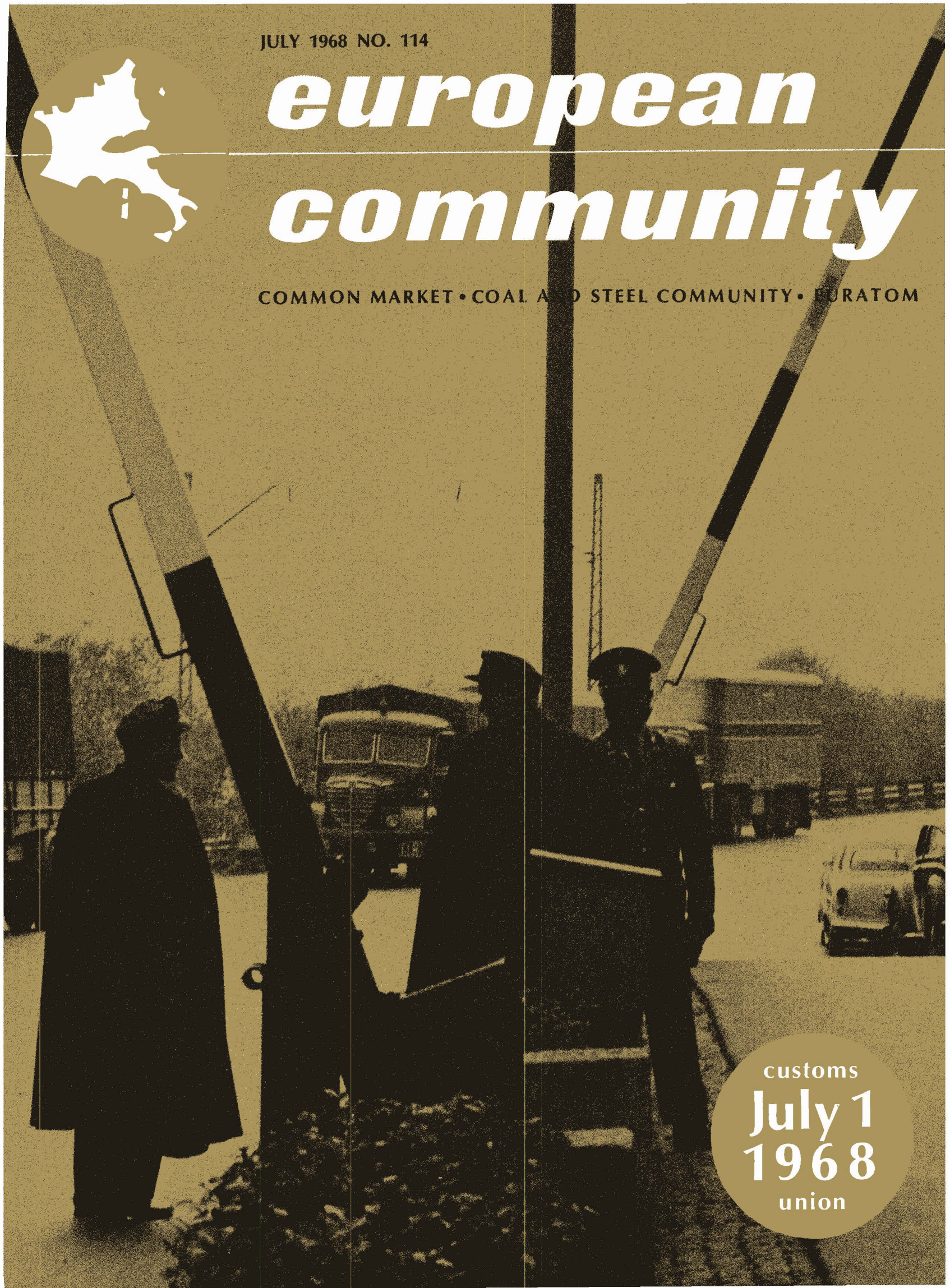


JULY 1968 NO. 114

# *europaean community*

COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM



customs  
**July 1**  
**1968**  
union



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

July 1, 1968, is an important date because it is a symbol, because it spurs Europeans to hope for a stronger Community, for a dramatic new phase in the development of Europe. In the face of crises and events that dominate the headlines, the Community continues to advance, imperceptibly at times, but continuously.

Looking back, the Community has made remarkable progress; looking ahead and considering the enormity of the economic, political and social problems that still face Europe, much remains to be done. In this issue of EUROPEAN COMMUNITY, the Commission reviews the significance of July 1, and forcefully restates the Community's objectives, the problems facing the Six, and the means Europe must pursue to achieve its goals.

*Mario Pirani* writes of what July 1 means to economic interest groups in the Community and an article on the 19th century German *Zollverein* gives some historical background to the present customs union. *Robin Fedden* describes the efforts of *Europa Nostra* to preserve Europe's historic buildings.

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# Statement

## of the Commission of the European Communities to the European Parliament on July 1, 1968

### THE SIGNIFICANCE OF JULY 1, 1968

July 1, 1968, will certainly go down as a milestone in the history of Europe. On that day the first and the major stage toward the economic unification of the European Continent was completed. The customs union, one of the first aims of the Rome Treaty, was brought into being. Eighteen months ahead of the treaty schedule, customs duties disappeared within the Common Market. The separate customs tariffs of our six countries gave way to a single tariff—the Common External Tariff. Finally, the first tariff reductions negotiated last year in Geneva in the major discussions known as the Kennedy Round were implemented. In the economic history of the Continent, the Six have taken a decisive step; but it is only the beginning, the first step in the unification of Europe.

Europe is more than a set of customs tariffs. Europe does not belong only to manufacturers, farmers, and technocrats; nor is Europe just the 184 million who live in the Community. It is not only the Europe of governments, parliaments, and bureaucracies; it must also be the Europe of peoples, workers, youth, of man himself. All—or nearly all—still remains to be done. Europeans face immense tasks.

### THE OBJECTIVES

#### Economic Union

Now that the customs union is complete, work on the achievement of economic union must be continued. This means that common economic policies designed to transform the customs territory into an economically organized continent must be built up or completed. The finishing touches must be put on the common agricultural policy, much of which is already in place. Policies must be completed for harmonization or unification in the commercial, fiscal, social, transport, and other fields, as provided in the Treaties. We must gradually replace old national policies with Community policies that will change the European

area into an organized European society with a general economic policy tailored to the scale of the Continent.

