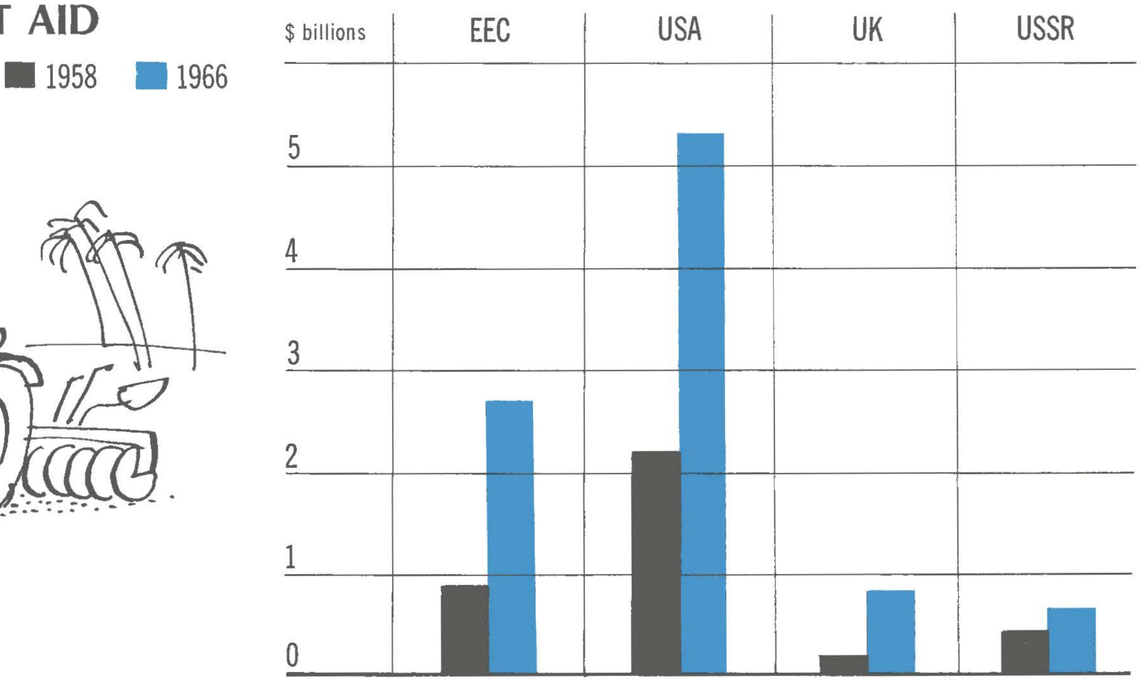
## Crash Programs Do Not Suit Development Task

If the Marshall Plan experience holds lessons for current development assistance efforts, they point more to doing and expecting the opposite of what was done and expected in the ERP instead of copying its distinctive characteristics. To be effective, aid to Asia, Africa, and Latin America must be conceived and established as a continuing activity without specifying terminal dates in advance. Assured continuity of funding and maximum flexibility in setting the terms and conditions of assistance are more important over the longer term than the magnitude of the funds available in any one year. Even in the best of circumstances, the transformation of Asia and Africa will take generations and the modernization of Latin America will require decades. A crash program for a fixed period of years, even as many as ten, is quite inappropriate to the time spans of the development and modernization processes. This does not mean that more development aid would be undesirable or that, in time, it could not be spent effectively. It does mean that the additional resources that could be efficiently and quickly absorbed are substantially less for most recipient countries than was the case during the ERP.

Equally necessary is recognition that the self-help principle, upon which the United States quite rightly insists, has implications not only for the aid recipients but also for the donors. The social transformation of Asia, Africa and Latin America, though immensely important, cannot be dealt with as an emergency requiring the greatest possible effort in the shortest possible time. True, emergencies caused by natural disasters or sudden, drastic, political or economic dangers do occur and have

## DEVELOPMENT AID





to be dealt with as such. But these situations are exceptional. Hence, in resolving the self-help ambivalences implicit in the donor-recipient relationship, preference should be given to fostering the self-reliance and self-responsibility of the recipient countries over the longer term, rather than to maximizing by any means their absorption of development assistance funds in the shorter term.

## Effective Self-Help Needs Passive Donors

The donor countries, particularly the United States, should probably reverse their approach to development assistance. Now, the donors encourage the recipient countries to request aid, suggest the specific kinds of programs and projects they should undertake, and help them prepare and execute the resulting development plans.

Instead, the donors should take a passive attitude. They should respond to the initiatives of the recipient countries, specifying in advance, if they wish, the kinds of programs and projects they would finance and the terms and conditions of their aid. Perhaps the donors might advise the recipients how and where to obtain technical assistance in preparing and executing programs, but the donor countries should not make their own officials available for these purposes. Instead of staffing to cover all major fields of activity and to prepare their own country programs, most U.S. aid missions would then need only small liaison groups to react to the initiatives of the recipient nations. Such a change in the "posture" of the donors would not only give greater reality to the self-help principle but also diminish significantly the political and psychological strains in the relationships between North America and Western Europe, on the one hand, and Asia, Africa and Latin America, on the other.

In sum, what is needed today for helping more effectively the countries of Asia, Africa and Latin America are not new Marshall Plans but more profound understanding of the complexities of development and modernization and more relevant ways of fostering the capacity of the recipient countries for deciding upon their own transformation strategies and for implementing them more efficiently through their own efforts. Just as the amount of aid and the manner of providing it under the Marshall Plan were appropriate for Europe's temporary needs and manifest capabilities, so today the financial and technical assistance programs of the Western nations have to be suited to the possibilities and the limitations of the countries engaged in the much longer and far more difficult processes of development and modernization.

**Paul G. Hoffman,** administrator of the United Nations Development Programs. His involvement in international development began with his appointment by President Truman in 1948 as the first Administrator of the Marshall Plan (ECA).

THE CONCEPT OF AN ECONOMICALLY UNITED EUROPE was in the minds of many Atlantic statesmen in the immediate postwar period. However, it is Jean Monnet who certainly deserves great credit for the leading part he took in translating that concept into an action program. High on the list of those associated with him were Robert Schuman, Paul-Henri Spaak, Walter Hallstein, Étienne Hirsch and Robert Marjolin.

The enthusiasm of the European statesmen for an integrated European economy was shared by the Americans responsible for administrating the Marshall Program, among them, Averell Harriman, William Foster, the late Howard Bruce, Milton Katz, Richard Bissell and Lincoln Gordon. Their attitude can be expressed in this excerpt from my first address to the OEEC Council in July 1948.

*While there has been a growing conviction that it is in the deepest interests of the United States that Europe should again become a living, workable and independent economic and political organization, there has at the same time been a growing conviction that this goal cannot be set in the frame of an old picture or traced on an old design. It cannot be brought about by old ways of doing business or through old concepts of how a nation's interests are best served. New patterns of intra-European trade and exchange must be found and new directions in the use of Europe's resources. These are made necessary not alone by the drastic consequences of two wars, but also by the tides of change that run longer and deeper.*

In the opinion of the Marshall Plan Administration, nothing to which the Marshall Plan may have contributed was more significant than the organization of the Coal and Steel Community and, later, of the European Economic Community and the European Atomic Energy Community. The European Community has already played a large part in what has been called the "miracle of recovery" in Western Europe. It is to be hoped that before too long the Inner Six and the Outer Seven will unite and make a reality of that strong and efficient European economy which was envisioned in 1948. Nothing would contribute more to continued prosperity and peace among the European countries.

PAUL G. HOFFMAN

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*The United States looks on this vast new enterprise with hope and admiration. We do not regard a strong and united Europe as a rival but as a partner. To aid its progress has been the basic objective of our foreign policy for 17 years. We believe that a united Europe will be capable of playing a greater role in the common defense, of responding more generously to the needs of poorer nations, of joining with the United States and others in lowering trade barriers, resolving problems of currency and commodities, and developing coordinated policies in all other economic, diplomatic, and political areas. We see in such a Europe a partner with whom we could deal on a basis of full equality in all the great and burdensome tasks of building and defending a community of free nations.*

PRESIDENT JOHN F. KENNEDY
Address at Independence Hall, Philadelphia, Pa., July 4, 1962

# "Technology Gap" Demands "Hard Choices" of Europe

*by* **BOYD FRANCE**

FOR THE FIRST TIME IN A THOUSAND YEARS, Western Europe no longer leads the parade of human progress. Thoughtful Europeans are worried. That is what the rising concern over the so-called "technology gap" basically is about.

True, the term is shorthand for a growing number of economic inequalities between the United States and Western Europe—in management practice, size of firms and markets, availability of risk capital, education, attitudes towards change. The "technology gap" by any other name remains as worrisome to thoughtful Europeans.

Harold Wilson warns the Council of Europe of the danger of "industrial helotry" and calls for a European technological community. Amintore Fanfani urges a "technological Marshall Plan" under NATO. President Johnson responds by setting up a high level inter-agency committee under his science advisor, Donald Hornig, to explore ways in which the U.S. could cooperate. Western Europe, in 1945, feared Soviet political domination. Two decades later, Europeans fear economic dependence upon the United States.

Europe's response to the Soviet threat was to invigorate the European economy by knocking down trade barriers, a process now culminating in the customs union of the Six and the free trade area of the Seven. But these larger markets are proving uncomfortable half-way houses. Big fast-moving American firms find themselves more at home in them than smaller less efficient European companies which feel pushed to the wall.

Full Western European economic integration would seem the only answer. Britain, which spends $6.00 on research and development for every $9.00 the Common Market countries spend, obviously could not be left out. Worry over the "technology gap" is indeed the sharpest spur toward economic integration but no insurance of an adequate response.

