FEBRUARY 1968 NO. 109

european community

COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM

CONTENTS

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

THIS ISSUE takes special note of the February visit in the United States of Jean Rey in his capacity as President of the Commission of the European Communities. Mr. Rey arrived in Washington for talks with President Johnson and U.S. cabinet leaders at a time when Atlantic relationships were beset by acute economic strains. Remedies old and new were being prescribed to restore the trade-and-payments health of the United States and the economic vitality of Britain. Some 19th century prescriptions all but guaranteed widespread contagion of economic ills by means of protectionist remedies. Other less-spectacular proposals offered greater promise but called for long-range treatment and joint action that required patience and restraint.

One inescapable fact of modern life recognized by Presidents Rey and Johnson is that modern industrial nations can no longer afford to ignore the economic condition of each other; the panoply of economic ills and their effects that can strike a country are exportable to neighbors unless each acts in the common interest of all. This is the lesson of the Common Market—that common rules must govern the conduct of economic affairs. That economic strains in the Atlantic area have now reached such an acute stage suggests that the time is already at hand for extending the European Community principle of common rules for basic economic conduct among continental countries to the wider community of Atlantic nations.

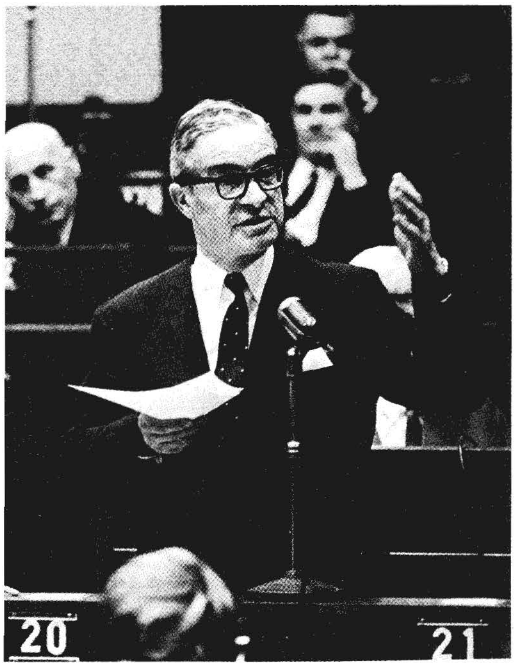
EUROPEAN COMMUNITY is published monthly in English, French, Italian, German, and Dutch by the offices of the European Community Information Service. Subscriptions can be obtained from the European Community Information Service.

Washington, D.C.: 808 Farragut Building, 20006
New York, N.Y.: 155 East 44th Street, 10017
London: 23 Chesham Street, SW1
Paris: 61, rue des Belles-Feuilles
Rome: Via Poli 29
Bonn: Zitelmannstrasse 11
The Hague: Alexander Gogelweg 22
Brussels: 244, rue de la Loi
Luxembourg: 18, rue Aldringer
Geneva: 72, rue de Lausanne

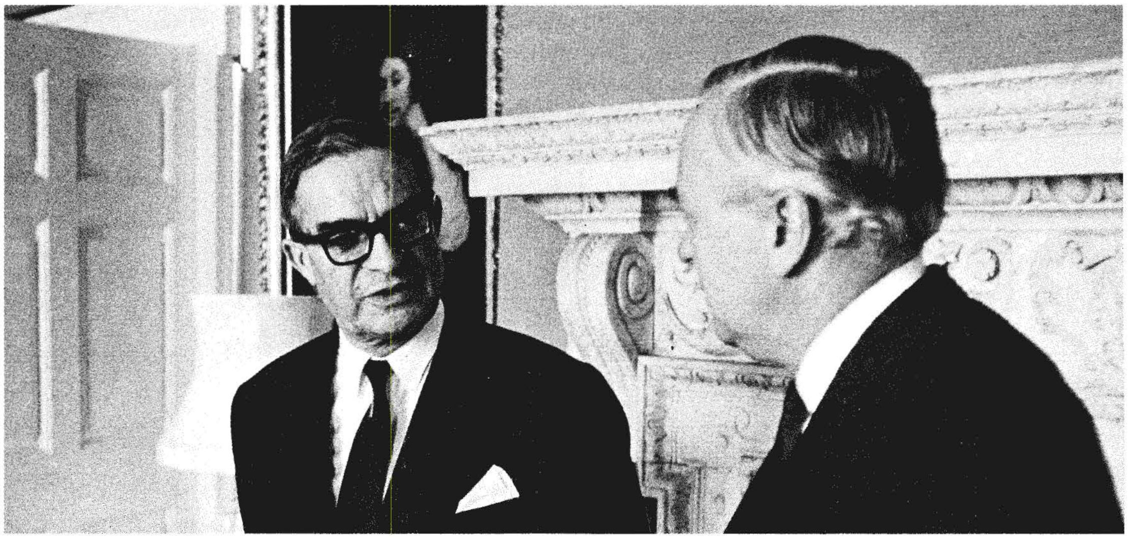
Jean Rey upon his return to Brussels from the GATT negotiations, April 1967

Jean Rey, *President of the Commission of the European Communities.*

Mr. Rey was born in Liège, Belgium, on July 15, 1902. A graduate in law from the University of Liège and a member of the bar at the Liège Appeal Court, he has special responsibility for the legal services of the Commission. Elected to the Belgian Parliament in 1939, 1946, 1949, 1950, and 1954, Mr. Rey served as Belgian Minister of Economic Affairs from 1954 to 1958, when he was appointed a member of the European Economic Community's Commission with special responsibility for foreign relations. In this capacity, Mr. Rey headed the Community delegation to the Kennedy Round negotiations. He formally assumed his duties as President of the Commission of the European Communities on July 6, 1967.



Jean Rey's first appearance as Commission President in the European Parliament, Strasbourg, September 20, 1967



Jean Rey and Prime Minister Harold Wilson, London, December 4, 1967

Rey Makes First Official Visit to U.S.

JEAN REY, the President of the Commission of the European Communities, arrived in Washington on February 6 for an official call on President Johnson and for talks with Administration and Congressional leaders on current U.S.-European affairs.

The visit was Mr. Rey's first to the nation's capital since he became chief of the new 14-member executive branch of the Common Market, Euratom, and the Coal and Steel Community last July. The 65-year-old Belgian, who had been the Common Market's chief negotiator in the Kennedy Round trade negotiations, was scheduled to meet with President Johnson in the afternoon of February 7. Accompanying him on his U.S. visit, were Fritz Hellwig, a vice president of the Commission, Jean Deniau, member of the Commission, and Raymond Rifflet, Mr. Rey's executive assistant.

Mr. Rey arrived in New York on February 5 and called the next morning on United Nations Secretary General U Thant. Later, he attended a luncheon at Gracie Mansion given in his honor by Mayor John V. Lindsay. He arrived in Washington late in the afternoon of the sixth and stayed at Blair House during his two-day visit.

While in Washington, Mr. Rey was scheduled to meet with Secretary of State Dean Rusk and other Cabinet members, Dr. Glenn T. Seaborg, Chairman of the Atomic Energy Commission, Dr. Donald F. Hornig, Special Assistant to the President for Science and Technology, and Ambassador William M. Roth, the President's Special Representative for Trade Negotiations—Mr. Rey's "opposite number" in the Kennedy Round negotiations. Meetings with leading members of Congress and other Administration officials were also scheduled. On the morning of the seventh, Mr. Rey placed a wreath at the grave of the late President John F. Kennedy.

The Ambassadors of the six Common Market countries in Washington gave a dinner in honor of Mr. Rey the evening of his arrival. France's Ambassador Henri Lucet was host (France holds the chairmanship of the Communities Council of Ministers during the first half of 1968). Under Secretary of State Nicholas deB. Katzenbach was scheduled to host a dinner for Mr. Rey the evening of the seventh and Vice President Hubert H. Humphrey a luncheon on February 8.

In the course of his stay, Mr. Rey gave a luncheon address at the National Press Club, February 7, on the topic: "The U.S. and the Common Market: Partners or Rivals?" And, before leaving the United States on February 9 he was to give a luncheon talk at the Council of Foreign Relations in New York.

An Interview with Jean Rey

Interview by **GILBERT GANTIER**

Jean Rey, President of the European Communities Commission, reveals his political instincts as he discusses the Community's achievements and failures during 1967. The following are excerpts from an interview broadcast on December 30, 1967, by *Radio diffusion française.*

QUESTION: *You've been a part of the Common Market right from the beginning and have worn many "hats." Will you tell us about your experiences?*

REY: Well, I left the Belgian Government in January 1958 (I was at the time Minister for Economic Affairs) to become a member of the executive Commission of the European Economic Community. Professor Hallstein was President, and we worked together for ten years until the merger last July [of the executive branches of the European Economic Community, the Coal and Steel Community, and the Atomic Energy Community]. From 1954 to 1958, I had also been a member of the ECSC Council of Ministers, since it was the economic affairs ministers that represented their governments in this Council. So, I've sat on both sides of the table, first on the Council's and the governments' side and then on the side of the executive Commission. If asked to summarize my impressions, I'd say that no matter what the texts of the Treaties say, no matter what powers they confer (and they are different in the Treaties of Paris and Rome), when the member governments and the Executives get along well together, the Communities progress rapidly; when they don't, no matter what the texts say, the Communities just drag along.

QUESTION: *As the EEC Commission member responsible primarily for external relations, you were the sole negotiator for the Six in the Kennedy Round [of negotiations under the General Agreement on Tariffs and Trade]. What conclusions have you drawn from this experience?*

REY: The Kennedy Round has been the Common Market's single most important international negotiation. I would like to remark first on its economic importance in substantially lowering world tariffs. Just as the dismantling of customs barriers was important for the great expansion of trade within the Common Market, so too will the Kennedy Round's success be an important factor in the economic growth of the world.