Three of these policies deserve special mention:

- Now that customs frontiers within the Community have been abolished, tax frontiers must also be gradually eliminated so that men and goods can move freely without formalities and controls at the frontiers.
- We must make progress in the field of monetary union, first by harmonizing the monetary policies of our six member states and then by creating between them a degree of monetary solidarity. This will ultimately lead to the coping stone of the economic edifice—a common currency superseding the old national currencies.
- Europe must make decisive progress in the field of research and technology so that it can stand on an equal footing with the other great world economic areas.

#### Political Union

A political Europe—the aim of Robert Schuman, Konrad Adenauer and de Gasperi—must be built up in the same way that our large countries, Germany, France, and Italy, were gradually unified by major political decisions. Europe must have the institutions it needs to become a politically organized continent—not only economic institutions, which are already well on the way to completion, but also political institutions through which it can act to become what the Schuman Declaration of May 9, 1950, called a “European Federation.” For this, Europe needs more than genuine Federal institutions.

Europe must also be unified. The other countries of Europe willing to accept the same rights and the same duties must gather around the nucleus formed by the Europe of the Six. Political integration must facilitate East-West detente and cooperation, thus making an essential contribution to the establishment of peaceful order in Europe.



## EUROPE AND THE REST OF THE WORLD

Europe bears major international responsibilities. The Europe of the Six, inferior to the United States in military, industrial, and financial power, is already its equal in the field of trade. It is the world's leading importer of manufactures and agricultural produce. It is the leading importer of products from the developing countries. Today, in its current form, it already has major responsibilities towards these countries. Europe's responsibilities will be even greater tomorrow when it becomes a larger entity.

At a time when the organization of the world on the scale of the old sovereign nations is giving way to organization at the level of continents, it is important that past errors not be repeated at this higher level, that clashes of nations not give way to clashes of entire continents. Consequently, it is Europe's duty to organize cooperation and association with the other main groups in the world.

## HUMAN PROBLEMS

In a world dominated by technology and speed, the great social changes now in progress raise immense questions for our generation: the transformation of society, the organization of social life, the environment and the destiny of man, his liberty, his security, his health, his life itself.

None of these fundamental political, economic, social, and human problems can be solved by our old states imprisoned within their narrow frontiers. It is also impossible to solve them without breaking through the old structures inherited from the past and without creating the European structures which are vital to the work of renewal. It is just as necessary to retain our old cultures, traditions, languages, originality—everything that gives our states their personalities, beauty, diversity, and charm and are the immanent value of Europe; no one could possibly want to replace them with colorless and impersonal machinery.

## THE MEANS

This is work on a grand scale. It will keep a whole generation busy, but there has to be a beginning. What can we, what must we do in the next five years—starting from what has already been accomplished, starting from July 1, and without looking too far ahead.

- We must take a step forward in the field of political union. A single treaty, enabling a new stage to be begun must take the place of the Treaty of Paris (1951) and the two Treaties of Rome (1957), which created our three European Communities. The Council of Ministers of the Community must be reestablished in its normal role as a body capable of making majority decisions. The outdated right of veto, which paralyzes action, must be abolished. The single Commission must be given implementing powers, powers that enable it not only to take the initiative in Community progress but also genuinely to manage the Community, for the task of management grows each time a new Community policy comes into force.

The authority entrusted to European institutions must be steadily given a wider democratic basis, this must be done more rapidly. The European Parliament's budgetary and legislative powers must be increased. The European people must become more involved in Community life at the European level through direct elections and every other suitable method.

- We must work in stages to fashion the economic union. Encouraged by results, particularly in agriculture (where it has made very great efforts) the European Commission intends to accelerate and multiply its proposals to the Council of Ministers so that the Community can make rapid and decisive progress in working out economic, monetary, fiscal, social, and other policies—most of whose objectives, within the next five years, will need to have been achieved.

- Efforts must be resumed to enlarge the Community and unify the European Continent. Profound economic and social crisis in some of our countries, both within and without the Community, has shown how far the destinies of the European states have become intermingled. It is time to face up to the implications of this fact.

- Europe's major economic, social, and intellectual forces must be persuaded to participate more fully in the construction of the European continent. It would be wrong to wait until the European people as a whole is officially consulted and takes part constitutionally and organically in the political life of the European Continent. The major social groups in the Community must be called upon more urgently to help, here and now.

## FAITH, HOPE, AND AN ACTION PROGRAM

This is why the Commission has decided to propose to the Economic and Social Committee that the Committee and the Commission should embark this fall on a sweeping examination of the Community situation as a whole. For the same reason, the Commission also proposes to convene three symposia next winter. The first will bring together qualified employers' and workers' representatives; the second, the main organizations of the farming community, and the third, qualified representatives of youth organizations. In each symposium the Commission will try to organize an overall examination of the European situation and a dialogue on detailed short- and medium-term action programs. The Commission intends to devote special attention to the problems of overwhelming interest to young people in the European universities—such as university teaching, training of young people, university exchanges, etc.—and to consider with the qualified student representatives what could be done to convince young people of today to look forward more confidently to their future and the part they will have to play in shaping it.

This statement is an act of faith, an expression of hope, and an action program. In conclusion, the Commission calls on every European to appreciate the full importance of what is happening now and the value of what has been done so far. These achievements should neither be ignored nor underestimated.

Two great spiritual developments dominate this second half of the Twentieth Century: the reconciliation of the churches and the reconciliation of the peoples. The first is not a political matter, but the second is our business. The reconciliation of peoples has been first and foremost the reconciliation of European nations, ravaged by two world wars, both born in Europe of the clash of nationalisms. For the peoples of Europe, both were genuine civil wars.

This time is past. It is now time to call the young and creative forces of Europe to union, action, and hope.



# JULY 1, 1968: Its Meaning to European Lobbyists

by MARIO PIRANI

ANYONE NEED ONLY GO TO BRUSSELS for evidence to disprove the theory that economic forces exert enough pressure on society to shape its political institutions.