The American role in any effort to narrow the "technology gap" must be at best a supporting one. The main effort must come from Europe. The U.S. stake in the outcome is immense. Today as in 1945 the United States sees no alternative to a strong and confident Western Europe as insurance against war, a bridge to the East and as a partner by necessity in the management of the world economy.

### Technology Gap Varies According to Perspective

To be persuaded of the need for a radical approach to the "technology gap" one must examine it more closely. The view can be confusing since, like the Cheshire Cat, it appears and vanishes depending upon one's angle of vision.

Look at it one way and the "gap" gapes wide and clear. Europeans watch Americans walk about in space—or attend an international auction of a Picasso painting—via an American-built-and-launched communications satellite. The U.S. spends four times as much as does Europe on research and development, has four times as many scientists and engineers working full time. The U.S. Government foots 75 percent of the research and development bill to improve already appallingly effective weapons and to put a man on the moon. Few would deny that this military research spins off not only a dazzling shower of concepts and processes useful to earthbound men but new sciences not dreamed of a decade or two ago.

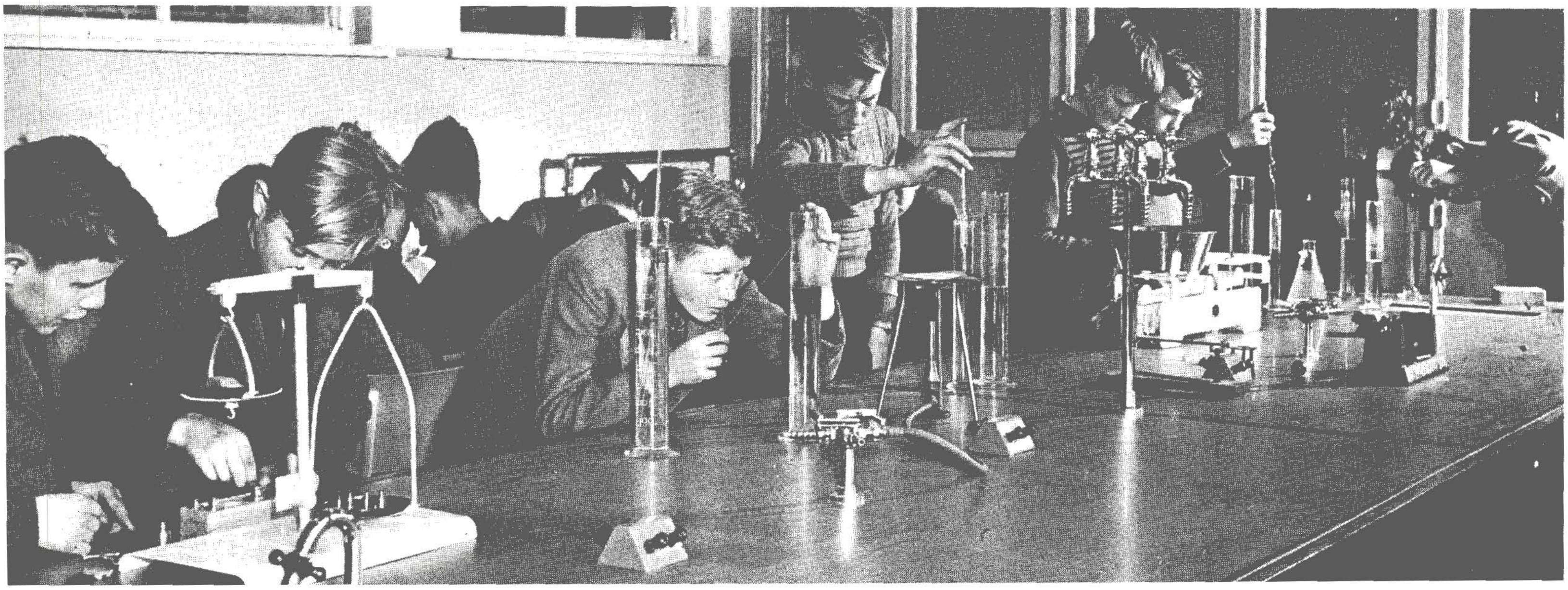
That's not all. Every year, thousands of expensively-educated European scientists and engineers are drawn to the U.S. by the magnet of the American research dynamo—and by plump salaries. Many stay on, not only depriving their native lands of their services but giving the fly-wheel of U.S. technical and economic progress another spin.

Giant U.S.-controlled multinational companies deploy their awesome financial, managerial, and technical power across political frontiers over vast spaces of the earth, forerunners perhaps of a new species of international social organism. With only slightly more than 2 per cent of total private investment in Western Europe they yet dominate key growth industries—computers, carbon black, synthetic rubber, agricultural equipment. They also have a strong position in the European automobile industry.

### U.S. Science at Control Panel in Age of Science

In space, in the air, in data processing, telemetry, nuclear power, radio astronomy, lasers, solid state physics, the development of magical materials able to withstand the awful vacuum and fierce temperatures of space—in these and an expanding maze of new disciplines American science and technology over-master their

*"Clearly less effective exploitation of technology, not a lag in technological knowledge, puts Europe on the defensive." "Science" for these young students at a Dutch preparatory technical school combines theory and laboratory sessions.*



**Boyd France,** Foreign Affairs Correspondent in Washington for *Business Week* and other McGraw-Hill Publications since 1951, is now also acting as editorial consultant to the Twentieth Century Fund for a study of the technological disparity between the U.S. and Europe. From 1945-48 in Paris, Mr. France was a reporter for the *Paris Post,* Diplomatic Correspondent for Reuters Limited, and news commentator for the American Broadcasting Company and *Radio Diffusion Française*.

rivals. The profound revolution which computers are working upon the nervous system of human society is a measure of change to come. American science is at the control panel.

Understandably, thoughtful Europeans are worried. Technology determines the power of men and nations to achieve their earthly goals. Europeans fear that increasing dependence on hand-me-down technology from the U.S. will lead in the end to economic and even political dependence upon the U.S. It's a matter of pride, to be sure, but not necessarily false pride.

No one has yet thought through the economic implications of the disparity between the strength of science-based industries in the U.S. and Europe. They must be large.

If Britain and France launch the Concorde successfully and the U.S. enters no supersonic transport of its own in the lists, the U.S. balance-of-payments deficit could widen by tens of billions of dollars. By the same token, the slowness with which the U.S. steel industry adopted the oxygenation process invented in Europe probably cost the U.S. $1.5 billion a year in increased steel imports, not to mention lost third market sales.

But the political implications really sting. It is easy to exaggerate them and perhaps France's President de Gaulle does, but the awkward facts remain. The U.S. forbade IBM to lease certain types of computers to the French Government for use in development and targeting of the *force de frappe*. Washington has also blocked sales of European-made aircraft to communist China by virtue of the fact that some of the technology incorporated in the planes was U.S.-owned.

Looked at in this way, the "technology gap" appears at once formidable and manageable. The U.S. has a big head start which gives it an increasingly commanding position of economic strength. The answer is simply for Western Europe to acquire more first-ranking technological know-how abroad and to step up its research and development effort.

## Technology Is the Fruit of Growth, Not the Root

Viewed from another angle the "technology gap" is only one of many factors affecting economic vigor and growth. There is reason to believe indeed that advanced technology often is the fruit rather than the root of the complex economic growth process. Note, for example:

• Despite greater investments in research and development than any of the Common Market countries, Britain has consistently had the slowest growth rate.

• The EEC has grown consistently faster than the Unted States despite its technological lag.

• Germany is the second largest exporting country in the world and more than 80 per cent of its exports are finished goods.

• Although Japan has virtually no indigenous research and development at all, it has sustained the highest average growth rate in the world for year, competes vigorously in world markets, seems unworried that most of its new technology is imported.

• The United States itself, during the period of its most rapid growth in the last century, carried out virtually no original research and development.

Beyond that, all but the most arcane military-related technology is available to Western Europe in one way or another. In many fields not closely related to defense and space, Europe still holds a lead. European pure science, qualitatively at least,

*"Look at it one way and the 'gap' gapes wide and clear. Europeans watch Americans walk about in space . . . via an American-built-and-launched Satellite."* Photo: Courtesy of NASA

holds its own in many areas, though the brain drain and other factors may call this into question in time.

Europe's so-called negative technological balance of payments, drawn up by the Organization for Economic Cooperation and Development, which seeks to measure inflows and outflows of technology, should spell an advantage to Europe if it is mainly technology that is needed. Direct investments by U.S. companies do place advanced American technology at the service of Europe. The charge that U.S. firms fob off obsolescent processes and products on Europe has a lot less to it than meets the eye if for no other reason than that American companies must compete with each other as well as with European firms in the European markets.

## "Technology Gap"—A Misnomer

Clearly less effective exploitation of technology, not a lag in technological knowledge, puts Europe on the defensive. The full spectrum of the innovational process and indeed the structure and motive power of European society are in question.

The technology gap has been called perhaps more accurately the "management gap." The aggressive philosophy of American management, the inter-disciplinary management team concept, the tight coordination between research, development and sales converge in a driving force which more leisurely and individualistic European management finds hard to match.

But management too is only part of the problem. By and large, it is easier in the U.S. to find risk capital to back new science-based enterprises. Many banks in fast-growing American industrial centers like Boston and Washington train specialists in spotting the new technological gimmick likely to make money. These loan officers also specialize in the unique problems which characteristically beset new small science based ventures.

In the new U.S. industrial communities (there are "technology gaps" between the newer and older industrial centers of the U.S. too) an intimate association exists between business and the universities. And in the U.S. as a whole, the continual cross-fertilization of ideas and men among business, the universities, and government is an obvious source of economic vitality.