My second observation is that public opinion, both in the Community and elsewhere, has been struck by our six countries speaking with a single voice—by France, Italy, the three Benelux countries, and the Federal Republic of Germany united in one Community, bound together by a single common tariff, negotiating as one with the big powers. Practically speaking, the negotiations were between the four big powers: the United States, Britain, Japan, and our Community. Public opinion, therefore, became aware of how important the construction of a Common Market was in these negotiations in which some 50 governments took part.

In the third place, the mere fact that we were united in the commercial field allowed us to speak as an equal with the United States. This is remarkable. Militarily, financially, industrially, we are less powerful, but the value and the volume of the European Economic Community's trade is greater than that of the United States. When I negotiated with my opposite number in Geneva, Ambassador William M. Roth, I spoke to him as an equal, and he knew it. We were absolutely comparable in power, this was one thing that gave us enough strength to make ourselves understood and to conclude with the Americans an agreement that both they and we consider balanced. The Kennedy Round has been an important lesson for Europe on how to conduct its relations amicably, but firmly, with the United States.

QUESTION: *What do you think your job is as Commission President?*

REY: So far, I can't complain, even though I was used to a nine-member Commission. Our new Commission of fourteen is more unwieldly because of the greater number; it takes more time and effort to reach agreement. However, I think everyone has been surprised to find that we could make decisions in the allotted time on matters as important, for example, as our report on the enlargement of the Community and the accession of Great Britain. (Everyone appreciated the thoroughness of that report, so I can use it as an example confidently.) We reached agreement unanimously and met our deadline, which shows that despite its quite diverse composition the Commission is united.

Right now it's too soon to say more about my experiences as President. Our Commission has been working for six months. We're now immersed in the difficult problems of merging our administrations. It's a ticklish job; we've had to handle political problems in the three Communities at the same time: in Euratom, that Community's fate and future is being discussed with our governments; in the Coal and Steel Community, the coal crisis hasn't straightened out yet; in the EEC, it's mainly the problem of enlarging the Community. Once all these things are settled in the spring, we will have to draft programs for such new activities as an industrial policy, a policy for research and technology, a common energy policy, regional policy—a whole collection of structures where our activities are going to be extended.

QUESTION: *I'd like to reflect a bit on 1967—a productive year for the Community, don't you think?*

REY: Except for the crisis that ended the year, 1967 was excellent, one of the most productive years so far. The overall accomplishments show that widely divergent views on purely political problems didn't prevent our three Communities and our six member governments from making numerous decisions that will ultimately strongly affect numerous areas. It would have been an excellent year if, unfortunately, it hadn't ended with a bad decision.

QUESTION: *As President of the Community, what do you think of that decision?*

REY: I'll tell you honestly but not before making one very important remark: that engaging in polemics with the governments of the member states is not the role of the Commission of which I am President, nor is it to criticize their decisions. Our job is to reconcile their points of view, on one hand, and to express what we believe to be the Community view, on the other. With that understood, instead of criticizing what has happened, I will again state what the Commission believed wise, and wise for the Community. . . . We expressed three opinions:

• first, that we should talk with the British. Regardless of the gravity of Britain's economic difficulties and regardless of the extent of the problems raised either by monetary devaluation, or even more, by the fragility of the pound sterling's position as a reserve currency, we didn't think it was either just or wise to condemn the British without talking with them. It didn't fit our tradition. The Common Market has always talked with everyone that approached it about association or membership. . . .

• second, we warned that one veto could start an epidemic. . . . It happened a while back in the United Nations. We are afraid the veto now exercised by one government may tempt other Common Market governments to apply similar vetos in other sectors and spread from country to country, area to area. This could severely inhibit the Community's development.

• third, that we were convinced that events would unfold as they did after the crisis of 1963. When negotiations with the British were interrupted then, we went through a period of bad feelings between our governments. After several months of paralysis, it cooled off a little; the ministers found it necessary to go back to the same table and tell each other that work on the Community had to continue and that they therefore had to compromise. So, the Community concluded the package deals of 1963 (and everyone scrupulously lived up to this agreement) that allowed the construction of the agricultural policy and the Kennedy Round negotiations to proceed in parallel. In the same way, the paralysis that may occur [now] may induce our governments, probably in the spring of 1968, to sit down around the table again and try to reach compromises that will allow internal integration to resume and enlargement externally to begin, both at the same time. We told the ministers that if everyone thought that this would eventually happen, it would be better to plan on it right away, instead of insisting on reaffirming each country's position (being what each is and has the right to be), and to seek a common solution, a package deal, or a compromise. Unfortunately, our advice was not followed. We were heard, very courteously, but not heeded. The Commission stated and still states that it is ready to help the ministers define a conciliatory position, which, naturally, takes it for granted that everyone wants one.

QUESTION: *What kind of future do you see for the Community of the Six?*

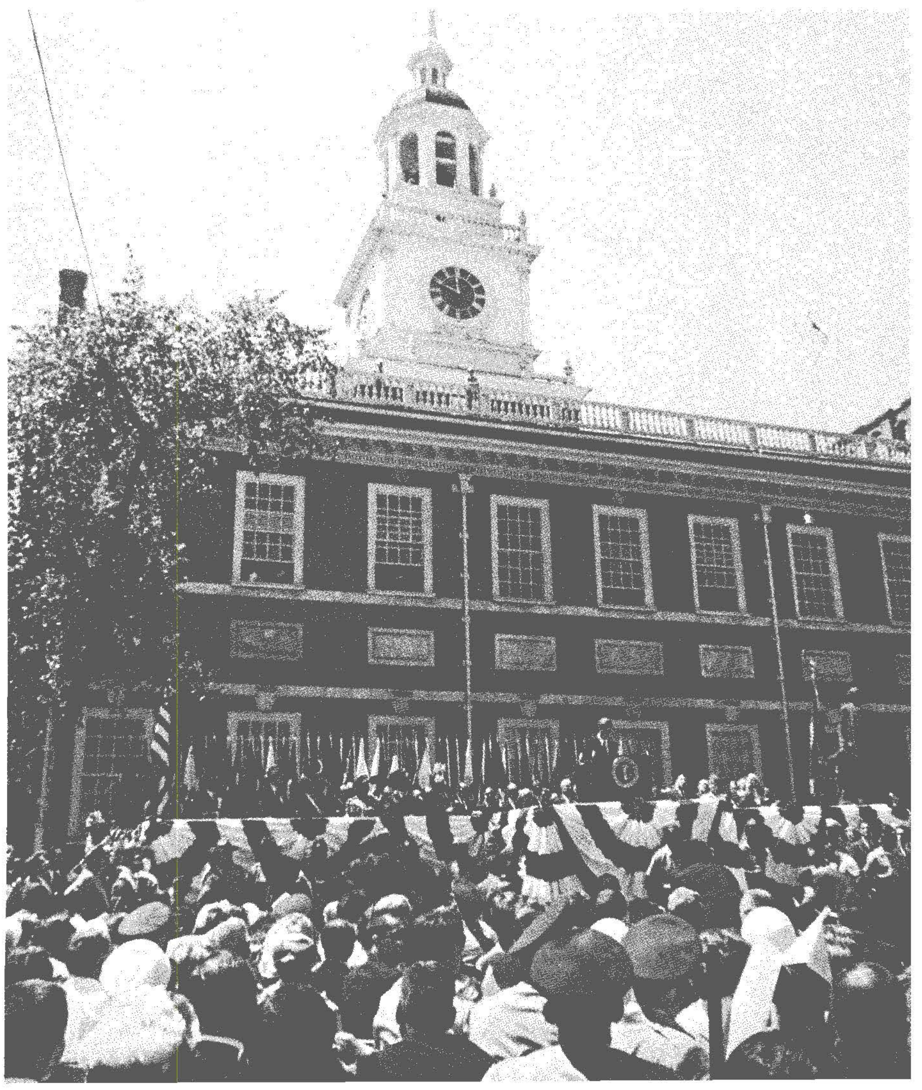
REY: I'm not a prophet by profession, but some guesses or observations can be made, and I'd like to make two: first, that in the Community and the rest of Europe there is a growing awareness that economic independence depends on unity and integration. Seeing the Six and all the others who want to join is reassuring, a proof of the common awareness that today Europe has reached the point where she must take the next step in enlargement, and consolidation. . . . This does not have to be accomplished in a way that is hostile towards the United States.

The "Atlantic Partnership" idea that President Kennedy launched in 1962 is still very much alive and an idea for the future. Partnership, naturally, presumes a strong Europe, if she wants to be independent. The awareness of these necessities is growing everywhere, and this is essential; the things men think, happen.

If Europeans really come to believe more and more in the need for unity and integration, it will be achieved. The Franco-German reconciliation, for example, was born of the French and the German conversions to the idea that they had to overcome a thousand years of sadly outdated history and hostilities, that the moment had come for them to build a new Europe, together. Well, in the same way, and for the same reasons, the conviction is spreading that it is now time for Europe to take the next step. . . .

Secondly, the forces pushing Europe towards unity are much stronger than the ones that want to delay or forestall it. . . . We should look into the future without fear, provided that we are ready to fight for it. Things don't happen by themselves. If we wanted to find one reason for confidence in this future, it would be the young people in our countries and especially in our universities. They don't know the history of our old quarrels very well, are less and less interested in them, and sometimes ignore them. The present and the future interest them. They don't understand our old divisions, or the barriers existing between our fathers and us. Looking at these children, you can say that youth is ready to build our continent.

President John F. Kennedy at Independence Hall, Phila., Pa., July 4, 1962. "The Atlantic Partnership" idea that President Kennedy launched in 1962 is still very much alive and an idea for the future, states Jean Rey.