This conviction is a result of my interviews in Brussels, the seat of the European Community, with lobbyists who represent the most important economic interest groups. If the Community's progress responded solely to these pressure groups, it would be ten years further advanced than it was on July 1, the official deadline for the completion of the customs union. When questioned about the July 1 deadline, every lobbyist without exception—spokesmen for public and private industry, labor, and farmers alike—replied that what had been accomplished still falls short of what is wanted and what is needed. A mere customs union, they feel, is definitely not enough.

## Private Business:

### The Union of Industries of the European Community

HILDE CLAESSENS, an economist and secretary general of the UNICE, gave some objective and unambiguous answers. As a member of the Belgian delegation, she helped draft the Common Market Treaty.

CLAESSENS: "Yes, we are concerned about the impact the elimination of internal customs duties and the entry into force of the external tariff could have on some industries and in certain countries. But, our main concern is that this operation is not being accompanied by complete tariff harmonization, the disappearance of technical obstacles to trade, and uniform anti-dumping legislation. All this is serious, because in many cases profit margins are already extremely tight and every cost-price component plays a part that could be crucial."

*"In what field is action most urgently needed?"*

CLAESSENS: "The creation of the European company and the elimination of ridiculous problems in capital movements, investments, patents, and taxes. We've heard a lot of talk about the American challenge but nothing is being done about forming companies that can compete in the very fields where the Americans have the edge—their large scale of operation and a large market. We have taken measures in the Community to facilitate mergers and stimulate industrial co-operation, but we are still not on any fixed course."

*"What do you think of European planning and a policy of regional intervention in concert with the public authorities and with the Community?"*

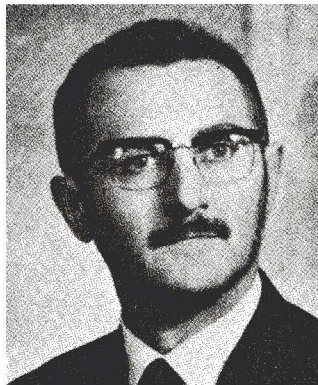
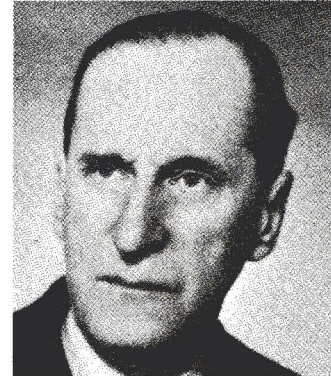
CLAESSENS: "We are for freedom of investment. Before getting involved in types of planned intervention (in the context of free investment, of course) we must have an economic union that actually works."

## Public Utilities:

### The European Public Enterprise Center

GEORGES ROGISSART, EPEC president and director general of the *Société nationale du crédit à l'industrie*, would agree with Hilde

*Mr. Pirani is the Brussels correspondent for Il Giorno an Italian daily newspaper published in Milan.*



*The lobbyists interviewed (left to right) top row: Hilde Claessens and Georges Rogissart; second row, Dr. Arnold Kaulich and André Herlitska; last row, Théo Rasschaert.*

Claessens on some points. For him, the choice is clear: tariff dismantlement is fine but not decisive by itself.

ROGISSART: "We need to take up the challenge, and to do it we must create multinational undertakings, both public and private, with their own European statute. Bilateral agreements and associations are inadequate. Maintaining obstacles that limit the capital market and discourage the influx of capital in accordance with narrow national criteria is illogical and stands in the way of progress."

*"Is public intervention in the economy necessary?"*

ROGISSART: "Yes. Entire sectors of private industry are in a state of crisis. Their representatives can do nothing but apply for government loans and organize public opinion to bring pressure on the authorities. No long-term economic solution is found. The only result is that property scheduled for demolition is unjustifiably given a new lease on life. It would be wiser to liquidate firms (like many coalmines) that can barely make ends





*Val Duchesse, the chateau in Brussels where negotiations for the Common Market Treaty took place, was the scene of a reception given on July 1 by Commission President Jean Rey and Commissioner Albert Coppé to celebrate the completion of the customs union.*

meet and that will end up with their backs to the wall anyway. Instead, agreements should be prepared for viable industrial activities to take their place, based on collaboration between public and private undertakings. Here, public spending would be turned to good account; but, the co-operation problem also arises for those undertakings which are trying to achieve a competitive scale of operations. For example, why don't European industrialists try to work with European public enterprises to solve their difficulties instead of seeking solutions in agreement with American companies?"

*"In the meantime, why isn't an attempt made to work out a European industrial policy for public undertakings?"*

ROGISSART: "This should be done without delay, particularly if the Community wishes to implement a regional policy. Following the example of the Italian Mezzogiorno or the Rhône Valley in France, Community aid should be fitted into an overall plan that enables co-operation between the main sectors of the European economy, both public and private."

#### **Merchants:**

The Committee of Commercial Organizations

DR. ARNOLD KAULICH, CCO secretary-general, has examined in detail the questions linked with the July 1 deadline. He regrets the retention of the safeguard clauses, which slow down trade, and hopes that the duties for those agricultural products which do not come under regulated markets (fish, wine, hops, tobacco) will be reduced to zero. Dr. Kaulich made no bones about his feeling that Commission was working too slowly.

KAULICH: "There are about 1,300 products to classify. About 70 explanatory notes are needed for the entry into force of the customs union—so far only 30 have been worked out. What are they waiting for? The elimination of internal tariffs is, however, an important gain; it will lead to keener competition, a wider selection of products, better purchasing terms, and sales on a larger scale which will enable firms to cut costs."

*"What do consumers get out of it?"*

KAULICH: "The consumers will benefit, although probably not by price reductions. Among other things, we must consider that when the internal tariff comes into force the largest importers of food, Germany and Holland, will have to pay more for their purchases on world market. Prejudices with regard to wholesale and retail prices also will need to be dispelled. In fact, as demand gradually develops, consumers become more demanding. Once it was easy to sell a chicken or a pound of potatoes. Today poultry is delivered drawn, dressed, packaged, and graded according to quality. Potatoes are peeled, sliced, or chipped and sealed in plastic bags. All this costs money, but the consumer now expects merchandise to be packaged this way."