The quantity and quality of education clearly affects the innovational process. Less than 10 percent of German young people graduate from high school compared to more than 70 percent in the United States. The University of Paris gave a degree to its first graduate in business management only a few years ago. There is more interchange of scholars and scholarship between European and American universities than among European centers of learning.

The size of business enterprises is important too. This is not so true in the early stages of the innovational process, the small laboratory or garage-scale enterprise supplying a specialized product or process to a known and selected list of clients.

However, size and financial muscle become critical in bringing new products to a mass market. The large diversified enterprise can also afford to gamble and lose on a new process better than can a small specialized firm. Only a handful of European firms can stand up to the growing host of American giants. And European firms often prefer to undertake joint ventures with financially and technologically rich American companies rather than with other European firms.

## Europe: Smallest Common Denominator

The catalogue of "gaps" could be extended *ad nauseam* if not *ad infinitum*. The remedies are as numerous. But they have one element in common: to be effective they must be applied for the most part on a Europe-wide scale. National palliatives may indeed aggravate the disease by creating new, vested interests unequal to the challenge of competition in the new, wider markets of Europe and the world.

A European who has given much thought to the "technology gap" in its widest sense had this prescription for it at a recent conference on technology:

"Abolish the Federal Government of the United States. Divide the country into its several states and make sure each has a wildly different system of taxation, a different currency, different banking and insurance laws, different customs regulations. Re-group American minorities into as many distinct language areas as possible and in any case not less than 15, and try to make sure that whenever possible there is at least one competing minority language requiring dual language schools. Oh yes, you will need 40 or 50 distinct patent systems. Do this and the technology gap between the U.S. and Europe will fill up rapidly." [1]

Only the prescription in reverse—across-the-board integration of the European economy on the widest possible scale—can really assure the degree of European economic independence necessary to permit Europe to be an effective partner of the U.S. Nothing illustrates the need more clearly than the French Government's admission of the impossibility of regulating foreign investment in France when the investor could settle across the border in the Saar and sell his wares in France duty free.

Perhaps the most persuasive argument for the radical integration cure probably is not technological nor economic nor legal, but psychological. There is much reason to suspect that only such a fusion process is likely to generate the political energy required to carry out—and to adapt to—the structural changes in the European economy which appear to be needed.

Experience so far with joint European ventures in research and development strongly suggests the need for more far-reaching integration. Euratom, ELDO and ESRO[2] have functioned on the whole quite well in the research stage. But when they have gotten to development they have tended to become gravely bogged down in national demands to get as much out of each project as each nation puts in. CERN,[3] on the other hand, has a solid record of success because its function is limited to research.

## Hard Choices Still Face Europe

The organic nature of the so-called "technology gap" explains why the U.S. role in seeking to narrow it must perforce be a secondary one. The U.S. Government can be of some help in making it easier for Europe to acquire advanced technology—although even here the fact that most technology is privately owned limits Washington's field for action. American companies operating in Europe can soothe the psychological inflammation of the problem by doing more advanced research in Europe and by being discreet and selective in making new investments.

Europe basically must cure itself. This is underlined by the fact that U.S. offers to cooperate in outer space research and certain types of defense-related research have had few takers. Most European firms do not have the financial and human resources for major undertakings in these fields.

It is proper and politically wise for the U.S. Government to offer assistance. A strong self-reliant Western Europe certainly will bring more resources to bear on common problems than a weak, fretfully dependent and divided one. In particular, as the Fiat deal shows in the field of economics and the diplomatic initiatives of de Gaulle, Wilson, and the new German Government suggest in the political field, Western Europe has a crucial role to play in broadening "peaceful engagement" between West and East.

The hard choices and the heroic tasks remain Europe's responsibility—now as twenty years ago.

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(1) Professor M. B. G. Casimir, Director, Research Laboratories N. V. Philips Gloeilampenfabrieken, at Gaithersburg Symposium on Technology and World Trade, November 16-17, 1966.

(2) European Atomic Energy Community, European Launcher Development Organization, European Space Research Organization.

(3) European Organization for Nuclear Research.

# The European Parliament at the Crossroads

by **ELENA BUBBA**

A sense of accomplishment, vague dissatisfaction, and deep concern about the future of the Communities permeates the European Parliament this March on its tenth birthday.

The Treaties succinctly gave it "powers of deliberation and control." The parliamentarians, all members of their national legislatures, had no doubt about the meaning of these sparse guidelines in shaping the European Parliament. They copied and blended their national assemblies' customs, organization, and functions which, luckily, are similar on the Continent. And so, the 142 parliamentarians formed four political parties: the Christian Democrats, today the largest, followed by the Socialists, the Liberals, and the European Democratic Union, the smallest, which consists of 15 Gaullist delegates from the French National Assembly.

The Parliament's standing committees specialize in broad areas of Community activities, such as agriculture, transport, budget, and so on. Now there are 12 committees, but their number fluctuates. According to European parliamentary practice, the appropriate committee appoints a *rapporteur* to study every subject on which the European Parliament must take a stand. After hearing, debating, and approving his report, the committee then sends it with a draft resolution to the Parliament for discussion and adoption in plenary session.

## Imposing Accomplishments

The parliamentarians' sense of accomplishment comes from the imposing mass of work they have done:

| *Number of* | *1958* | *1959* | *1960* | *1961* | *1962* | *1963* | *1964* | *1965* | *1966* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| Committee Reports | 22 | 37 | 54 | 64 | 70 | 67 | 75 | 84 | 90 | 563 |
| Plenary Sessions | 18 | 40 | 40 | 31 | 31 | 28 | 34 | 30 | 29 | 281 |
| Committee Meetings | 139 | 251 | 249 | 267 | 281 | 246 | 280 | 246 | 245 | 2,204 |

By the end of 1966, the committees had finished 563 reports—a full inventory without any omissions of every aspect of the three Communities' multi-faceted activities:

| *Subject* | *Number* |
|---|---|
| Internal Economic Affairs | 123 |
| Political, Institutional, and General Affairs | 89 |
| Social Matters | 89 |
| Budgetary Matters | 87 |
| Agriculture | 86 |
| External Economic Relations | 69 |
| Research and Culture | 20 |

## European Parliament Lacks Power of "Control"

The European Parliament, although similar to the national parliaments in scope and organization, does not have the usual parliamentary powers but then the Communities themselves are not comparable to a state.

In the first place, the Communities have no government. More specifically, each Community has two executive branches: a Council of national Ministers which makes the most important decisions now and, in Community language, an "Executive" which proposes decisions to the Council. The three "Executives"—the ECSC High Authority, the EEC Commission, and the Euratom Commission—are soon to be consolidated in a single European Commission.

What role can the European Parliament play in this new situation? In Europe, the national parliaments can elect and oust their governments. Although the European Parliament can remove the three Community "Executives" from office by a motion of censure, it cannot elect them, and has no direct influence over the Councils of Ministers. Each Minister and his government answers directly to the national parliaments, an arrangement which, while preserving democratic principles, provides no collective check on the Councils of Ministers. Each national par-

*The European Parliament (first called "the European Parliamentary Assembly") took over the work of the Common Assembly of the European Coal and Steel Community which was dissolved when the Rome Treaties came into force in 1958. This photograph was taken during the first session of the new representative body on March 19-21, 1958.*

**Elena Bubba,** Director of Parliamentary Documentation, joined the Community in 1954, first working with the Common Assembly of the European Coal and Steel Community, then with the European Parliament from its formation in 1958. From 1945-49, Madame Bubba, a lawyer and graduate of the University of Trieste, served as legal adviser to the Allied Military Government of Trieste.

liament controls the actions of a single Minister, obliged by the Treaty to reach agreement with the other five Ministers. Consequently, national parliamentary control is necessarily fragmented.

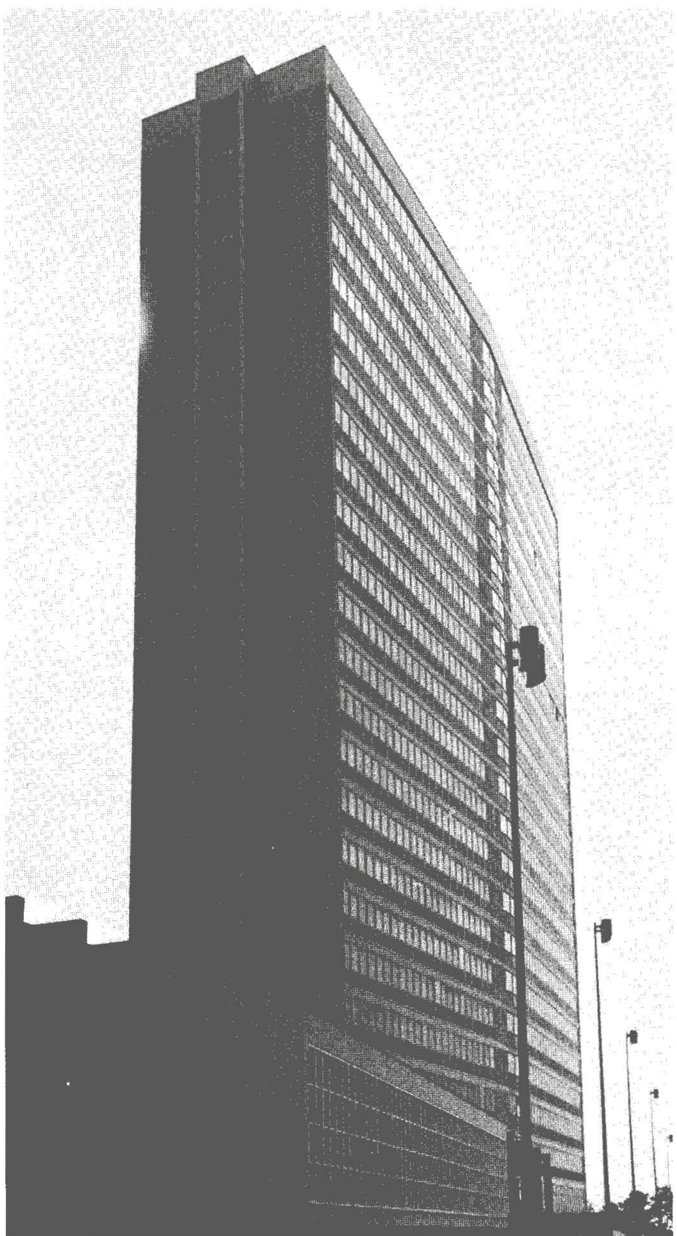
The national parliaments are empowered to approve, change, or reject legislative texts submitted to them. The European Parliament gives an opinion before the Council decides on Community "Executive" proposals, but can neither change nor veto a Council decision.