U.S. Policy Toward the Six

Two Decades of Support for Political Unity

"THE AMERICAN PEOPLE have a direct and poignant concern with the affairs and with the quarrels of Europe. Over four centuries they have affected North America as much, though not always in the same way, as they have affected Europe itself. . . . In America, as I believe in Europe, the hope has been that a Europe strengthened by the habit and practice of acting jointly upon its problems, seen as common problems, would raise its vision still further to conceive itself as part of a still larger whole." This statement by Dean Acheson (The Hague, September 18, 1963) reflects the thought that has conditioned relations between the United States and Europe since the end of the second World War.

As early as 1947, Secretary of State George C. Marshall expressed the hope, that the "logic of history" would prevail in western Europe, that its nations would draw closer together "not only for its own survival but for the stability, prosperity, and peace of the entire world." Two years later, Marshall Plan Administrator Paul Hoffman called for a common market of 270 million people in Europe which, he said, would "make it possible for Europe to improve its competitive position in the world and thus more nearly satisfy the expectations and needs of its people."

When in May 1950, French Foreign Minister Robert Schuman made his historic proposal for pooling of French and German coal and steel resources in a common market open to other free European nations. President Harry S. Truman told a press conference: "Mr. Schuman's proposal is an act of constructive statesmanship. We welcome it. . . . This proposal provides a basis for establishing an entirely new relationship between France and Germany and opens a new outlook for Europe."

ECSC: First Glimmer of a Federal Image

With the formation of the European Coal and Steel Community, the United States witnessed in Europe a partial reflection of its own federal image.

However, because of the transfer of certain national powers to the Community's European institutions, only four countries —Italy and the three Benelux countries—accepted the invitation to join with France and Germany. On April 18, 1951, the Six signed the Treaty embodying Schuman's proposals creating the ECSC. Coal and steel were then key sectors in European economies and belonged to the political realm of "national security;" control of coal and steel producing regions had been primary military objectives in both world wars. Signing a document that transferred to the ECSC regulatory power over vital domestic industries constituted a landmark act of political integration.

Many articles in the Treaty, such as anti-cartel and anti-discrimination provisions were patterned on U.S. legislation. The federal structure of the Community's institutions and the functions of the Court of Justice also were adapted from the U.S. models.

After the Six had initialled the Treaty, the U.S. Department of State issued a communiqué that said: "The United States Government welcomes the action taken. . . . In developing this unprecedented agreement, the six countries have provided dramatic evidence of their will to merge their national interests in order to contribute to the peace and well-being which are the objectives of the free nations of the western world."

First Diplomatic Ties

Support for European integration thereafter became a permanent part of U.S. foreign policy. The United States was one of the first countries to send a diplomatic mission to the new Community. In Sept. 1952, a month before the ECSC High Authority took office, the United States established an official representation in Luxembourg under the acting-direction of William Tomlinson, up to that time U.S. Treasury representative in Paris. In negotiations that year with the General Agreement on Tariffs and Trade, the United States supported the ECSC members' request for a waiver of the most-favored-nation clause and other specific departures from established GATT rules.

The present U.S. Ambassador to the United Kingdom and former Under Secretary of State, David K. E. Bruce, was accredited as the U.S. Representative to the ECSC in February 1953. On June 3, 1953, when the Community's institutions had been functioning for nearly a year, the White House released a statement which said: "President Eisenhower, while in Europe, watched with keen interest the efforts to work out the first steps toward European federation. His experience there convinces him that the uniting of Europe is a historic necessity for peace and prosperity of Europeans and of the world." Later the same month, President Eisenhower, in letters addressed to the chairmen of the Congressional foreign relations and affairs committees, declared: "The Community seems to me to be the most helpful and constructive development so far toward the economic and political integration of Europe. As such, this European initiative meets the often-expressed hopes of the Congress of the United States."

The House Foreign Affairs Committee, in a resolution supporting application for a loan to the High Authority from the Export-Import Bank, expressed "its hope that the European Defense Community and the European Political Community which constitute the necessary further steps of which the Coal and Steel Community is the first may be speedily developed, ratified, and put into force." The subsequent death of the defense plan in the French National Assembly on August 30, 1954, dealt a blow to U.S. policy. Nonetheless, the United States continued its support of the existing European institutions.

The United States made a firm gesture of support in April 1954 when it lent the ECSC's High Authority $100 million for a 20-year period in order to stimulate productive investments for modernization of the coal and steel industries of the Six.

The appointment of a full-scale U.S. Mission to the Community in February 1956 under the leadership of Ambassador W. Walton Butterworth was, according to a State Department statement, the consequence of full recognition by the United States of "the importance of the Community as an independent international entity." This act raised the American representation to the level of Mission. The same year, the United States and the ECSC concluded a reciprocal trade agreement.

Commenting on the U.S. appointment of the ambassador, René Mayer, President of the ECSC High Authority, said: "It is our firm intention that this support will be vindicated by the achievements in the decisive period that lies ahead for the European ideal."

J. Robert Schaetzel, current chief of the U.S. Mission to the European Communities took the oath of office on September 21, 1966, from James W. Symington, chief of protocol. George W. Ball (center) was Under Secretary of State at that time. W. Walton Butterworth, now U.S. Ambassador to Canada, was U.S. representative to the ECSC from February 1956 and, from 1958, also to the EEC and Euratom until 1962. John Wills Tuthill, current Ambassador to Brazil, succeeded Ambassador Butterworth and remained in Brussels until May 1966.

New Communities Take Shape

The ECSC had "made it," so to speak, but in the interim, facts had changed. No longer was coal the vital source of energy it had been; the "Cold War" continued, and, during the time Western Europe had been rebuilding, the U.S. economy had not stopped accelerating its own growth. Since the spring of 1955, the Six had been discussing other areas in which their countries might benefit by the pooling of their resources to form a "general common market and an atomic energy community." Arguing against critics of these proposals, René Mayer said that this was the only way Europe could make up its "shameful" lag in comparison with the United States and the Soviet Union.

In May 1956, President Eisenhower at Baylor University noted the "new hope" presented by the "prospect of the revival in Europe of the concept of unification."

U.S. policy was willing to overlook the preferential aspect (customs union) of the common market in the interest of the more overriding need for a strong, prosperous, more cohesive Western Europe.

In February 1957, at the invitation of Secretary of State John Foster Dulles and Lewis L. Strauss, Chairman of the Atomic Energy Commission, three Europeans entrusted with drawing up the blueprint for Euratom visited the United States. Negotiations for the new treaties were nearing completion. Francesco Giordani, Louis Armand, and Franz Etzel, the so-called "Three Wise Men," went home to report on "the quantities of atomic energy that can be produced in the six countries in the near future and on the means whereby this can be achieved." Following their visit, a joint communiqué was issued stating that Euratom's objectives were "feasible" and that the "availability of nuclear fuels is not considered to be a limiting factor." During their visit, they had learned that the United States was prepared not only to provide the needed fuels to Euratom for atomic reactors, but also that it was willing to set up a "task force" of technicians to speed the commercial development of atomic power in Europe.

The United States welcomed the prospect of Euratom because: "It would mobilize in Europe the technical and industrial resources required . . . to provide a political entity competent to afford adequate safeguards and to enter into comprehensive and practical engagements with the U.S. Government." The communiqué also stated the willingness of the U.S. Government to allocate to the new Community a part of the 20,000 kilograms of enriched uranium that President Eisenhower the preceding February had announced was available for sale or lease for peaceful uses outside the United States.

The Six reached agreement in Paris on February 20, 1957, and the Treaties creating the European Economic Community and the European Atomic Energy Community, signed in Rome on March 25, 1957, came into force the following year.

On November 8, 1958, the United States and Euratom signed an agreement on financial assistance, exchange of technical know-how, and the sale and control of enriched uranium; also incorporated were provisions on controls.

On June 9, 1959, EEC Commission President Walter Hallstein, Euratom Commission President Etienne Hirsch, and ECSC High Authority President Paul Finet arrived in Washington on their first official visit to the United States. There the three met with President Eisenhower. The visit marked the first time that three leaders of the executives of Europe had visited the United States together; it emphasized the unity of purpose of the six nations of the Community in their efforts toward economic and political unification.

With Strength, Friction, and Policy Adjustments

The growing strength and unity of the European countries posed constant problems of readjustment for U.S. policy. At the same time, the deterioration of the U.S. balance-of-payments position after 1958, general trade problems, and problems of defense added to the complexity of U.S.-Common Market relations.

The second largest export market for the United States, next to Canada, was the Common Market. The United States had anticipated that as economic integration of the Six proceeded and their external tariff fell into place, certain adjustments would become necessary. Thus, in the fall of 1958, Under Secretary of State for Economic Affairs, C. Douglas Dillon, proposed a general round of negotiations to reduce tariffs within the General Agreement on Tariffs and Trade (GATT), which resulted in the successful "Dillon Round" of 1960-62.

By February 1961, the United States was faced with a balance-of-payments problem that demanded remedial action. Secretary of State Dean Rusk told the National Industrial Conference Board in New York on February 13, 1961: "The bulk of the dollars held abroad on official account are held by the European countries. Hence they share with us the desire and will to maintain the value of the dollar. . . . We must attack both aspects—the deficit and the surplus. . . ." Two areas of attack were proposed: for trade problems, the GATT; for problems of capital flows, the Organization for Economic Cooperation and Development, the successor organization to the Marshall Plan administration. The OECD, in which Canada and the United States were to be full members, came into being on September 30, 1961.

In the area of the GATT, the United States proposed another general lowering of tariffs following the Dillon Round. President John F. Kennedy on February 12, 1962, proposed that Congress enact a Trade Expansion Act with authority to cut most U.S. tariffs by up to 50 per cent to be the basis for U.S. participation in such negotiations. The talks became known as the "Kennedy Round" as a result of the impetus of this legislation and were to become the most far-reaching negotiations in history to liberalize trade.