*"The customs union will certainly speed up product standardization. Won't this hurt many small dealers and retailers unable to withstand competition?"*

KAULICH: "Many dealers survive only because they are family enterprises. There are marginal firms in every industry. Wholesalers and retailers are different—because they don't ask for government help and stake everything on competition and private enterprise. But to come back to the questions of July 1 . . .

"A serious problem is the delay in the harmonization of human, plant, and animal health legislation. For years we have been asking for a strengthening of the Commission departments working on the harmonization of food laws (they haven't even got a chemist). Since for most products there is no harmonization, goods have to be checked over and over again at the various frontiers. Each country thus has a weapon to block any product. This is a genuine case of administrative protectionism which limits the flow of trade and forces prices up.

"For more rapid harmonization, we not only support the Commission's proposal for the establishment of a committee on foodstuffs law and an animal health committee, but we also believe it would be useful to have a special advisory committee to represent the views of people working in the field on specific questions, many of which are quite delicate.



**Farming:**  
Committee of Agricultural Producers Organizations

ANDRE HERLITSKA is the secretary general of COPA. We talked about the question of the market for milk and meat. The establishment of the market now seems to be postponed so that the key Community milestone of July 1 is not the earliest date by which it can be in operation.

HERLITSKA: "A price and market mechanism will not suffice if it is not fitted into a common agricultural policy that takes social and cultural needs into account. Such a policy is still far off, but the Community is not yet functioning as well as it should, either, on the problems that have better prospects of early solution, such as commercial policy for farm products from non-member countries that compete very keenly with Community products. It is easier for the socialist countries to compete because their prices are not based on genuine cost calculations but are imposed artificially, so that the Community's levy mechanism does not function properly as a protective element for Community production. This obvious case illustrates the need for a common policy establishing overall import quotas. Another example of action conducted with such lack of continuity that it constitutes a serious danger for the agricultural policy of Community concerns the association treaties and the preferential clauses they contain. Care should be taken in the renewal of the Yaoundé Convention to see that the agreement does not engender disequilibrium that would affect the incomes of the poorest peasant areas of the Community."

"Would you term your views 'inward-looking,' or 'protectionist'?"

HERLITSKA: "By no means. What we want is an overall approach. That is exactly why we have proposed that the Commission report each year on the agricultural policy. We are in fact for the enlargement of the Common Market to bring in Great Britain and the Nordic countries, on condition that these countries fully accept the Community agricultural policy with its system of preferences, levies, and prices. Only when that day comes will there be an adequate market for European agriculture. (Great Britain alone now imports 400,000 tons of butter annually.)"

"Once we get over the difficulty of butter, what will be the most important problem for the agricultural organizations?"

HERLITSKA: "We will begin a particularly delicate phase during which the problems of the management of the market and of the reorganization and administration of structures will arise. If we are to tackle these problems and achieve results, the Community must do its part by making decisions more democratically and consulting industry representatives about the drafting of these decisions. This is especially necessary as long as the European Parliament has no effective powers and responsibilities."

"How will the co-operatives adapt to the larger market?"

HERLITSKA: "There is still much to do here, but they will get results if the commercial apparatus of co-operation is closely geared to production. The market is the key factor in trade today and demands a continuous flow of merchandise in specific quantities, of homogenous qualities and at stable prices. Co-

operatives should follow these same rules: they should abandon the 'open-door' tradition which allows marginal producers with defective products and high costs to join a co-operative.

"The Community could bring discipline and reorganization by beginning to harmonize the co-operatives' articles with a view to the ultimate establishment of a European statute of agricultural co-operation."

**Labor:**  
European Committee of the International Confederation of Free Trade Unions

THEO RASSCHAERT, secretary of the ICFTU European Committee, believes that the situation has greatly deteriorated and that July 1 will find the Community deep in the throes of a crisis.

RASSCHAERT: "The official mood of optimism is quite out of keeping with reality. What we should do is tell the truth. It is this that we trade unionists will do, precisely because our aim is to give new life to the old idea of a united Europe. A customs union plus the farm products markets is definitely not enough for us!"

"What do you propose?"

RASSCHAERT: "At the July meeting of our Executive we will call attention to the state of general paralysis affecting all areas of activity (research, industry, monetary, agricultural, and other fields) and will concentrate on a proposal to convene a tripartite conference on full employment in Europe with the participation of the trade unions, managements, and the Community. In conjunction with vocational training, this could well be the right way to get the Community moving again, at least on some problems."



Customs duties have been eliminated, but not paperwork because the Community members still collect excise duties and import turnover taxes at their national borders. To give the phrase "customs union" meaning to people who deal with customs forms only when they travel, the Commission on June 28 sent proposals to the Council of Ministers. These proposals would allow travelers to bring home \$100-worth of merchandise purchased outside the Community tax-free. The Commission also recommended the elimination of physical customs barriers at their internal frontiers and customs inspections for travelers.



# Europa Nostra: Preserving Historic Buildings

by **ROBIN FEDDEN**

*Mr. Fedden is vice president of Europa Nostra and historic buildings secretary of the British National Trust.*

*Europa Nostra* was born in Paris in 1964, the first federation of the major non-governmental organizations in Western Europe concerned with the preservation of historic buildings and their sites. Until then, national organizations had no forum for the discussion of common problems and no channel for the exchange of information. Nor was there an international body that could intervene with national governments to save towns and buildings that were clearly the common architectural concern of the entire continent. The formation of a body that could speak with European authority for such places was overdue. *Europa Nostra* now links some two dozen federated societies in ten countries, and about a dozen associate organizations. Its membership include such long established bodies as Britain's National Trust and the *Schweizer Heimatschutz*, and equally active younger societies such as the *Vieilles Maisons Françaises* and *Italia Nostra* created to meet the intensified post-war threats to historic towns and buildings. Organizations of various influence and size have been put in touch with each other by *Europa Nostra*. The *Deutscher Heimatbund* has an affiliated membership approaching a half million, and the National Trust has 175,000 members. But smaller organizations, such as the *Ligue Urbaine et Rurale* and the Society for the Protection of Ancient Buildings, with memberships respectively of 2,400 and 3,500, have long and valuable records in their countries. Achievement is often due to the enthusiasm and determination of a dedicated few rather than to broadly based support.

The secretariat-general of *Europa Nostra*, now in Rome, is generously subsidized by the Italian Touring Club, which recognized early that the conservation of a country's architectural heritage contributed directly to its tourist revenue.