## Dissatisfaction Springs from Limited Powers

The limited powers of the European Parliament explain why its members are dissatisfied, although influence, admittedly, does not depend solely on constitutional powers. (The party system has made this question rather theoretical at the national level too.)

The Parliament's influence is strongest just before the Community "Executive" makes a proposal. At that time, the standing

*The new European Parliament building in Luxembourg contains the administrative offices of the Parliament which meets in Strasbourg.*



committees work closely with the "Executive" tossing ideas back and forth, and the directions emerge. Even if the European Parliament had the power to veto Council decisions, in few instances so far (perhaps none) would it have wielded it. The frequent disagreements between the Parliament and the Council of Ministers mainly concern omissions: decisions which have not been made, delays, crises.

The increasingly technical nature of the problems of European integration is another source of the European Parliament's *malaise*. Beneath the basic regulations lie important political choices, but as the Communities grow, they offer more and more details and less subject matter for great political debates. At the same time, substantial changes in the pattern of international relations directly affect the Communities but take place outside its sphere of influence.

Questions about the Communities' future and impatience with the many technical debates together point to the growing need for political debate.

Were is the European Community going? Will it be enlarged by four or five new members—Great Britain, Ireland, or the Scandinavian countries? How will doubling its membership affect it? What should the Community do to ease relations with the East? What role could it play in reunifying Germany? Can the political union—the extension of Community powers to foreign policy and defense—be expected to progress rapidly? How will the planned reform of NATO affect the Community? What role could the Community play in the Atlantic Alliance?

The Treaties do not answer these questions. Debates in the European Parliament must escape from a frame of reference grown too narrow. As Europe looks into its future, the European Parliament must tell the public about the important choices it must make.

*The democracies must learn that the world is now too small for the rigid concepts of national sovereignty that developed in a time when the nations were self-sufficient and self-dependent for their own well-being and safety. None of them today can stand alone. No radical surrender of national sovereignty is required—only a firm agreement that in disputes between nations a central and joint agency, after examination of the facts, shall decide the justice of the case by majority vote and thereafter shall have the power and the means to enforce its decision. This is a slight restriction indeed on nationalism and a small price to pay if thereby the peoples who stand for human liberty are better fitted to settle dissension within their own ranks or to meet attack from without.*

DWIGHT D. EISENHOWER

# Africa Transformed: 1957-67

## THE ROLE OF THE YAOUNDÉ CONVENTION

*by* KAYE WHITEMAN

GHANA ATTAINED INDEPENDENCE IN MARCH 1957, the same month the Six, in Rome, signed the Treaty instituting the European Economic Community. Though apparently unrelated to the Treaty, Ghanaian independence did affect it. Appended to the Treaty was the convention, the first associating the overseas dependencies of the Six—a score of territories in Africa and another dozen elsewhere—with the Community.

The birth of Ghana as an independent state was the first of many black Africa was to see in the next decade. Still considered a symbolic event in African history, Ghanaian independence acted as catalyst. By 1961, all of the Community countries' overseas territories in Africa, except three, had become independent. Shortly, the Belgian trust territories followed suit and took the names of Rwanda and Burundi. The third, French Somaliland, will soon decide its own future. This was something the Rome Treaty has not envisioned.

### French Two-Pronged Initiative

It has been alleged that France conditioned her participation in the EEC on the association of her overseas territories with the Six. They constituted the majority of the original associates: eight French colonies in West Africa; four in Equatorial Africa; the two trust territories of Cameroon and Togo; and Madagascar and French Somaliland.

The French initiative resulted in the association convention appended to the Rome Treaty and paralleled the enactment of the *loi cadre* of June 23, 1956, which brought new institutions and rights of self-government to the French overseas territories. Both were part of the French post-war search for a formula to modernize its relationship with Africa.

In fairly rapid succession, France constructed the French Union, the political institutions of the *loi cadre*. Soon after the establishment of the Fifth Republic in 1958, the French Community took its present pattern of independent states. In 1957, France signed the association convention with the EEC without mentioning the powers of self-government which the *loi cadre* gave the African territories.

Leading French Africans, such as Felix Houphouët-Boigny of the Ivory Coast, were members of the French Government at the time and approved the move. In the Belgian Congo and Italian Somalia independence was equally unforeseen at that time.

### The Race to Independence

Almost as the EEC was being born, a series of events forced the early renegotiation of the whole Association. First of all, Guinea answered "no" in the French referendum of 1958 on the Community. (Guinea was an associate under the Rome Treaty but her break with France apparently caused her association with the Community to lapse automatically). Subsequently, France sanctioned the independence of the Mali Federation within the French Community and granted independence to the Ivory Coast outside the French Community. Then suddenly, in 1960 the Belgian Congo declared independence.

The convention was to be renewed at the end of 1962 but in 1961 the entire association arrangement looked dubious. When discussions began, relations between the African states were fluid and rapidly evolving. The newly-independent African states were dividing into two blocs, the "moderates" and the pace-setting "radicals" led by Ghana and Guinea.

*Hardwoods and other exports at dockside, Douala, Cameroon, await lading on board the French ship* Irima. *A primary objective of the Yaoundé Convention is to increase the associates' trade with the Community.* Photo: Courtesy AFRIQUE PHOTO, Paris

Significantly, shortly after the Casablanca and Monrovia conferences of African states had crystallized and christened their political divisions, in July 1961 the first inter-parliamentary conference of members of the European Parliament and representatives of the associated African legislatures met in Strasbourg. Likewise, in July 1963, just two months after the African blocs had merged into the Organization for African Unity in Addis Ababa, the new convention between the African associates and the Six was signed in Yaoundé.

### African Associates Drove a Hard Bargain

The Strasbourg conference showed that the Six had accepted the necessity for a new type of agreement. Just as the European Parliament (composed of members of the six national parlia-

**Kaye Whiteman,** Deputy Editor of *West Africa* for the past four years, was graduated from the Queen's College, Oxford. Mr. Whiteman was formerly a journalist with Thomson Newspapers.

ments) had debated the original Rome Treaty, so a new body which included representatives of the African states debated the new association convention. Although outsiders criticized association as a neo-colonial device to perpetuate European domination and the division of Africa, the Strasbourg Conference revealed considerable support in Africa for continuing the relationship.

The African states proved hard bargainers. At one point, the talks broke down for several months because they insisted that the European Development Fund provide greater resources, particularly to compensate the former French territories for the impending break-up of their special trade relations with France. There were other obstacles too, such as an African objection to being considered with the non-independent associates (which now have a separate status).

The Convention, finally approved by both sides on December 20, 1962, met with further delay when French President de Gaulle's veto of British membership engendered a crisis in the European Community itself. Italy and the Netherlands threatened to withhold ratification of the new convention in protest at the exclusion of Britain.

Representatives of the 18 African associates and the Six met in Yaoundé, Cameroon in July 1963 and signed the new convention. It provided more than $620 million for European Development Fund grants in Africa during five years. The convention set a wider range of economic and social objectives, continued the tariff reductions between the EEC and the Eighteen, and created institutions such as the inter-parliamentary conference. It gave seats to all 18 associates and the Six on the Association Council.

*The Yaoundé Convention "gave seats to all 18 associates and the Six on the Association Council." Participants in the May 1966 meeting of the Association Council in Tananarive, Malagasy Republic.*


During the negotiations, the African associates had sought representation in the EEC's own institutions. Significantly, the Yaoundé Convention gave all member states seats on a committee which influences the choice of projects and programs, to be financed through the EDF, but not their administration. (Not even the World Bank allows recipient states to participate in the administration of the aid they receive.) The Convention came into force on June 1, 1964.

## A Wider African Framework?

Another psychologically important point was the declaration of the Six in Yaoundé at the signing ceremony, invited other countries, with economies comparable to the associates', to accede to the convention. The move was widely taken as a suggestion to the critics of the association to abandon their inhibitions.

In November 1963, after criticizing both the association and the British attempt to join the EEC, Nigeria decided to apply for its own association agreement with the European Community, separate from the Yaoundé Convention. After two and a half years of negotiations, an agreement was signed in Lagos in July 1966. Although limited to moderate trade concessions, the Nigerians had shown what could be done. The Lagos agreement is to be renegotiated at the same time as the Yaoundé Convention, before its expiration on May 31, 1969. However, Nigeria's present political difficulties may prevent ratification of the agreement and its entry into force.

Likewise, the inability of the three East African Commonwealth countries (Kenya, Uganda, Tanzania) to agree on forming a common market of their own has hampered their approach to the EEC. So the economic division of Africa may remain almost by default.

## Preparing for Another New Stage

The criticisms of the Association heard in the early 1960's have now faded as Africa itself has become less disposed to histrionics. It is not impossible that Ghana, once a leading critic of Association, might also, like Nigeria, negotiate an agreement.