The main force behind the legislation was the Kennedy Administration's desire to negotiate mutual tariff concessions with the EEC which, with its continuing growth of demand for consumer goods, offered the United States great opportunities for increasing its export sales. Conversely, the development of a common market threatened to reduce U.S. access to trade with Europe because of its prospective high common tariff wall. President Kennedy told the National Association of Manufacturers on December 6, 1961: "We cannot afford to 'wait and see what happens' while the tide of events sweeps over and beyond us." A State Department release of April 6, 1962, said the purpose of the Trade Expansion Act was to permit the negotiation of a "substantial gradual reduction in the tariffs which tend to divide the great new Common Market of Europe and the even greater, older common market of the United States."

"Atlantic Partnership"

President Kennedy's declaration of interdependence on July 4, 1962, was a natural outgrowth of U.S. policy of the previous seventeen years: "We do not regard a strong and United Europe as a rival, but a partner . . . 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 commerce and commodities and currency, and developing coordinated policies in all economic and diplomatic areas. . . . The United States will be ready for a declaration of interdependence. . . . We will be prepared to discuss with a United Europe the ways and means of forming a concrete Atlantic partnership . . . between the new union now emerging in Europe and the old American union founded here 175 years ago. . . ."

In 1963, in early spring, EEC Commission President Hallstein returned to the United States and met with President Kennedy. Atlantic partnership, Dr. Hallstein told the press, is "the sole guarantee of our own continued freedom and the world's continued peace, . . . the choice not only of the Europeans but also of the Americans."

Peace Through Partnership

Partnership, based on true equality remains the policy objective of both the Common Market and the United States. The success of the Kennedy Round, concluded in June 1967, showed that equality, even if in this instance only in the field of trade, could be a viable and practicable basis of partnership.

President Lyndon B. Johnson reaffirmed the basic U.S. objectives of partnership in a major foreign policy address delivered in New York to the National Conference of Editorial writers on October 7, 1966. He pledged "America's best efforts: to achieve new thrust for the [Atlantic] Alliance; to support movement toward Western European unity; and to bring about far-reaching improvement in relations between East and West. Our object is to end the bitter legacy of World War II."

Following the November 18, 1967, devaluation of the British pound and a run on the dollar, the U.S. balance-of-payments problem reappeared in an even more virulent form than it had before. The United States saw itself forced to propose a program to limit the outflow of U.S. dollars from the country—a program with direct effects on the economy of the Community. President Johnson stressed that his move to restrict investment and money spent abroad was to fulfill "a national and international responsibility of the highest priority." In addition, it had to satisfy four "essential" conditions: to sustain domestic growth; "allow us to continue to meet our international responsibilities in defense of freedom, in promoting world trade, and in encouraging economic growth in the developing countries; engage the cooperation of other free nations; . . . [and] recognize the special obligations of those nations with balance-of-payments surpluses to bring their payments into equilibrium." Thus he pointed out that the balance of payments was a U.S.-European problem requiring some new kind of partnership effort.

He said that the United States would call upon its Atlantic partners to contribute to the building of peace. Specifically, the United States would ask its allies to purchase more of their defense needs in the United States and to invest in long-term U.S. securities to offset the costs of keeping troops in Europe "for the common defense of all." In the area of trade, President Johnson said that now that the Kennedy Round has ended so successfully, the United States must "look beyond . . . to the problems of nontariff barriers that pose a continued threat to the growth of world trade and to our competitive position." To this end, he said that he had "initiated discussions at a high level with our friends abroad."

1967 in Retrospect

COMMUNITY EXECUTIVES MERGED—NEW LEADERS TOOK OFFICE

THE EUROPEAN COMMUNITY began 1968 with a full agenda. Even though it had polished off a long list of tasks during 1967, as many more remained to be dealt with in the new year.

The consolidation of executive leadership into a single Commission of the European Communities was the most decisive event of 1967, more important than the Rome Summit Meeting of the Six in May celebrating the tenth anniversary of the signing of the European Economic Community and the Atomic Energy Community Treaties. On July 6, 1967, the 14-member Commission took over the responsibilities previously exercised separately by the EEC and the Euratom Commissions and the High Authority of the European Coal and Steel Community; and, a single Council of Ministers replaced the EEC, the ECSC, and the Euratom Councils. The single executive will, however, continue to administer the three Communities according to each of their Treaties until they, too, are combined.

Customs Union: A Rush to Finish by July 1, 1968

Making sure the Community members meet their July 1, 1968, deadline for customs union remains the Commission's major concern, despite progress made toward this end during 1967.

On July 1, 1967, the Community members reduced their tariffs on imports from other member countries by 5 per cent for industrial goods and 10 per cent for most agricultural products not subject to market organizations. These reductions brought industrial tariffs down to 15 per cent and agricultural tariffs down to 25 per cent of their original levels.

With the removal of the remaining industrial and agricultural tariffs on July 1, 1968, the Six will become a free trade area. So that goods can really move freely throughout the area, the Commission in November made proposals to create a single customs area by harmonizing laws and procedures affecting storage of goods in customs, payment of customs charges, and customs inspections.

Transport Policy: Still on Agenda

Although the Council of Ministers agreed on the general lines of a common transport policy on June 22, 1965, it ran into serious difficulties in formulating details, particularly concerning rates. On October 20, 1966, the Council officially faced the situation and asked the Commission to make proposals for harmonizing the conditions of competition and for distributing the costs of infrastructural investments.

On February 10, 1967, the Commission presented the Council with an analysis of the situation, noting the main points of disagreement and proposing a balanced and coherent program to be carried out in two stages. The Commission stressed the importance of agreeing on a transport policy by July 1, 1968, the deadline for customs union, as free movement of goods and services would be difficult without one. On December 13-14, the Council decided to adopt before June 30, 1968, some of the regulations proposed by the Commission.

In other transport proposals during the year, the Commission defined the concept of public service obligations in rail, road, and waterway transport; the access to the profession of road haulers in domestic international transport; the control of capacity in domestic road transport, and access to the market in waterway transport.

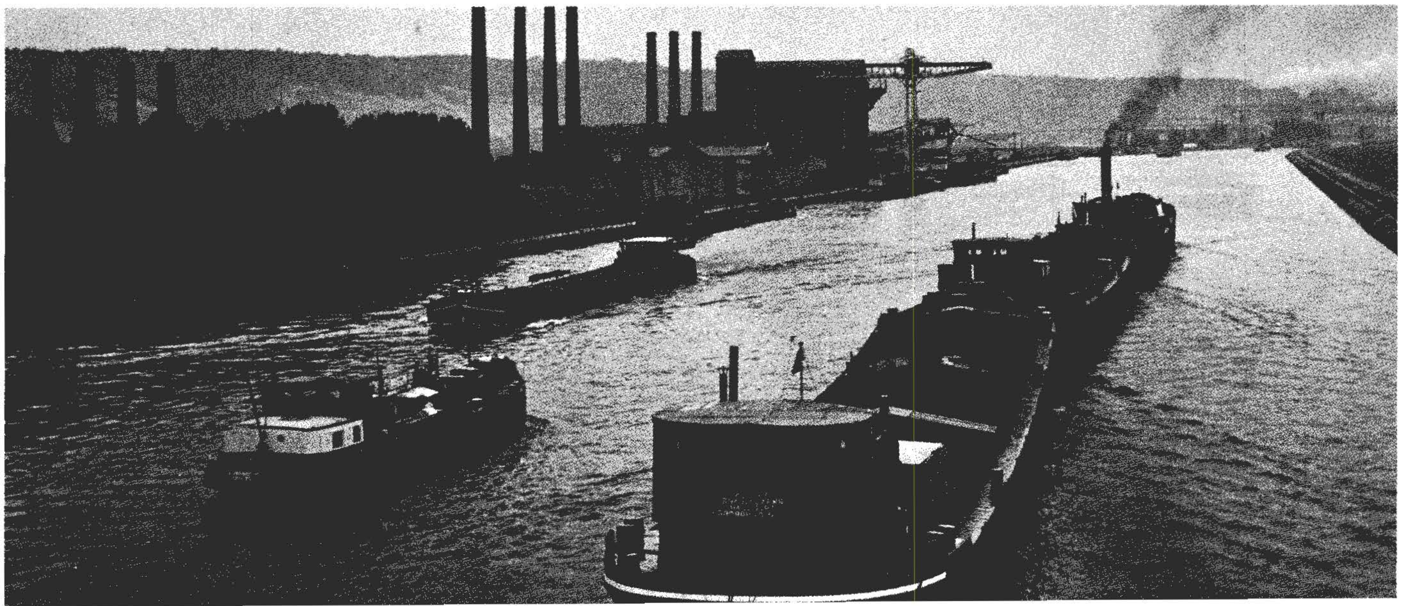
Economic and Fiscal Policy for Divergent Needs

The persistent divergence of economic trends in the various Community countries was reflected in the Council's short-term economic policy recommendation of July 3, 1967, based on a proposal by the Commission. The adoption of the Community's first medium-term economic policy for 1966-70 provided the most striking evidence of the member states' desire to solve their individual problems collectively. The draft of the second medium-term policy should be completed by spring of 1968.

The Community members' ministers of finance asked the Monetary Committee to study means of improving international credit. A common position on the creation of new reserve assets resulted from their meetings and facilitated discussions within the International Monetary Fund and other international institutions involved in the debate.

Major progress was made during the year towards the establishment of a single Community tax policy. The Council adopted two turnover tax directives by which the Community members agreed to tax the value added to products at each stage of manu-

Barges on the Albert Canal in Belgium. The completion of the customs union this July 1 will make the enactment of a common transport policy all the more urgent. Among the Commission's proposals in this sector was one for regulating access to the market in inland waterway transport, which, especially in the North, is one of the cheapest modes of transport for bulky shipments such as iron ore and coal.



facture, instead of taking the full value of goods at each change of ownership. The value-added tax (TVA), system will function throughout the Community by January 1, 1970. In 1968, the Commission plans to propose the extension of the TVA to agriculture.