*Europa Nostra* has tackled such urgent matters as the dire effects of sonic booms on ancient buildings and has intervened with the governments involved to prevent such undesirable actions as the unsuitable redevelopment of the *Halles* quarter in Paris, the creation of a monorail to connect the islands of the Venetian lagoon, and the development of the countryside around the *Via Appia*, the only point where open country meets the walls of ancient Rome.

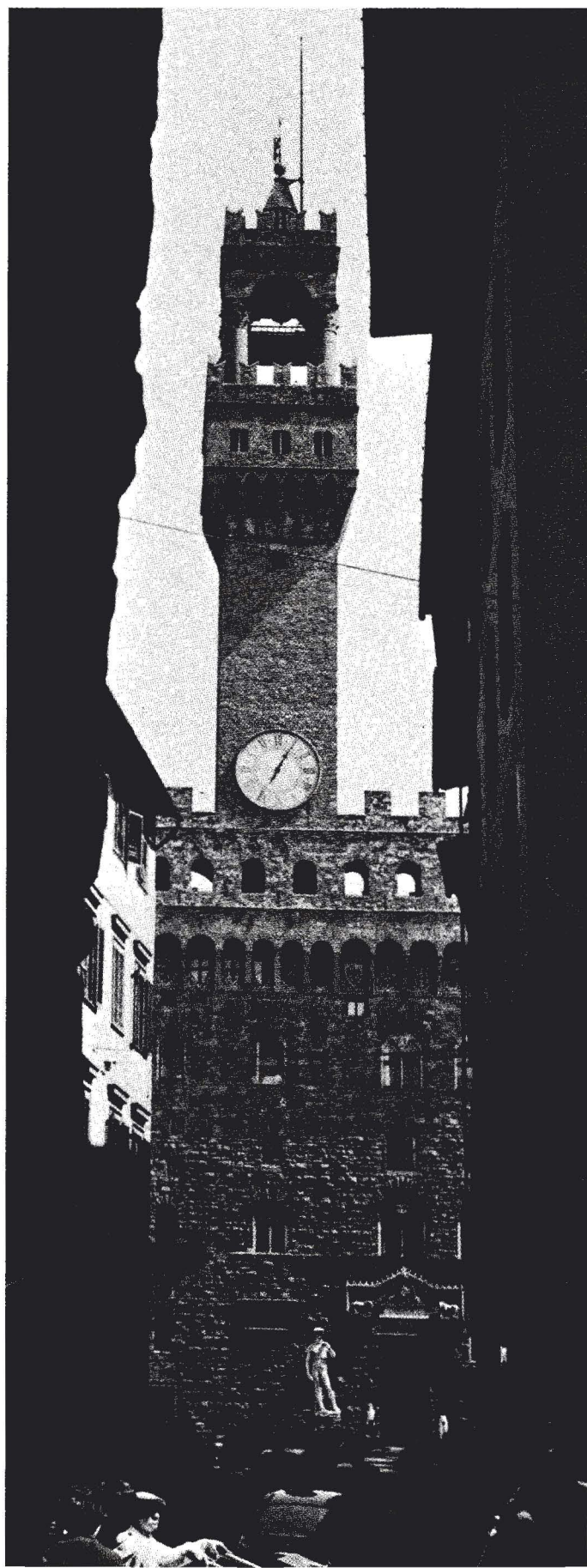
## Protecting the Coastline

The defense of Europe's coastline was the theme of the general assembly of *Europa Nostra* at Strasbourg last year. Papers were read and discussed on:

- the National Trust's "Enterprise Neptune," which in two and a half years has managed to acquire or protect seventy miles of coastline in England, Wales, and Northern Ireland
- the disastrous and uncontrolled development of the Italian shores
- the achievements and limitations of legislation for coastal protection in France

*The Italian tourist industry, realizing that well-preserved historic buildings, towns, and monuments would attract visitors, helps underwrite the costs of maintenance and renovation. The City Hall, Florence. PHOTO: Courtesy of the Italian Tourist Office, New York.*

© Publifoto, Rome.







France, with an entire government agency devoted to the preservation of historic monuments, has been the leader in this area. This photo shows the City Hall of Paris, the Ile St. Louis, and the Marais district. PHOTO: Courtesy of the French Embassy Press and Information Division, New York.

- human and natural threats to the Venetian lagoon, and
- the problems of coastal development in Malta.

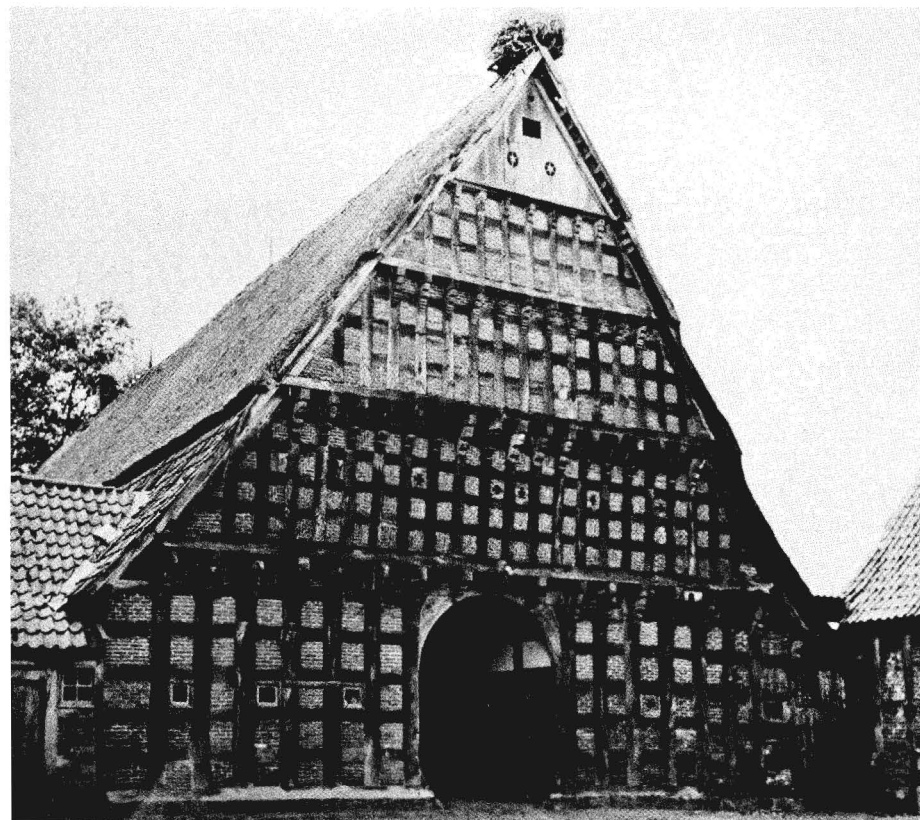
Subsequently, resolutions, supported unanimously by the member associations, were submitted to the Council of Europe stressing the urgent need for concerted action to save Europe's coasts and to avert the threat to Venice. A separate resolution was submitted to the Prime Minister of Malta.