Attention has now focused on the associates, which have been making their presence felt in the association's institutions. When last October Hamani Diori, the President of Niger, questioned the value of the association in Brussels because the Community's trade with some non-associated tropical countries had increased more rapidly than it had with the Associates, the tables seemed turned with a vengeance. The associates vented their discontent at the inter-parliamentary meeting in Abidjan last December. Philippe Yacé, President of the Ivory Coast National Assembly, stressed that consumption taxes hold back coffee consumption in some EEC countries, to the mutual detriment of European consumers and African producers.

In clearing the ground for the renegotiation of the Yaoundé Convention in 1968, the association's institutions will hear some tough talking, especially about the inequality between developed and developing countries. President of Senegal Léopold Sédar Senghor, speaking on French television recently, called this the "problem of the century." But this criticism could also measure the vitality of the association and its central role in the dialogue between Europe and Africa.

# Britain Rediscovers the Continent

*by* **ROY PRYCE**

"IT IS QUITE EVIDENT that the signing in Rome . . . means much more to the nations concerned than it does to this country." This view, expressed by a British newspaper on March 26th 1957, was an accurate assessment of the situation at the time. One London daily, the now defunct *News Chronicle,* published a special supplement to mark the occasion, but otherwise the press was sparing in its coverage of the event. Editorial writers expressed many doubts about the future of the new Communities. It was far from certain, they argued, that the French assembly would approve the treaties; it was doubtful too whether the GATT would approve of the Common Market.

This mood of doubt was also tinged with apprehension. Some of the more well-informed commentators expressed fears about the looming difficulties for Britain of negotiating the Free Trade Area by which the government of the day hoped to obtain access to the enlarged European market without having to pay the political price of membership in the Community itself.

The *Financial Times* said the British government had been assured that "the present treaty is not going to be regarded as a final and unalterable document." But the British request—that the Six postpone signature of the new treaties until they had made certain that they would not create difficulties for the proposed Free Trade Area—had been brushed aside. In fact there was considerable irritation in Britain that by including the African association as part of the EEC treaty the Community had made such an arrangement perceptibly more difficult. The *Manchester Guardian* commented wryly: "If the Common Market, like the Coal and Steel Community, has to start its life by kicking England in the shins, we should be able to disregard the gesture as an old Continental custom."

This was all ten years ago. At that time Britain was just beginning to recover from the indignity of the Suez crisis and from the political aftermath of the resignation of Sir Anthony Eden as prime minister. Under his leadership the government had been notably cool towards involvement with the rest of Europe; his successor, Mr. Harold Macmillan, was still in the throes of restoring the fortunes of his party. As time went on he was to show himself a convinced European.

But in the Spring of 1957 only a small minority in the country thought that full membership in the Community was desirable. When, in the wake of the Three Wise Men, some parliamentarians began to suggest the possibility of joining Euratom, the *Times* gave prominence to an article by Lord Chandos strongly attacking the idea. "The damage that would be done to British interests by joining Euratom," he wrote, "would be permanent."

## Present Courtship Rests on Reciprocal Gains

Today the situation has changed almost beyond recognition. Mr. Wilson, though a recent convert, now declares that he "means business" in seeking acceptable terms for membership. Several members of his cabinet, and in particular Mr. George Brown, are known to be fervent advocates of membership and no more than three are opposed.

The Conservative party, under Mr. Heath, strongly advocates entry; the great majority of industrial and business circles are equally convinced; and opinion polls show some 70 percent of the general public in favor. Whatever doubts there still may be, particularly on the other side of the Channel, about the extent and depth of the country's European convinctions there can be no doubt that a profound change has taken place in British opinion and policy over the past decade.

The major reasons for this change are obvious enough. In economic terms the advantages of belonging to a large market have gradually been accepted. As a recent report of the Confederation of British Industry stated, membership in an enlarged Community would offer "the best prospect of dynamic and profitable growth for British industry in the future." It is acknowledged that there would be considerable short-term problems, but the long-term prospects, not just for Britain but for the whole European economy, are considered to depend on the creation of an enlarged common market. One aspect of this which has recently been given much prominence, in Britain as in the rest of Europe, is what Mr. Wilson recently described in his speech at Strasbourg as the danger of "industrial helotry"—increasing dependence on American business.

## EEC Political Attractiveness Grows

Although the majority of the general public in Britain still think of the Common Market primarily in economic terms, there can be no doubt that more sophisticated opinion has been much influenced by political considerations.

Chief among these has been the gradual perception of Britain's loss of power and status on the world scene. Belief in the Churchillian notion that the country's role depended on its rela-

*In the past decade, "the facts of the situation have gradually penetrated the deep layers of indifference, suspicion and ignorance of the rest of Europe, which have been inherited from several centuries of deliberate non-involvement."* Photo: Courtesy of the British Travel Association, New York (Copyright, London)

**Roy Pryce,** Director of the Center for Contemporary European Studies, University of Sussex, received his Ph.D. in 1953 from Emmanuel College, Cambridge. Mr. Pryce joined the European Community in 1957 as Press Attache for the London delegation of the High Authority of the European Coal and Steel Community, and in 1960, became chief of the London office of the European Communities Information Service.

tionships with three circles of influence—the United States, the Commonwealth and Europe—has been steadily eroded. Public professions of faith in the existence of a "special relationship" with the United States are still made from time to time, but belief in it has been replaced by an acute awareness that it is only special in the degree of dependence that it now involves. Similarly, few now believe that the Commonwealth can provide an effective means of influence, the interests of the various member countries being far too disparate. The conflict with Rhodesia, and the tensions it has produced, is only the latest of a long series of bitter lessons on the realities of the Commonwealth situation.

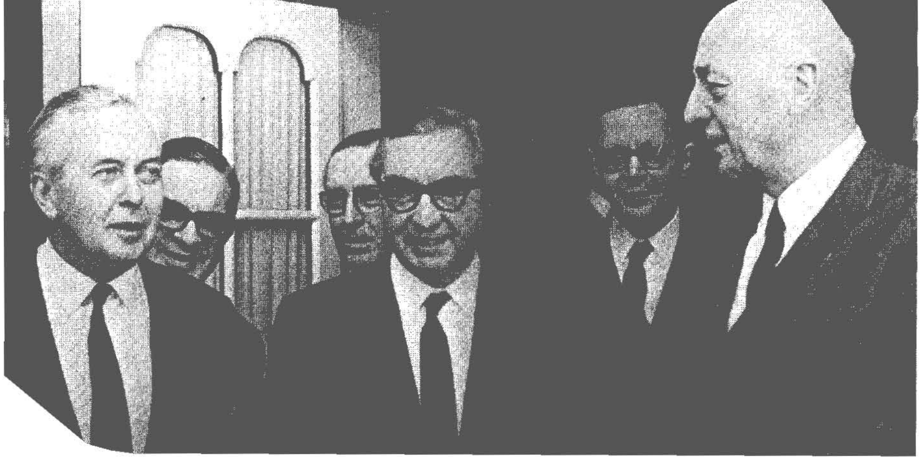
## Rebuffs Drove Home a New Reality

Successive British governments nevertheless resisted what to many outside observers had long appeared to be the logic of these developments. For many years the most that was contemplated was some form of loose association with the rest of Europe. This was the policy pursued with regard to the Coal and Steel Community, and the project for a Defence Community. The same idea gave birth to the notion of a Free Trade Area. It required a succession of rebuffs to drive the Macmillan government towards membership in the EEC itself.

The first blow was administered late in 1958 when the Free Trade Area negotiations collapsed. Another followed with the collapse of the hopes that were entertained of "building a bridge" between the European Free Trade Association and the Six. Then, in the spring of 1960, Mr. Macmillan was horrified to discover in Washington the amount of support in the U.S. administration for an acceleration of the Community's timetable. Shortly thereafter Whitehall began to think seriously about what up to then had been the unthinkable: entry into the Community.

This was a decisive turning point, for if there were hesitations and reservations in the British posture during the abortive negotations of 1961-63, the experience of grappling with the problems of entry led to a major evolution in British attitudes. Far more support for membership became apparent than would have been thought likely a few years earlier, and although Mr. Gaitskell's own hostility to Europe led the Labour party towards

*Members of the EEC and the Euratom Commissions entertained British Prime Minister Harold Wilson and Foreign Secretary George Brown at luncheon on February 1 during their visit to Brussels. Left to right: Mr. Wilson; EEC Commissioner Jean Rey; Pierre Chatenet, President of the Euratom Commission; Mr. Brown; Robert Marjolin, vice-president of the EEC Commission; and Sicco L. Mansholt, vice-president of the EEC Commission.*



outright opposition to entry, his attitude was not shared by the great majority of his closest political friends.

## Turnabout by Labour

Mr. Heath was right when, at the final gloomy meeting in Brussels after the veto, he said that Britain would not turn her back on the continent. There was certainly a period of apparent inactivity, but the momentum of Britain's involvement with the Community carried on just beneath the surface of political events.

In fighting the election of 1964 the Labour party, which then came to power, gave no more than a noncommittal reference to Europe. In the spring of 1966, however, when he went to the polls, Mr. Wilson found that he had to reply to the Conservatives' offensive on the European front. He reacted angrily and in terms which suggested that he would not readily embark on the road back to Brussels. But it is precisely that road which he, in turn, has now decided to take. Had he wished to do so, he could have left the preliminaries to Mr. George Brown and so guarded himself against the backlash of possible failure. But he has not chosen to do this. On the contrary, he has committed himself personally to the venture. Nor can there be any doubt that he wishes to succeed. His emotional commitment to Europe may be much less apparent than was the case with Mr. Macmillan, but calculations of national and personal interest have clearly impelled him in the same direction.