Work also continued on indirect taxes, particularly those affecting capital movements. In January 1968, the Council was to examine a memorandum which the Commission put before it in June 1967 on short- and long-term fiscal problems.

Agriculture: A Busy Year

On July 1, 1967, the common price for grains entered into force; the common organizations for cereals, pork, and eggs and poultry entered the single market stage; the first common regulations and prices for oilseeds were applied, and processed products based on fruits and vegetables (such as canned goods) were included in the common market organization. The common market organization for sugar began to operate in July, and in December the Council adopted the basic sugar regulation for the single price stage which begins on July 1, 1968. Other common market organizations entered the single market stage during 1967, including fruits and vegetables on January 1 and rice on September 1.

The Agricultural Guidance and Guarantee Fund (EAGGF) took over complete responsibility on July 1, 1967, for eligible expenses in sectors in which there were common market organizations, including those in the transitional stage (milk products and beef). In October, the Council adopted a regulation to speed up aid payments from the EAGGF, which operates retroactively.

The Guidance section of the EAGGF finances structural improvements in agriculture. In June, the Commission presented the Council with ten requests for financing under the EAGGF regulation of 1964. Among them were: projects to develop depressed and backward farming areas; structural improvements in milk, meat, vineyard and wine industries, and investments relating to land reform, irrigation, drainage, and forestry.

The Commission also submitted a proposal for a Council resolution on a common veterinary policy during the second half of 1967.

Competition and Harmonization of Laws

Some "landmark" decisions in competition policy were made during 1967, and several projects for the harmonization of laws were completed.

On March 22, 1967, the Commission adopted the "group exemption" regulation, waiving EEC competition laws for certain types of exclusive agreements as a group, rather than case by case. In a "landmark" decision, the Commission ruled that a cooperative agreement, between marine paint manufacturers, qualified for exemption from the competition laws. This ruling confirmed the Commission's positive attitude towards some types of cooperative ventures between small- and medium-sized companies and cleared the way for a series of other decisions in this area.

Under the ECSC Treaty, the formation of four cooperative sales outlets was authorized in the Federal Republic of Germany. Almost all German steel manufacturers will participate in these outlets, reflecting a trend towards concentration which the experts expect to continue during 1968.

Two long-term projects were completed:

- a draft convention on judicial competence and enforcement of decisions in civil and commercial cases, which was sent to the member governments in December 1967
- an agreement for mutual recognition of companies and legal persons, which is now ready for signature.

A group of experts under the Council of Ministers is continuing work on a statute for "a European commercial company."

The Committee of Permanent Representatives is examining a second directive for the harmonization of laws and rules on pharmaceuticals. On June 7, 1967, the Commission proposed a directive on advertising of pharmaceuticals and, on December 11, a directive on mutual recognition of licenses for marketing pharmaceuticals.

Other draft directives sent to the Council in 1967 included proposals for the elimination of trade barriers resulting from differences in technical requirements for automotive turn signals and five proposals on measuring instruments.

Energy Policy: No New Departures

No new departures were made during 1967 in energy policy. Responsibilities in this area are divided between the ECSC, the EEC, and Euratom, although the three Communities were already working closely together on joint energy forecasts and reports.

Under the EEC Treaty, the Council took note on July 11, 1967, of the Commission's memorandum of February 1966 concerning a Community policy for petroleum and natural gas.

Coal, covered by the ECSC Treaty, continued to undergo structural change. Demand dropped 7 per cent during 1967 and production fell 9.5 per cent to 190 million metric tons.

During the year, the ECSC raised $50.5 million in the capital market to finance modernization loans for coal and steel companies and to encourage the installation of new industries in former coal and steel regions. To attract new industry, the Community decided to make available $22.8 million in loans.

Euratom: Interim Budget

Euratom's main concern during the year was to orient the Community's future research activities while assuring continuity of current research between the end of the second five-year research program and the adoption of the next program. On December 14, 1967, the Council adopted an interim research program for 1968.

In March 1967, another major Euratom event occurred. The ESSOR test reactor went critical at Euratom's Joint Research Center, Ispra, Italy. ESSOR is part of the organic liquid-cooled gas reactor project (ORGEL). Euratom issued an open invitation for bids on the ORGEL design and awarded the contract to a consortium, consisting of a French, a German, and an Italian firm.

Reducing the Social Impact of Economic Change

Social and labor policy continued to develop under the EEC and the ECSC Treaties. The enactment of the Commission's proposals during 1967 would put the main EEC Treaty provisions for the free movement of labor into effect by July 1, 1968.

Funds were provided under both Treaties to retrain workers displaced by economic changes wrought by the establishment of a common market. The European Social Fund, created by the EEC Treaty, provided $14 million (half of the member states' costs) for retraining and resettling 46,000 workers.

The ECSC established credit of $20 million, which the member governments will match, to retrain and to guarantee incomes for 55,000 workers that are expected to be affected by shutdowns in the coal and steel industries. During 1967, employment in coal dropped 14 per cent or 48,000 persons. Steel mills, despite record export sales of 19.4 million tons, were operating at 80 per cent of capacity.

The sixth ECSC housing program for coal and steel workers was approved raising ECSC total housing aid since 1954 to $116 million for 95,000 dwellings.

In January 1967, the EEC Commission sent a recommendation to the member states on the protection of young workers; and, in March, the Council adopted a regulation extending social security protection to maritime workers. In April, the Commission made proposals for the free movement of workers which included a draft directive to eliminate restrictions that would prevent workers and their families from moving to other parts of the Community to accept jobs.

On June 5, the Council of Ministers adopted a work program in the field of social harmonization, including studies concerning employment, labor laws, and working conditions, occupational training and retraining, social security, on-the-job safety, and industrial hygiene. A directive for the harmonization of provisions on the classification, labeling, and packaging of dangerous substances was also passed.

Associations: Africa, Turkey, Greece

During the first ten months of 1967, the European Development Fund made 44 financing decisions, for a total equivalent to $102,220,084 to finance projects in the 18 African countries associated with the Community by the Yaoundé Convention. By June 1967, the EDF's total commitments since 1958 exceeded a billion dollars, almost all of them in the form of grants. The first loan under special terms through the EDF was concluded between Cameroon and the EEC Commission and the European Investment Bank for $6.5 million. In February, the Commission submitted to the Council a modified proposal concerning special provisions for oil product imports from the Eighteen and the overseas countries and territories, and in May, a proposal for special arrangements for their rice exports.

The *coup d'état* in Greece on April 21 limited the association agreement with this country to commitments that had already been made. Negotiations were not continued for the harmonization of agricultural policies or for a new financial development aid agreement to Greece. After April 21, no new loans were made under the original financial agreement, which expired on October 31.

On December 1, 1967, the beginning of the fourth year of Turkey's association, the Community substantially increased its tariff quotas for Turkish exports to the Community.

External Relations: Many Request New Ties

May was a busy month in external relations: the Kennedy Round of negotiations ended May 15, and the United Kingdom applied for membership in the Communities May 11. Denmark and Ireland applied on the 12th.

The Council of Ministers first discussed the requests for membership on June 26-27 and asked the Commission for the written opinion delivered on September 29. In the interim, Norway had applied for membership in the Communities on July 24. On July 26, Sweden had asked for negotiations for participation in the Communities in a way consonant with its neutrality. On December 12, at the request of the Council, the Commission gave an oral report on the probable effects on the British economy of devaluation of the pound sterling and other measures announced November 18. The Council finished discussing the report on December 19, but did not agree to open negotiations.

After lengthy discussions, the Council gave the Commission a negotiating mandate for a preferential agreement with Spain on July 10. Two negotiating sessions were held in Brussels on September 21-22 and on November 7-10.

Negotiations with the "Maghreb countries" resumed, on November 13 with Tunisia, and November 21 with Morocco.

Israel asked the Community to replace its commercial agreement with an association agreement. In June, the Commission submitted a report to the Council in favor of an association agreement. In the meantime, the commercial agreement, which was to expire on June 30, was extended for a year.

The Commission reached the end of its mandate for negotiations with Austria after the negotiating session of January 30-February 2, and reported to the Council on May 3. Since the Council debate of June 5, however, work has not been resumed.

The commercial agreement with Iran, signed in 1963, was extended on December 1, 1967, for one year.

During the year, the Commission submitted proposals to the Council for a mandate to negotiate a commercial agreement with Yugoslavia, and to continue negotiations with Kenya, Uganda, and Tanzania, the three East African countries that had requested association with the Community.

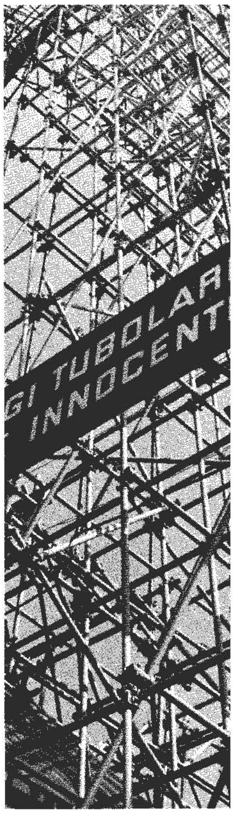
Commercial Policy: Kennedy Round

The successful conclusion of the Kennedy Round negotiations in the General Agreement on Tariffs and Trade at the end of June was the event of the year in the area of commercial policy.

As a result of the negotiations, the EEC will lower its common external tariff by an average of 35 per cent, spread over five years, beginning with a 20 per cent reduction on July 1, 1968. The ECSC will reduce its tariff on steel to 5.74 per cent *ad valorem*. Its present average rate of 9 per cent was not raised during 1967, despite the difficult conditions that prevailed in the domestic market.