*Europa Nostra* enjoys consultative status with the Council of Europe, formed in 1949 to further European unification by showing Europeans their common heritage. Thus, *Europa Nostra's* resolutions reach the Council's Assembly and influence the views of its Committee for Cultural Cooperation. For over two years the Committee has been conducting a detailed study of the best means of preserving and rehabilitating build-

ings of historic and architectural interest. The Committee's work will eventually find expression in a European Charter for historic buildings and their sites which, if ratified by the Assembly and the member governments of the Council of Europe, will be of incomparable significance for Europe's wasting architectural heritage. As a result of *Europa Nostra's* work, the major non-governmental associations concerned with the future of Europe's historic buildings will be able to make a valuable contribution.

The recent activities of some of the member organizations of *Europa Nostra* illustrate the role that private bodies can play, and are playing, in the preservation of buildings and landscape. They also address the unintended threats posed by increasing populations, industrialization, and leisure for the survival of ancient towns and of open countryside.



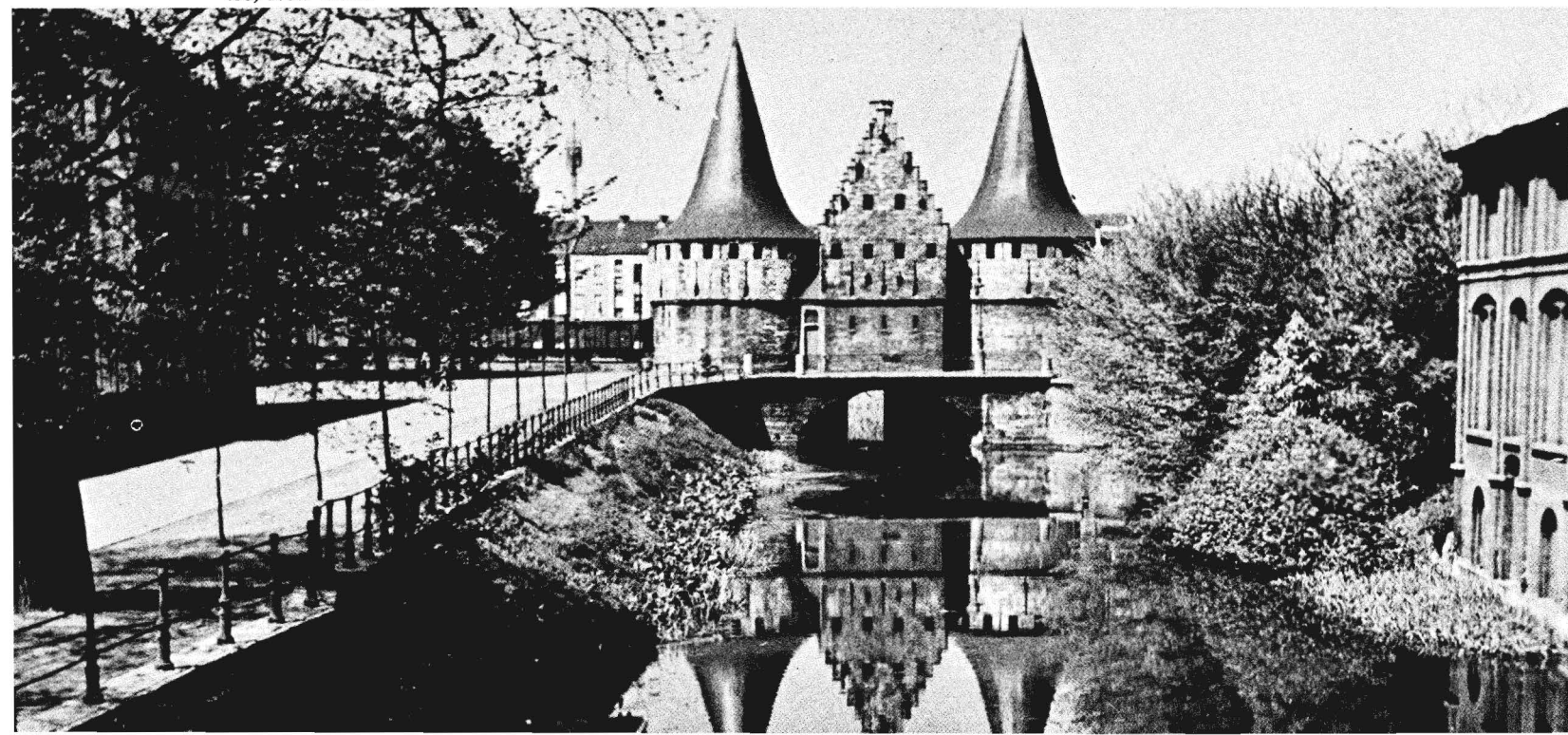


*A farmhouse typical of the kind built around 1750 in Northern Germany. PHOTO: Courtesy of the German Information Center, New York.*