## Facts Gradually Alter Insularity

In considering this evolution in British policies and attitudes many, especially in the United States, may well feel that it has been unduly protracted and timorous. So, in many ways, it has. It has nevertheless been a fascinating process to observe as the facts of the country's situation have gradually penetrated the deep layers of indifference, suspicion and ignorance of the rest of Europe, which have been inherited from several centuries of deliberate non-involvement.

No one has yet charted with any precision how the European idea has gradually taken hold of various groups in Britain, of how a minority view of a few years ago has now become the established doctrine of a majority. As yet we know very little about the factors which pre-disposed certain individuals and sections of society to take a favorable view of the notion of membership, and which in others have sustained hostility to it. What is apparent, however, is that the issue has cut across almost every identifiable group: social classes, political parties, the civil service and professional organizations. Some very curious coalitions of interest have emerged. Left wing socialists have found themselves in the uneasy company of the right-wing *Daily Express* in opposing membership; while the ranks of those in favor extend from militant federalists to establishment circles in the City and Whitehall.

Today, however, it is very unfashionable to be against membership, even if there is no great optimism about the immediate prospects of entry. Nor is it likely that opinion will swing away again, for there is no visible alternative. After so agonizing a reappraisal of the country's future, and its painful rediscovery of Europe, it is now more than ever true—as Jean Monnet once observed, *Les Anglais restent candidats au Marché Commun c'est un fait.*

# Signposts Towards European Unity

**1947 June 5**
General Marshall proposes American aid to stimulate recovery in Europe.

**October 29**
Belgium, Luxembourg, and the Netherlands form the "Benelux" economic union.

**1948 April 16**
The Convention for European Economic Co-operation is signed, giving birth to the Organization for European Economic Cooperation (OEEC).

**1950 May 9**
Robert Schuman makes his historic proposal to place French and German coal and steel under a common Authority.

**1951 April 18**
The Treaty creating the European Coal and Steel Community (ECSC) is signed in Paris.

**1952 August 10**
The ECSC High Authority starts work in Luxembourg, under its first president, Jean Monnet.

**1957 March 25**
The Treaties creating the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) are signed in Rome, and come into force on January 1, 1958.

**1959 January 1**
The Common Market makes its first tariff reductions and quota enlargements. Euratom establishes the common market for nuclear materials.

**1960 May 10-12**
EEC accelerates the time-table for establishing the Common Market.

**1961 July 9**
Greece signs an association agreement with the EEC in Athens which becomes effective on November 1, 1962.

**July 31**
The Republic of Ireland applies for membership in the EEC.

**August 9**
Great Britain requests negotiations for EEC membership.

**August 10**
Denmark requests similar negotiations.

**December 12**
Austria and Sweden, both neutrals, apply for association with the EEC.

**December 15**
Switzerland, another neutral, applies for association with the EEC.

**1962 January 14**
EEC decides on the basic features of the common agricultural policy.

**February 9**
Spain applies for association with the EEC.

**April 30**
Norway requests negotiations for full membership in the EEC.

**July 30**
The first regulations under the common agricultural policy take effect.

**1963 January 29**
French objections halt negotiations with Britain for Community membership.

**July 20**
Eighteen independent African states and Madagascar sign in Yaoundé, Cameroon, the Convention associating them with the EEC for five years. It enters into force on June 1, 1964.

**September 12**
Turkey signs association agreement with the Community which enters into force on December 1, 1964.

**1965 March 31**
EEC Commission proposes that as of July 1, 1967, all Community countries pay all levy proceeds and a percentage of their customs receipts into the Community budget and that the powers of European Parliament be increased.

**April 8**
The Six sign the Treaty agreeing to merge the Executives of the ECSC, the EEC, and Euratom.

**July 1**
The Council misses the agreed deadline for decision on financing the common farm policy. France boycotts the Community institutions for seven months.

**1966 January 17**
The Six foreign ministers meet in Luxembourg, without the EEC Commission, and agree to resume full Community activity.

**May 11**
The EEC Council agrees to complete the customs by July 1, 1968. Then, all tariffs on trade between the member states will be removed, the common external tariff will come into effect, and the common farm policy will be completed.

**November 10**
British Prime Minister Harold Wilson announces plans for "a high level approach" to the Six with the intention of joining the EEC.

**1967 February 8**
EEC Council adopts Community's first medium-term economic program directives to introduce a "value-added" tax system.

**March 25**
Tenth Anniversary of the signing of the Rome Treaties.

**June 5**
Twentieth Anniversary of General Marshall's commencement address at Harvard.

# Post-War Planning Linked Greec

## EEC AGREEMENTS WITH "MEDITERRANEAN TWO" FIT THEIR DIFFERENT NEEDS

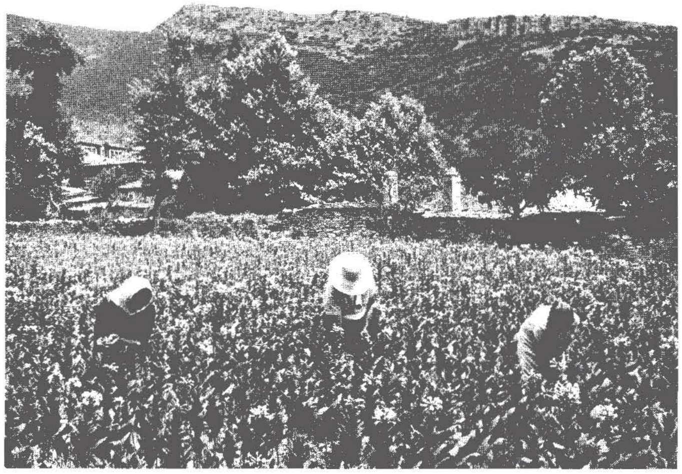
TURKEY, THE DOOR TO THE EAST, inherited the outermost sentry post of Western civilization from Greece in the post-war planning for the defense of Europe. Considering Greece and Turkey's strategic positions, the Western powers admitted them to membership in NATO and the OEEC, the administrative arm in Europe of the Marshall Plan.

A decade later, close trade ties had developed between Greece, Turkey, and the members of the new European Economic Community. In 1959 both Mediterranean countries requested association with the Community, Greece in June, Turkey in July. Greece, now in its fifth year of transition to full customs union with the Community, and Turkey, in its fourth year of preparation for transition are still developing countries in comparison with the Six.

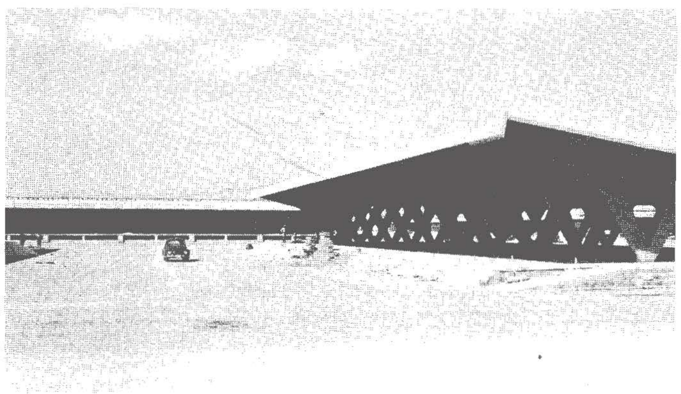
The Mediterranean associates have many similar economic and social problems. Heavily dependent on agricultural exports, both Greece and Turkey export large quantities of tobacco. To escape unemployment at home, many Greek and Turkish citizens have taken jobs in labor-short Community countries. Both countries are running balance-of-payments deficits, although their exports are steadily expanding.

Though both are developing countries, Greece and Turkey stand at different points on the economic scale; their agreements with the Community reflect their relative position. For Greece, the gradual but difficult transition to full customs union with the Community began the day the agreement came into force. For Turkey, the transitional stage will not begin until December 1968, after five years of preparation, if the Association Council decides that the Turkish economy is ready.

During the first five years, Turkey receives Community preferences for some of its most important exports, but makes no specific concessions for Community products. The European Investment Bank will lend Turkey up to $175 million to finance development projects, compared with $125 million available to Greece during the first five years of its agreement.



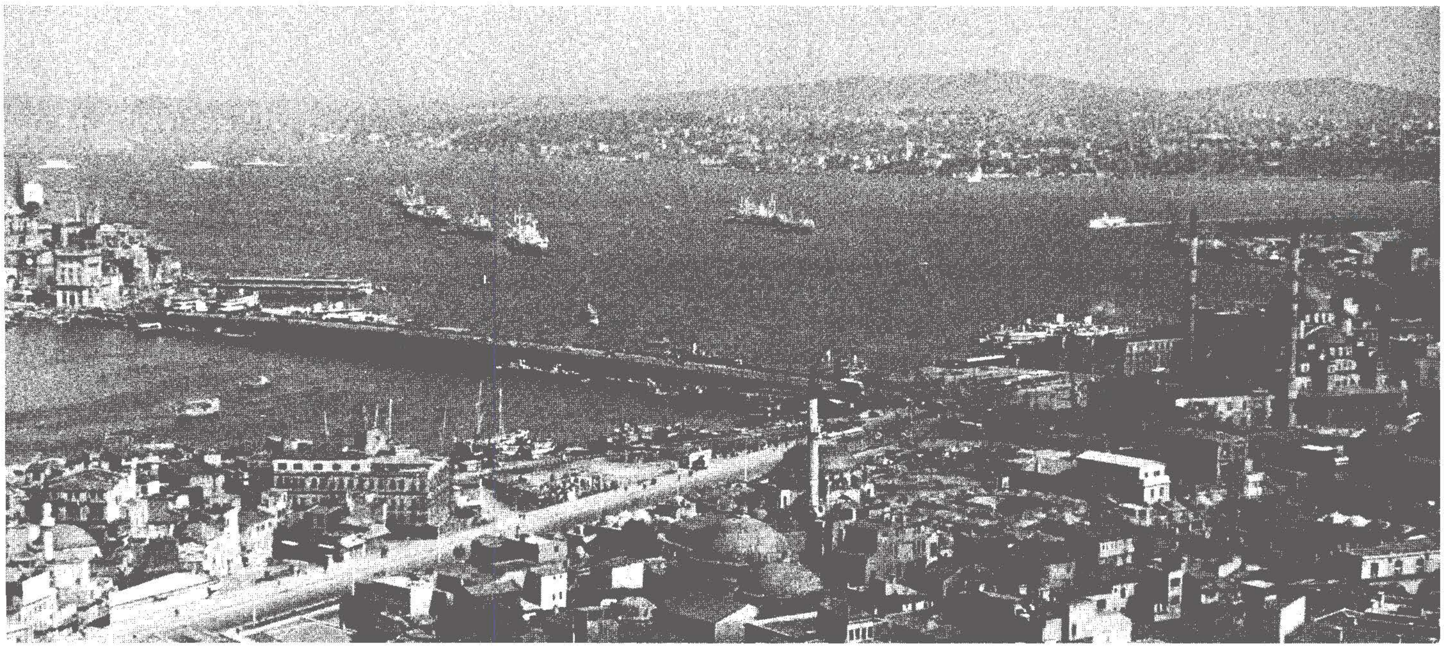
*Commenting on the last report of the Greece-EEC Association Council, the European Parliament's Association Committee pointed out that while the agreement had stimulated Greek trade with the Community, it had not yet helped to diversify Greek production. In 1961 agricultural products comprised 64 per cent of the Community's imports from Greece, compared with 73 per cent in 1965.*