The agricultural side of the negotiations fell short of the Community's hopes, but an agreement on food aid was, nevertheless, reached. The Community will supply 23 per cent of the 4.5 million tons of wheat promised to the developing countries each year under the International Grains Arrangement reached on the basis of the Geneva negotiations. (See European Community No. 108.)

The Community also subscribed to an anti-dumping code in Geneva. At the beginning of December, the Commission submitted a proposal to the Council of Ministers modifying its 1966 proposal on this subject in view of the Kennedy Round agreement.



New Delhi: New Hope for Needy Nations?

by **JOHN LAMBERT**

Should the industrialized nations of the world impose lower duties on imports from developing countries than on competitive imports from rich nations? Would "generalized preferences" given by the world's developed nations for imports from the lesser developed countries help to encourage industrialization in the developing countries and expand their exports? These questions are among the many before the second United Nations Conference on Trade and Development (UNCTAD II) meeting in New Delhi from February 1 to March 25. John Lambert, Common Market correspondent in Brussels for The Sunday Times *and* The Economist *reviews the history and the outlook of the proposal for generalized preferences.*

A WORLDWIDE PLAN for expanding developing countries' trade, by giving their exports preference over those of their industrialized competitors, now stands a chance of materializing. Known in international jargon as "generalized preferences," the project has received the cautious blessing of all the industrialized countries in the Organization for Economic Cooperation and Development (OECD). Meeting at UNCTAD II with the "Seventy-seven" of the less-developed world, they will explore some of the many difficulties that still need ironing out. Even after New Delhi, the exact scope, timing, and other details will remain to be settled. It is not, however, too early to consider the plan's meaning in terms of current world trade rules, its relationship to other efforts to help the "third world," and its probable real value.

The general rule of world trade for the past twenty years has been the "most-favored-nation" clause in the General Agreement on Tariffs and Trade (GATT), under which tariff concessions granted one trade partner are automatically granted to other partners. Any specific exceptions to the rule must be authorized and are rare. Blanket exceptions, for customs unions or free-trade areas, permit groups of countries which have decided on completely free trade between themselves to make reciprocal reductions in their duties, thus gradually creating preferences for each other against the rest of the world. The countries in both the European Free Trade Association and the European Community have applied this formula, as has the Community in its trade with its associates in Africa.

It was while the Six were preparing for the first UNCTAD conference in Geneva in 1964, that Belgian trade minister Pierre Brasseur suggested a generalized preference plan. For a given list of products, the industrialized countries would maintain their duties on each other's trade, but would not charge duty on similar goods imported from the developing countries. Although acceptable to the Six, the idea was not pushed by them as a group, and it met with outright opposition from the United States. But after the Conference it continued to attract interest, and the group of the Seventy-seven, and UNCTAD Secretary-General Raúl Prebisch in particular, took it up. Late in 1966 the Common Market Commission submitted a document to the Council of Ministers on the question of preferences for the developing countries. Preferences on manufactures and semi-manufactures from developing countries should be granted for fixed periods (e.g. 10 years), the Commission suggested, after the developed countries agree on the products involved and other details. The special interests of the 18 African countries associated with the Community by the Yaoundé Convention should, however, be safeguarded.

Early in 1967, President Johnson indicated at the Punta del Este conference of the Latin American states that the United States was withdrawing its opposition to a generalized preference plan. Since then the United States has been one of its strongest advocates.

Last October, the Seventy-seven, at their meeting in Algiers, urged speedy approval of the preference plan, which the OECD "Group of Four" experts had reported was feasible. At the OECD ministerial session in Paris at the beginning of December the general principle was accepted. However, there are still considerable difficulties to surmount and major practical limitations on the scope and effectiveness of the operation.

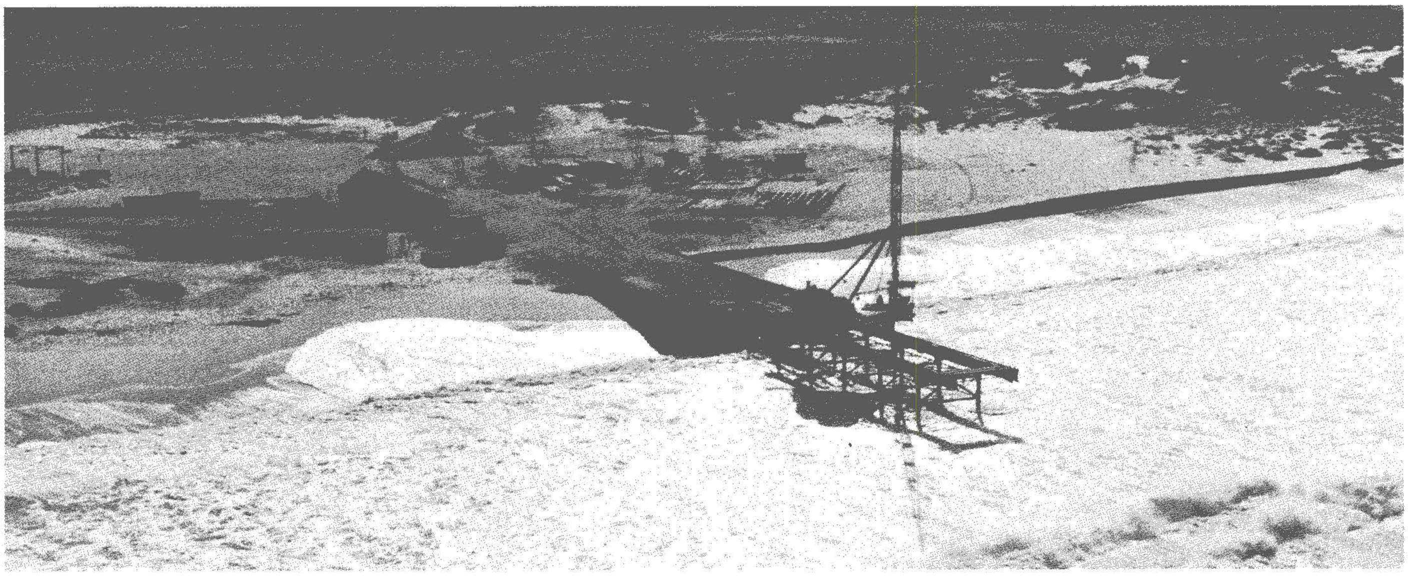
Yaoundé Convention's Preference

An immediate clash has already arisen because the United States wants to see an end to preferences granted in the Community countries under the Yaoundé Convention. The associated countries get free entry for their goods to Community markets and in return give or grant a privileged position in their markets to imports from the Six, as compared with imports from other industrialized countries such as the United States and Britain. The Commonwealth trade pattern is similar, and the Americans have also called for an end to its preferential aspects. The U.S. argument is that if preferences are given to all the less-developed countries it is unfair that some of those beneficiaries should grant reciprocal concessions only to Britain, or only to the Six.

Ending preferential tariffs arrangements of the Community's association is generally accepted as a long-term target, but is unlikely to be put into practice for the moment. The African countries concerned see in the reciprocal nature of the Yaoundé agreement a guarantee of the Six's political commitment to contribute to the associated states' development. At Algiers they persuaded other developing countries to accept this view rather than that of trying to end preferences on the markets of the Six. Talks for the renewal of the Yaoundé Convention, which expires in May 1969, will start later this year, once the outcome of the New Delhi session becomes clearer.

Generalized preferences are clearly of value only when the products exported by developing countries compete directly with products which industrialized countries also export. This excludes basic tropical commodities, and leaves mainly the sector of semi-manufactured goods or fairly simple mechanical products (such as bicycles or sewing machines). Thus the overlap with the products affected by the Yaoundé Convention would appear to be relatively slight. Countries in Latin America and above all in Asia, rather than the associated African countries, might benefit. But it is already clear that some of the industrialized countries will ask for key products—for instance textiles—to be left out of the plan. Moreover, a lot of hard bargaining will take place about the exact definition of the preferences. There can be no general decisions: what seems likely is product-by-product negotiation to determine the level of preference and the countries which are to benefit.

A major unresolved question is the plan's duration. Past experience—with the Commonwealth preference system and more recently with the Yaoundé Association—has shown that preferences take a while to influence trade flows. The new preferential



Aerial view of construction work on the dock in Nouakchott, capital of Mauritania. Port development is one of the essential elements in Mauritania's economic growth. This pier, financed with the assistance of the European Development Fund, will handle titanium, copper, gum of arabic, gypsum, and plaster.

system is not intended—at least in theory—to be permanent, and a time limit has the advantage of stimulating countries to adapt their industries. But early ideas of phasing out the generalized preferences almost as soon as the plan begins look unrealistic: to work effectively they will need at least a decade.

Can Preferences Hold the Gap?

Both the rich and the poor countries have embraced the preference plan, although there seem to be some legitimate grounds for doubts about its scope and effectiveness.