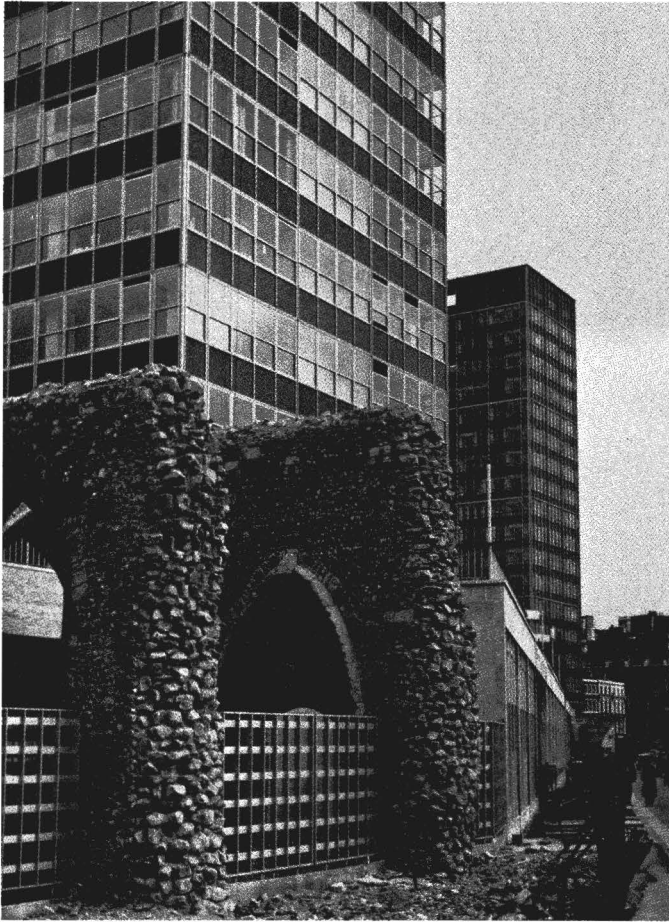
*The Knight's Hall, the Hague, the oldest residence of the Counts of Holland, stands in the Inner Court, surrounded by the Houses of Parliament. It is the building used for all important state functions and the one in which the Queen opens Parliament each year. PHOTO: Courtesy of the Netherlands Information Service, New York. © Doeser Fotos, Laren.*



*The "Rabot," a military fortress built in the 15th century in Ghent, East Flanders. PHOTO: Courtesy of the Belgian Information Service, New York.*







Part of the old city wall of London uncovered during the construction of a new office building in the financial district was incorporated in the finished design. PHOTO: Courtesy of the British Travel Association, New York. © London.

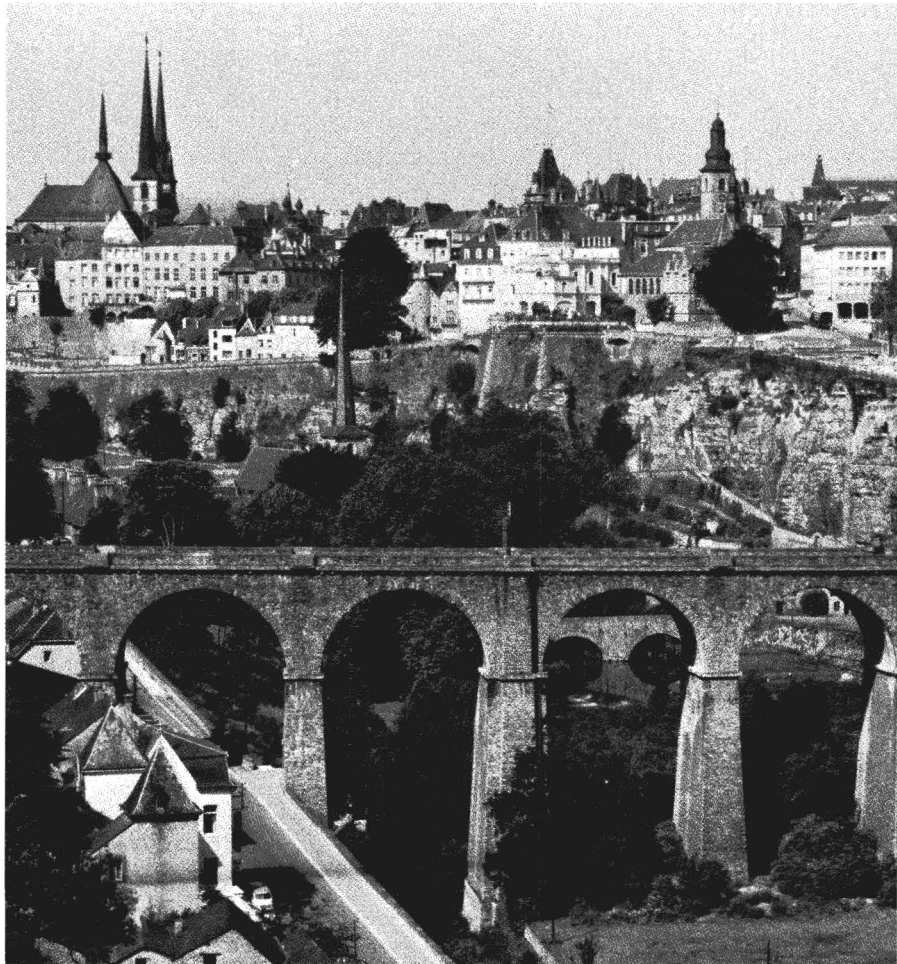
### Complete Inventory

The *Schweizer Heimatschutz*, with active sections in each of the twenty-five cantons, has, with the *Naturschutz*, lately undertaken a complete inventory of the outstanding areas of the Swiss countryside that merit protection. All who love the Alps owe much to this organization, which has long battled to ensure that Switzerland's vast hydroelectric installations are properly sited. In 1966 the *Heimatschutz* received for the first time statutory recognition and a subvention from government funds.

In France the *Vieilles Maisons Françaises* have recently achieved two of their major objectives: first, a provision for loans from the Ministry of Fine Arts to the owners of buildings either *classés* or *inscrits* as historic monuments; and secondly, the creation of a third class of historic buildings, to be known as *châteaux agréés*, whose owners may deduct 25 per cent of the cost of upkeep from their tax returns provided that the *châteaux* are open to the public.

After playing a vital role in the campaign which led to the preservation of the *Via Appia* in 1966, *Italia Nostra* in the same year launched the international appeal following the floods in Northern Italy. Barely had they finished raising twenty million lire for flood damage than they began to organize a major exhibition and conference which, in 1967 drew international atten-

Old and new blend into the skyline of Luxembourg, an impregnable fortress city from the middle ages until the First World War.



tion to the preservation of buildings, landscape, and wild life in Italy.