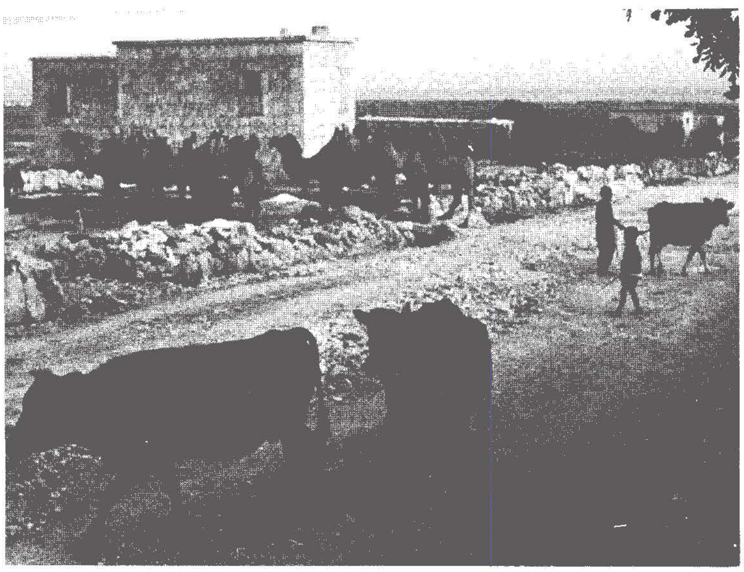
*The European Investment Bank has approved $33.3 million in loans for infra-structural investments, including the highway construction considered essential for Greece to improve tourist receipts, one of the strongest positive factors in its balance of payments. The Bank has approved $27.0 million to finance industrial projects.*

*Community imports from Greece have grown 79 per cent since 1961, compared with a 32.7 per cent increase in Greek exports to the rest of the world, but the Greek overall trade balance has continued to deteriorate. The EEC-Greece Inter-Parliamentary Committee expressed concern over this deterioration because consumer goods imports accounted for a large part of it.*

# nd Turkey



The Turkey-EEC agreement has special political significance because it extends the Europe of the Community to the edge of the Eastern world, according to the Association Committee of the European Parliament. Photo: Courtesy of the OECD.



ʒecause export diversification would benefit the Turkish economy and ·ssist the Government in its efforts to "westernize," it should not be ut off until the end of the preparatory period, the Turkey-EEC Inter-'arlimentary Committee has recommended. Photo: Courtesy of the OECD

'he Community must plan a coordinated policy for the entire ſediterranean basin. . . . The European Community is linked › it by association agreements with Greece and Turkey and by ɔmmercial agreements with Israel, Lebanon, and Iran. Nego-ɪations are in process with Spain and the Maghreb countries. ommunity policy, particularly the agricultural policy directly ʃects the whole Mediterranean basin. The preoccupation with udying all these problems in the same perspective, rather than the context of bilateral and individual agreements is, erefore, completely justified.

M. C. SCARASCIA-MUGNOZZA

rlement Européen, Document 142, November 1966, page 22.

The Turkish population is growing 3 per cent each year. Thus, the Turkish Government expects unemployment to persist for the next decade even though economic expansion, projected at 7 per cent each year, will create more jobs. To reduce unemployment and to teach Turkish labor the skills needed for economic development, the Turkish Government encourages the EEC countries to expedite the recruiting of Turkish workers, the first Turkey-EEC Association Council report indicated.

# COMMUNITY DRAWS NEARER TO ECONOMIC UNITY

## EEC "Value Added" Tax System, First Medium-Term Economic Program Approved

The European Economic Community took another step towards economic union last month when the Council of Ministers adopted the first EEC medium-term economic policy program and a common "value added" tax system.

The medium-term program, approved on February 8, sets guidelines for economic growth until 1970, and provides for closer coordination of the Six national policies. The program calls for greater efforts to promote science and technology, to establish incomes policies, to plan national budgets for several years, and to encourage saving and industrial modernization and expansion to continental size. It emphasizes the need for a Community attack on structural problems in industries such as coal, textiles, and shipbuilding and for a Community program of industrial redevelopment and manpower training.

### Progress to Be Reviewed Annually

The medium-term policy committee, composed of representatives of member governments, will review the program annually to see whether new developments indicate a change of emphasis and to determine whether the governments actually do follow the guidelines. The Committee may offer opinions to Community institutions or to the member states. Because the next draft medium-term program will treat scientific and technological research and development, industrial and agricultural re-organization, capital market development, and other key aspects of economic policy more deeply, the committee plans to concentrate its work in these areas.

### Erosion of "Tax Borders" to Begin

The Council's decision on February 9 to begin harmonizing taxes under a common system of tax on the value added at each stage of manufacture marks another stage of progress beyond customs union to economic union.

By January 1, 1970, value-added taxes will replace the "cascade" taxes now used in Belgium, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands. The present French value-added tax will be aligned with the Community system. "Cascade" or cumulative taxes are assessed on the total value of an article each time it changes hands, from the time a processor purchases raw materials until sale of the finished product to the retailer.

The fiscal neutrality resulting from the value-added tax will benefit small businesses as well as large integrated companies. "Cascade" taxes encouraged companies to integrate vertically, to escape multiple taxation, and discouraged specialization. The value-added tax system will make it economical for companies to specialize, an important consideration especially for service and secondary manufacturing industries. The new system will also allow exact calculation of taxes on intra-Community trade. Previously, because these taxes had to be estimated, there was a possibility of distorting competition.

After the introduction of the value-added tax system, the next step towards economic union will be to harmonize the rates. As tax differences disappear, so will the need for customs formalities at the borders between member states, tax refunds for exports, and local taxation after customs entry.

The member states must revise their tax laws before January 1, 1970 when the value-added tax system comes into force. The new tax will be paid on all deliveries of merchandise and services in the Community and on merchandise imports through the retail stage but during the transitional period the member states may, if they wish, apply it only as far as the wholesale stage, collecting a supplementary tax on stages beyond.

# NEXT FIVE YEARS OF EURATOM RESEARCH OUTLINED

The Commission of the European Atomic Energy Community (Euratom) has tabled before the Euratom Council of Ministers a proposal for research in the next five years to speed the development of nuclear industry.

The new lines of the research program, to begin in 1968, took account of factors such as: Europe's economic growth and energy needs, the development of new nuclear industry techniques, the approaching commercial applicability of certain new power reactor designs, world-wide competition in nuclear industry, and Euratom's own nine years of experience in applied nuclear research.

The first "Target for Euratom" (the so-called "wise men's report") published in 1957 proposed ten-year goals for Europe's nuclear power development which have turned out to be far too conservative. Today the Commission considers its urgent task to be the setting of priorities for the most efficient use of funds available to meet some of the present challenges.

The Commission's proposals for Euratom activities cover joint research, dissemination of information, promotion of health and safety in nuclear industries, technical and mechanical studies, and the encouragement of industrial uses for nuclear technology. In addition, the Commission proposed Euratom participation in national projects which could benefit the entire Community. Euratom could assist in financing these projects and lend personnel, services, installation, and equipment for them.

The joint research program would be financed by all members of Euratom and executed at the joint research establishments. The program includes the construction of a pulsed reactor for use in conjunction with the French Government's very high flux reactor in Grenoble and research in the direct conversion of nuclear energy into electricity.

At the European Transuranium Institute at Karlsruhe, Federal Republic of Germany, the recycling of plutonium in thermal reactors and transuranium elements would be further developed. At the Central Nuclear Measurements Bureau in Geel, Belgium, there are plans for installing an accelerator and a mass-separator. At the Petten reactor in Holland, further work would be done on high temperature gas reactors and the operation of the HFR materials-testing reactor.

**NOTICE.** Contestants for the 1967 European Community prizes for doctoral theses on the legal, economic, and political aspects of European integration are reminded that the deadline for receipt of entries is April 1, 1967 (see *European Community* No. 100, page 15).

# FURTHER TARIFF REDUCTION ON FARM PRODUCTS PROPOSED

The Commission of the European Economic Community has proposed further tariff reductions on the farm products subject to common market organizations.