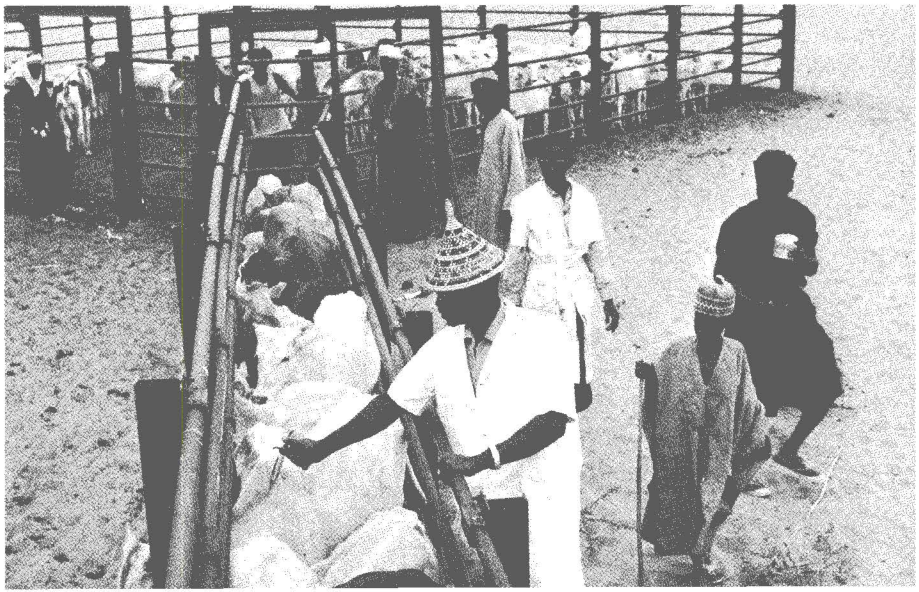
It will apply in the end to a fairly limited range of semi-finished or simple industrial goods, thus tending to help the countries (mainly in Asia and Latin America) for which they are a major source of export revenue. Even among the beneficiaries, more advanced countries can expect to exploit the new opportunities more effectively, so that preferences could contribute to widening the gap between the "less underdeveloped" countries and the most backward ones which still depend on commodity exports.

A more serious shortcoming is, as the Yaoundé associates have discovered to their disappointment, that in some sectors preferences are not enough. Good marketing techniques including effective sales networks, are so very important in selling to the industrialized countries, that even a considerable margin of preference may not be adequate to overcome a handicap in this field. Finally, a plan of this kind can bear fruit only over a fairly long period.

Even if the generalized preference plan takes shape and is activated in the coming year or so, the industrialized countries should not view it as an excuse for avoiding other means of assisting the trade of developing countries, such as effectively stabilizing commodity prices so that their fluctuations do not adversely change the terms of trade and annul the effects of direct aid grants, or making a serious effort to lessen the restrictive effects of excise duties on key products such as coffee. Still less should it be an alibi for ignoring the need for more, and more effective, direct aid. Psychologically, the generalized preference plan may salve the collective conscience of the rich countries without creating any direct ties of responsibility.

It is significant that the Yaoundé countries have defended the preferences they give to the Six as creating a political link and a sense of commitment. The Community is in any case unlikely to abandon what is probably the most promising plan that has been tried for linking a group of rich countries with a group of developing countries on a formal basis of equality and cooperation. It remains a test-bed for regional groupings as a framework for aid. The Yaoundé approach could co-exist with the generalized preference plan—at least until the value of the wider multilateral experiment is proven.

Owners watch their cattle being vaccinated at the livestock immunization center in Bogué, Mauritania, one of the countries associated with the European Community by the Yaoundé Convention. The center was built with the assistance of the European Development Fund as part of a program to modernize livestock raising, the mainstay of the Mauritanian economy.



COMMUNITY NEWS

AFTER YAOUNDE? COMMUNITY AND AFRICAN MP's DISCUSS THE FUTURE OF THE ASSOCIATION

The Association between 18 states in Africa and the European Community should be renewed.

A clear call to this effect came at the annual assembly of the Parliamentary Conference of the Yaoundé Convention associating the European Community with 18 African States. Three members of parliament from each of the African countries and 54 members of the European Parliament took part in the meeting in Strasbourg on December 2-6. Although the participants' governments do not necessarily share their views and the conference has no legislative authority, its proceedings are a sounding board of opinion on the success of the Yaoundé Convention. The Convention is due for renegotiation this year, as it expires in 1969.

Changes Proposed

More than a year ago Hamani Diori, President of the Niger Republic, speaking for the African states, criticized the trade achievements under the Yaoundé Convention. The tariff preferences which the European Community gives the associated states have not increased their exports to the Six, he emphasized.

President Diori's criticisms of the partial failure of the Yaoundé Association were echoed and amplified at the Strasbourg parliamentary meeting. Reforms in the Treaty's trade provisions were suggested in a detailed report, written by André Armengaud (Christian Democrat—France) for a committee composed equally of African and European parliamentarians. These suggestions included:

- the formation of a commodity stabilization fund for the associates' exports
- a change in the ways the Six give aid to the eighteen
- greater emphasis on "one-way" trade liberalization in favor of the African signatories.

The Yaoundé Convention provides for the gradual abolition of customs duties and quotas on trade between the associates and the Six. This general freeing of trade, even regionally, however, cannot be "a panacea to end all problems of international economic relations," the report stated. On the contrary, "simple tariff measures only increase the difficulties of producing countries while conditions of competition are disorganized and anarchic. . . . It is unrealistic to suppose that the future of the 'third world' is to be found in the general liberalization of international trade."

The associated states' problems cannot be isolated from those of the developing countries in general, according to the report. World trade trends have done nothing for the developing countries, which depend to a large extent on exports of basic commodities whose value is declining. For nearly a decade, prices have risen in the industrialized countries by 3-4 per cent a year. Each year trucks, machinery, and other manufactured imports have cost the developing countries that much more, but their earnings have fallen behind this trend. A jeep that cost the equivalent of 14 bags of coffee in 1954 today costs 40.

Trade Not Aid

Loans, grants, commercial credits, and other aid from the rich countries to the poor has not made up this difference, the Armengaud report continued. Because of the divergent trends for manufactured goods and basic products the developing countries have lost at least an average of 11 or 12 billion dollars of their yearly aid, according to calculations of the International Development Center. The problem, then, is to find a way to assure that the developing countries' exports are remunerative—at least, to assure that their value increases enough to defray the rising costs of imports. World-wide solutions would be the best answer.

The Amengaud report limited its suggestions to practical ways of improving markets within the Community for exports from the "Eighteen" at stable and remunerative prices. Leading critics of "regional" solutions for trade problems "are free-traders for those products which they import but protectionist as regards their own national production," the report said. All leading industrial states protect their own farmers, but they refuse to accept that agricultural producers in tropical countries also deserve protection.

It would be a disservice to the Community's African associates for the Community "to oppose concrete, even though imperfect, solutions on the pretext of perfecting the best possible universal solution which, like a mirage, is not attainable in current circumstances."

The Community's Role

The first article of the Yaoundé Convention states that the purpose of the association is "to promote an increase of trade between the associate states and member states . . . to strengthen their economic relations and the economic independence of the associated states." The report recommended Community action in three areas to further these goals:

- "Third-country quotas." The Rome Treaty allows certain Community members to import goods from non-member countries at reduced rates of duty. If investigation shows that these quotas inhibit the associates' sales of competing goods, they should be reduced to give the associate exporters a larger market.
- Internal taxes. The consumer taxes that some Community members collect on tropical products should be bound at their current levels and gradually eliminated. In the interim, to alleviate "budgetary problems" for the Community members, while lessening the impact of these taxes on the associates' sales, consumer taxes on coffee, for example, could be replaced by an *ad valorem* tax. A ceiling on revenue from these taxes should be established and the surplus paid into a stabilization fund.
- Price stabilization. Tariff preferences for some of the associates' exports are "symbolic" or non-existent. For these products, the Community should guarantee the associates import prices and establish a price stabilization fund financed mainly by the Community but also by the Eighteen. The "aids to production" which the Community now gives the associates through the European Development Fund should be channeled into the stabilization fund. This aid amounts to $200 million for 1964-69. The fund should not interfere with the agricultural diversification program administered by the EDF. To avoid encouraging over-production, limits should be set on the quantities which the Community would import at guaranteed prices. Maximum and minimum reference prices would be set for at least a year at a time.

The report did not express opposition to commodity agreements as a means of stabilizing prices of tropical commodities. Existing agreements "must be rigorously respected and any attempt to contravene their rules must be opposed." The proposals for commodity stabilization with the Association must only be considered as second best; the Six and the Eighteen should consider limited agreements only if negotiations for world commodity agreements fail. Furthermore, such attempts should be limited to the products for which the Six are the associates' main markets: cocoa, bananas, and vegetable oils. For foodstuffs, including fish and meat by-products which the associates produce in quantity, the associates are "their own best customers." The report stressed the importance of economic cooperation between the associates themselves on such questions.

NOTICE

In accordance with the U.S. Securities and Exchange Commission regulations, the European Coal and Steel Community published on December 15, 1967, its Balance Sheet as of June 30, 1967, and its Statement of Revenues and Expenditures for fiscal year 1967.

This information is published in connection with European Coal and Steel Community Bonds issued in the United States under applications:

A—16929 dated April 16, 1957
A—17648 dated July 7, 1958
A—19218 dated October 18, 1960, and
A—20452 dated May 15, 1962.

Twenty-five copies of "Supplemental Information to Bond Holders" have been deposited with The Chase Manhattan Bank, New York, N.Y.

ZERO TARIFF LEVELS DO NOT MAKE A CUSTOMS UNION: COMMISSION PROPOSES HARMONIZATION OF CUSTOMS LAWS AND PROCEDURES

Because the United States is a single customs territory, not fifty separate ones, importers anywhere in the country can figure the value of merchandise at customs, customs charges, and warehouse fees according to a single formula.

Importers throughout the European Community, however, currently face customs expenses which vary according to the customs laws and procedures of each country or customs territory where they do business.

If these differences persist after July 1, 1968, the European Communities Commission fears they will distort trade, divert customs receipts, and hamper the operations of the customs union. For this reason, the Commission announced on November 29 that it had put four proposals before the Council of Ministers:

- a draft regulation concerning the determination of value at customs
- a draft directive governing the rules for operating bonded warehouses
- a draft directive concerning customs inspection procedures and systems for the temporary storage of goods
- a draft directive on deferred payment of charges incurred at customs.

All four would become effective on July 1, 1968.

Because the Common Market Treaty does not provide the institutions with the power to harmonize customs laws and procedures, the Commission made these proposals under Article 235, which permits the Council of Ministers in such cases to act by unanimous vote on Commission proposals, consult the European Parliament, and then enact the appropriate provisions. The Council plans to discuss these proposals at its meeting on December 11-12, but can make no decision without the advice of the Parliament and of the Economic and Social Committee.

The proposed regulation provides for the uniform determination of value at customs. It also defines the powers of the Commission and the Council of Ministers in this matter and provides for the establishment of a Customs Valuation Committee.

Towards More Efficient Customs Procedures

The directive concerning customs inspection and temporary storage of goods arriving in Community customs territory attempts to eliminate the wide variations in control formalities at the borders between member states and to standardize and shorten the periods of time between the arrival of goods and the assignment of a customs procedure. The directive would require the member states to see that carriers use the route designated by the national authorities to take the goods either to the customs office or another designated inspection point, such as the consignee's warehouse.

Time limits for presenting documents to customs and the requirements for the contents of freight declarations vary. The directive lists the minimum information to appear on the declaration, and in view of the need for fast transport, recognizes that the member states may authorize the use of waybills, manifests, and other commercial and administrative documents in lieu of freight declarations.

Finally, since goods should be claimed as quickly as possible, each member state will require importers to lodge declarations within 24 hours after the goods arrive. The goods may not be unloaded before the document is lodged, except by authorization and under the supervision of the customs authorities.

To harmonize the period of time between the arrival of goods and the assignment of customs procedures, the proposed directive specifies that:

- The goods must remain under customs control and may be handled only to the extent necessary to assure their proper storage.
- The goods thus stored will be assigned a customs procedure or be re-exported within the time specified by the authorities, up to a maximum of 10 weeks for ocean shipments and 15 days for others. The limit may be extended when necessary to verify the composition of goods. If no procedure has been assigned when the time limit expires, the customs authorities may, unilaterally if necessary, take the necessary action to assign a procedure quickly.

Operations of Bonded Warehouses

The proposed directive on public and private warehouses deals with the requirements for establishing them and the responsibilities of warehouse keepers and bonders. The present disparity in rules for operating these warehouses, the Commission believes, could distort trade and customs receipts, because importers would tend to send their goods to warehouses with the most liberal procedures.

The proposed directive provides for a maximum in-bond-storage period of five years, during which the goods may change owner. It would require the Community members to follow common rules in assessing taxes on imports stored in bond. To permit uniform application of the common customs tariff, it would require them to apply the rates of customs duties and taxes with equivalent effect and agricultural levies in effect on the day goods leave the warehouse.

Deferred Payments of Charges

In the Commission's view, deferred payments of customs duties, charges with equivalent effect, and agricultural levies are tantamount to a direct or indirect grant of credit by the national treasuries on terms comparable to private credit organizations.

The payment arrangements and interest rates charged, however, vary from country to country, affect the expenses of importers, and could deflect trade and customs receipts.

The Commission's proposed directive therefore provides for early application of joint rules and proposes that importers be allowed to defer payment of charges at the border for 30 days before being required to pay interest. The domestic authorities would fix the charges, especially interest charges, at levels comparable to those prevailing on their domestic money markets for the same purpose.

SOCIAL FUND GRANTS

Belgium, France, Italy, and the Federal Republic of Germany will receive a total of $8,967,636 from the European Social Fund, the institution created by the Common Market Treaty to facilitate vocational rehabilitation and other social changes.

On December 22, 1967, the European Communities Commission approved payment of 18 claims filed by these governments for reimbursements. Payments, as provided in the Treaty, cover 50 per cent of eligible expenses for vocational retraining and resettlement of unemployed and under-employed workers. The funds will be distributed as follows:

Country	*Amount*	*Number of Workers*
Germany	$5,044,588.68	13,797
France	977,580.82	493
Italy	2,945,466.76	13,436
Total	$8,967,636.26	27,726

FRENCH EAT THE MOST MEAT

The French eat the most meat in the Community, the Italians the least, according to the Community's Statistical Office.

Each Frenchman ate 208 pounds of meat in 1965-66. Per capita meat consumption the same year amounted to 161 pounds in the Federal Republic of Germany, 156 pounds in the Belgium-Luxembourg Economic Union, 129 pounds in the Netherlands, and 85 pounds in Italy. Consumption of meat has risen in all six countries and, for the Community as a whole, now averages 150 pounds a person a year. With the exception of horsemeat, Community per capita meat consumption was higher in 1965-66 than in the previous year for all types of meat.

Of the six Community members only the Netherlands produces more meat than it consumes; it is 147 per cent self-sufficient. France is 97 per cent self-sufficient, Belgium-Luxembourg 95 per cent, Germany 84 per cent, and Italy 74 per cent. The Community as a unit is a net importer of meat, producing only 91 per cent of its requirements.

The Community's livestock population declined in 1963, but has again reached its 1961 level. In 1966 the six Community countries had 58,600,000 mature livestock animals: 44,304,000 were cattle and 8,195,000 pigs—a record number for both kinds of animal. In the past five years the number of hens has increased sharply while goats and sheep remained stationary. The number of horses has declined steadily.

Beef and veal production in 1966 exceeded four million tons, thus regaining its 1962 level. Poultry-meat production is constantly increasing. Pork production, though lower than in 1965 is still higher than before 1965.

MEAT PRODUCTION IN THE COMMUNITY IN 1966

(Gross domestic production including offal)	*in thousands of tons*
Beef and veal	4,305
Pork	5,258
Mutton and lamb, goat and kids	213
Horsemeat	113
Poultry	1,381
Other	298
TOTAL	11,568

A BAN ON ESTROGENS TO FATTEN LIVESTOCK?

The European Communities Commission has proposed that the Community countries ban the use of estrogens for fattening livestock intended for human consumption.

This was stated in reply to a question from a member of the European Parliament, Harri Bading (German Socialist—Federal Republic of Germany). Herr Bading mentioned reports that Dutch farmers injected cattle with hormones to fatten them for market and that Dutch pharmaceutical firms offered such substances to German farmers.

The Commission stated that the Netherlands Government now forbids the use of estrogens except for therapeutic reasons, and does not allow animals treated with hormones to be sold. German law imposes similar restrictions on the use of estrogen as a fattening agent.

Since April 24, 1967, the Dutch authorities have had the power to inspect animals for slaughter and butchers' meat for possible hormone treatment and to declare the meat unfit for human consumption. Infringement of these regulations is liable to severe punishment.

Neither the Commission nor the German Government had any proof that Dutch firms or their representatives promoted the sale of hormones for livestock to German farmers, the Commission said. The German Government had told the Commission this in a note dated September 12, 1967.

Finally, the Commission stated that the harmonization of the Community countries' health regulations on additives in animal feedstuffs was ready. A draft directive had been placed before the Council under which the use of estrogenous substances was not authorized. Up till now there has been no ban on intra-Community trade in such hormone treated animals or meat, unless the individual member countries themselves had introduced measures to that end.

CAMPING GOODS ASSN. COMPLIES WITH COMPETITION RULES

A trade organization has cancelled its contracts with retailers and manufacturers of camping goods to comply with the European Community's competition rules.

The European Communities Commission announced this action, which it said followed its investigation of a complaint by a foreign manufacturer of camping goods, in Brussels on November 17.

The association had separated retailers of one member state into one group and domestic and foreign manufacturers into another. Through contracts between the retailers and the manufacturers, the association had imposed reciprocal obligations to buy and sell with fixed profit margins and uniform selling prices. Since the retailers in the association handled more than 80 per cent of camping goods sales on the home market, any foreign manufacturer who wanted to sell there was almost compelled to join the organization and accept its price conditions.

During the inquiry, the Commission reached the conclusion that the agreements impaired trade between the member states, restricted competition, and artificially isolated one member state's camping goods industry.

HAMMES DIES

Charles Leon Hammes, President of the Court of Justice of the European Communities from 1964 until his recent retirement in October, 1967, died on December 9. He had served as a judge of the Court of the European Coal and Steel Community since 1952, and from 1958 as a judge of the Court of the three Communities. Mr. Hammes was born in Luxembourg and would have been 70 years old in May.

PUBLICATIONS AVAILABLE

EUROPEAN AND ATLANTIC ACADEMIC NEWS. Vol. 1, No. 2, European Community Information Service, Washington, D. C., December 1967, 24 pages . . . . free

Provides information about academic programs, studies and research in North America and Europe related to European and Atlantic area affairs.

PUBLICATIONS OF THE EUROPEAN COMMUNITIES: CATALOGUE. Publications Department of the European Communities, Luxembourg-Brussels, 1967, 143 pages . . . . free

The latest publications catalogue covering the period March 1964-July 1967.

TENTH GENERAL REPORT ON THE ACTIVITIES OF THE COMMUNITY. Euratom Commission, Brussels, April 1967, 415 pages, two volumes $3.00

Report on Euratom's activities from March 1, 1966, through February 28, 1967.

LES ECHANGES COMMERCIAUX DES PAYS EN VOIE DE DEVELOPPEMENT AVEC LES PAYS DEVELOPPES ET NOTAMMENT AVEC LA CEE 1953-1966. *Development Aid Series,* Monograph No. 1, Commission of the European Communities, Brussels, 1967, 149 pages $1.00

An analysis of the foreign trade of the developing countries with the developed nations, especially the EEC. Includes over 50 statistical tables showing trade of the less-developed countries in principal categories of products with selected areas and regional organizations.

LES SERVICES DE MAIN-D'OEUVRE DES ETATS MEMBRES DE LA COMMUNAUTE. *Social Policy Series,* Monograph No. 16, EEC Commission, Brussels, 1967, 133 pages $2.80

A comparative study of the government labor and employment services in the EEC member states. Discusses regulations, aims, functions, organization, budget, personnel, methods, results, and perspectives.

european community

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

Return Requested