Tariffs on some products would be cut by 10 per cent and others by 15 per cent on July 1. If the EEC Council of Ministers approves the proposed directive, tariffs would stand at 5 per cent of their levels in 1957.

The Commission plans to make another proposal before July 1 to eliminate internal agricultural duties completely by July 1, 1968, the end of the transitional period to full customs union.

# $359.4 MILLION OF EDF AID FUNDS NOW PLEDGED

## Improved Procedures Speed Program

The second European Development Fund has passed the midway mark with $359.4 million of its 1964-69 resources now committed for development projects in the countries associated with the European Economic Community.

Under the Yaoundé Convention, the Fund provides $730 million to finance development in the 18 African and Malagasy states associated with the Community. (Of this amount contributed directly by the EEC member states according to set proportions, the Fund holds $50 million in reserve to cover cost increases and other unexpected expenses.) The EEC Council of Ministers' decision of February 25, 1964, continuing the association of the EEC member governments' 13 remaining overseas dependencies with the Community provides an additional $64 million to finance their economic development. Of its $744 million free capital, the Fund has now committed a total of $359.4, of which $21.7 for projects in the overseas dependencies.

The first EDF, established under the 195[illegible] Convention associating all of the EEC member states' dependencies with the Community provided $581.3 million to facilitate social change and to assist their economic growth from 1959 to June 1964. The first financing agreement, which covered several projects was not signed until April 1959. Although the EEC Council of Ministers had enacted the regulations governing EDF operations in December 1958, the funds could not start flowing to the associates until the EDF had established liaison with them through the EEC member governments then responsible for conducting their international relations. When the African associates attained independence (see page 23), the Fund had to establish new direct channels of communication with them.

Thus, in January 1960, the Fund had approved no more than 60 projects, with a provisional commitment of $40 million. By January 1962, as liaison between the Fund and the beneficiaries improved, EDF commitments had risen to $277 million, for 233 projects chosen from 463 applications.

Under the first EDF, almost half of the funds were spent for constructing roads, power facilities, and other infrastructure; almost a quarter, for rural modernization; and almost 9 per cent for health. Industrial projects absorbed 0.6 per cent of the first ED[F]

### Emphasis Shifts to Rural Projects

Of the $359.4 committed under the second EDF, almost half will assist in the rural mo[dernization]

rnization considered essential for economic nd social development. A third of the com-nitments will finance investments in infra-tructure, and a tenth, projects for educating nd training. Industrialization projects repre-ent 1.2 per cent of the commitments.

By contrast with the first EDF, a speed-up f operations in the field has enabled the econd to commit almost half of its funds for he five year period during the first two and half years. However, the actual expenditures till lag behind the commitments.

Contractors must prepare and submit enders. The EDF, the EEC Commission and he associated African governments con-erned must approve the best offer. Then the ontractor prepares detailed plans, recruits vorkers, and concludes contracts with sup-liers of materials and equipment before tarting work on the project.

As a result, during 1966, the Fund's total isbursements for commitments under both he first and second Fund amounted to $115 nillion. In view of this time lag, for the next even years the EEC members will be paying n annual average aid of $150 million to the verseas countries, territories and depart-nents associated with the Community.

At the beginning of last December, the DF had paid salaries and consulting fees to end 155 technical experts to the associated tates.

## CSC COUNCIL AGREES )N JOINT COKING-COAL UBSIDIES

### o Relieve Pressure )n ECSC Industries

he hard-pressed coal and steel industries in e European Community will have relief. he Council of Ministers of the European oal and Steel Community has approved a igh Authority's plan for member countries share the costs of subsidizing sales of Com-unity-mined coal to the steel industry.

The Council's decision on February 16 nded a stalemate which began last July. By lowing the steel industry to buy its coking-oal at world market prices, the decision will elp to maintain sales of Community coal to least one group of customers in a shrinking arket.

Community coking-coal has met increas-gly stiff competition in recent years, par-cularly from imports from the United States. bout 20 per cent of the coking-coal used the ECSC has come from the United States, nd the remainder from Community sources. he steel mills import about a quarter of eir coking-coal from other ECSC countries. the future, all member countries will share e costs of subsidizing this intra-Community oal trade.

### ow the System Works

he new joint-financing system for coking-al will operate for two years, starting on nuary 1, 1967. The Community steel indus-y will buy coking-coal at about the same ice it would pay for imports. A subsidy, eraging $1.70 per metric ton, with an upper nit of $2.20, will make up the difference tween the price of imports and the higher ice of Community-mined coal. The member ates will pay these subsidies directly to the al producers on the basis of their deliveries the steel industry.

For coking-coal and coke exported to an-her member state, the joint fund will finance per cent of the subsidies, up to $22 million. The exporting countries' governments will provide the remaining 40 per cent. Direct subsidies will amount to $70 million.

Germany and France will each pay 28 per cent of the costs of operating the common fund; Italy, 14 per cent; Belgium, 11 per cent; the Netherlands, 10 per cent; and Luxem-bourg 9 per cent. These shares reflect each country's dependence on coking-coal imports as well as the relative economic importance of their steel industries.

### Gradual Reduction in Coal Output

ECSC High Authority President Dino Del Bo indicated that the High Authority was pleased with the results of the Council meeting, par-ticularly because the ECSC Treaty provided no mechanism of this kind. On coal policy, he said, the member countries' interests di-verge even more sharply than in agriculture.

Although by 1970 the ECSC expects to reduce annual coal output to between 185 million and 190 million tons, the High Au-thority wants to prevent too rapid a cutback because of its adverse effects on coal miners and coal mining areas. In 1966, coal produc-tion fell more abruptly than at any time since 1952 when the ECSC was founded. Despite the decrease of 14 million tons, 6.5 per cent below the output in 1965, coal stocks rose to nearly 34 million tons, as consumption dropped by 15 million tons. In 1967, coal pro-duction is expected to decline, by 7 million tons, to 200 million tons, but the surplus will again grow by 13 million tons.

In 1952, when ECSC output amounted to 239 million tons, coal supplied 75 per cent of the total energy consumed annually in the six ECSC countries. In 1966, it furnished 41 per cent, and petroleum 48 per cent, of their energy needs. By contrast, the United States now uses coal for about 23 per cent of its power, oil for about 40 per cent, and natural gas for nearly 34 per cent.

## EEC NIGERIA INTERIM COMMITTEE HOLDS FIRST MEETING

The European Economic Community-Nigeria Interim Committee, created at the signing of the association agreement on July 16 in Lagos, met for the first time on February 17.

The Committee, in charge of expediting the rapid implementation of the agreement, expressed satisfaction that all signatories had initiated the procedures for the ratification necessary for the agreement to come into force. It was agreed that Nigeria and the Community would soon file the agreement with the General Agreement on Tariffs and Trade in Geneva, as required by the GATT.

At the request of the Nigerian delegation, the Community outlined the procedures for distributing and managing tariff quotas on the four Nigerian products excluded from duty-free entry—cocoa beans, peanut and palm oil, and plywood. Preparatory to defin-ing "origin," the Committee began to discuss the "products originating in" clause of the agreement.

## ECSC STEEL OUTPUT ROSE 8.2% IN JANUARY

The European Coal and Steel Community produced 7.35 million metric tons of steel in January, an 8.2 per cent increase over the December 1966 production level.

In January 1967, Italy produced 1.26 mil-lion metric tons of steel, an increase of 13.2 per cent over output in the same month last year. Similarly, French steel output expanded by 6.4 per cent to 1.75 million tons. In Bel-gium, it rose 7 per cent to 790,000 tons, while in Luxembourg it remained unchanged at 370,000 tons. In the Federal Republic of Ger-many, monthly steel output declined by 1.5 per cent to 2.92 million tons, compared to 2.96 million tons in January 1966. In the Netherlands, monthly steel output also fell, by 6.5 per cent, to 270,000 tons.

EUROPEAN AND ATLANTIC ACADEMIC NEWS

EUROPEAN AND ATLANTIC ACADEMIC NEWS, Vol. 1, No. 1 (January 1967), European Community Information Service, Washington, 16 pp. free

## FURTHER FREEING OF CAPITAL TRANSFERS PROPOSED

The Commission of the European Economic Community has amended and resubmitted to the Council of Ministers its proposal for a third directive to improve capital mobility in the Community.

The first two Council directives required the six Community countries to remove ex-change controls on capital transfers between them. The third proposed directive, as amended and sent to the Council on Febru-ary 14, would eliminate other legal, adminis-trative and regulatory restrictions on capital movements. The EEC Commission explained that the amendments are intended to ensure reciprocity among the six member countries.

The third proposed directive would prohibit restrictions based on nationality on the issue of foreign securities in domestic capital mar-kets and stock exchanges and on the acqui-sition of these securities by financial institu-tions. Up to specified ceilings, EEC countries still maintaining restrictions would be re-quired to authorize local issues of other mem-ber countries' securities and to liberalize medium- and long-term financial credits.

## EEC ASKS U.S. TO PREVENT SAFETY CODE FROM HURTING AUTOMOBILE EXPORTS

The Commission of the European Economic Community has asked the U.S. Government to prevent the new auto safety standards from hurting European automotive exports to the United States.

The Commission said it supported the Eu-ropean auto manufacturers' complaint to the U.S. Traffic Safety Agency that because Euro-pean car design and construction differs from the American manufacturers' for which the standards were devised, the same standards ought not to apply to European autos.

The Commission said that it supported the European manufacturers' efforts, and had asked the U.S. Government to prevent the application of the safety standards from dis-criminating against European automobile ex-ports to the United States. In 1966, the Com-mission noted, manufacturers in the EEC exported more than 600,000 vehicles to the United States, representing about a third of the EEC's total car exports, and 10 per cent of the production of some European manu-facturers.

european community

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