The Civic Trust and the Ancient Monuments Society, two of the British members of *Europa Nostra*, have done particularly valuable work in the last two years. The Civic Trust (the creation of Mr. Duncan Sandys, who also helped to launch the European Movement in 1947) conceived and drafted the Civic Amenities Act which was passed by Parliament in 1967—amenities being the attractiveness and value of real estate for purely residential purposes or features conducive to such attractiveness and value. The Civic Trust had previously sponsored the concept of the Lea Valley, northeast of London, as a regional park with such determination that the Government was persuaded to introduce the necessary legislation. The number of local amenity societies in Britain has tripled in a decade (there are now some 650), largely because of the active encouragement of the Civic Trust.

Of considerable long-term importance was the publication by the Ancient Monuments Society in 1967 of an architectural notation to describe buildings accurately in symbols. Such a notation, dispensing with language, has international validity. It thus contributes directly to the preservation of buildings which *Europa Nostra* is promoting throughout Europe.



# Customs Union to Single Nation: 19th Century Germany

GERMANY'S RAPID RISE during the nineteenth century from a group of loosely connected states to the rank of the foremost industrial power on the Continent is generally attributed to two events: the creation of the customs union (*Zollverein*) in 1833 and the political union brought about by the founding of the German Empire (*Reich*) in 1871.

This article is based on *The German Economy, 1870 to the Present*, a well-known work in German by the Austrian Gustav Stolper. The book, which has just been published in English,\* outlines some of the economic measures by which Germany had achieved a large degree of economic and administrative unity by 1914.

Stolper, who died in 1947, was a liberal member of the *Reichstag* between 1930 and 1932, publisher of an economic journal in Berlin and, after 1933, an economic consultant in New York. Originally published in 1940, his book has been revised and brought up to date by two German scholars, Karl Häuser, professor of economics at Frankfurt University, and Knut Borchardt, professor of economic history at Mannheim University.

Following Prussia's success in 1833 in uniting the most important of the future federal states in the framework of the German *Zollverein*, other states joined in rapid succession. After 1854 the *Zollverein* encompassed all the territory later to be included in the German Reich, with the exception of Mecklenburg, Hamburg, Bremen, and the territories annexed in the wars of 1864 to 1871—Schleswig-Holstein and Alsace-Lorraine. The German *Zollverein* was a complete customs union. Commerce among the member states was free of any customs barriers. The only customs frontiers were those between the *Zollverein* states and the outside world, which in this respect included Austria-Hungary.

The needs of business also enforced some conformity in the specific field of commercial law. In 1847 the first draft of a general German negotiable instruments law (*Allgemeine deutsche Wechselordnung*) was published; during the following years it was enacted by the various member states of the *Zollverein*. In 1861 the draft of a general German commercial code was completed; by 1865 it had been ratified by almost all the states, including Austria. Nevertheless, important differences remained in legal and administrative conditions under which business was conducted.

For the time being, this was as far as German unification went. Though the member states had neither a common currency nor freedom of movement or of establishment, the *Zollverein* proved a powerful stimulant to economic growth.

After the establishment of the "Smaller German Reich" in 1871—following the defeat of Austria in 1866, the founding of the North German Confederation, and the defeat of France in 1871—trade regulations could finally be unified for the entire territory. For the first time complete freedom of movement for individuals and goods was secured throughout the Reich. The metric system had become the basis for all weights and measures. The post office became a Reich enterprise, except in Bavaria and Württemberg, where "postal sovereignty" was relinquished only when the Reich was remodeled after the revolution of 1918.

In addition, the federal states held fast to their traditional

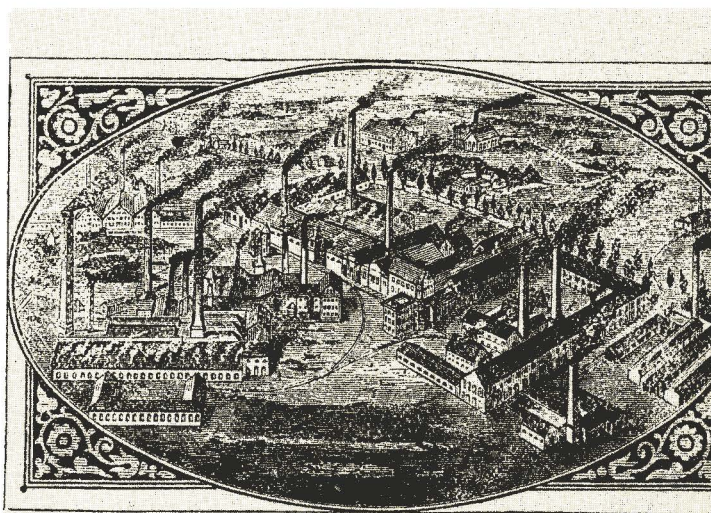
civil laws until the beginning of the twentieth century, when the Reich civil code (*Allgemeines Bürgerliches Gesetzbuch*) was enacted. Long after their nationalization, the railroads remained the property of the larger states (Prussia, Bavaria, Saxony, Baden, Württemberg, Oldenburg, Mecklenburg) and were transferred to the Reich only during the reforms after the First World War. Most important of all, the individual states retained virtual financial sovereignty, except for a few tax privileges vested in the Reich.

## Fiscal powers

Like the United States, the German Reich began as a confederation of sovereign states, a status that survived until the revolution of 1918. In foreign affairs, and many domestic matters too, Germany rapidly developed into a unified state; but the individual states retained financial and administrative powers until the Weimar Constitution of 1919.

The Reich of 1871 had no administrative organs except the army, the navy, the foreign service, the customs administration, the post office and, somewhat later, the colonial administration. The entire internal administration—police, judiciary, public finance, and education—remained in the hands of the federal states. Thus, the Reich had little control over fiscal policy. It had inherited from the *Zollverein* control over customs revenues and over some excise taxes, which until the First World War were rather narrow in scope. There was also another Reich revenue, the "matricular contributions." Originally, these were payments to the central authority by the member states in the German Confederation, the *Bund*, formed in 1815 after Napoleon's defeat. These contributions were continued on into the North German Confederation and Bismarck's Reich, but the Reich was largely dependent on the federal states.

The only new source of revenue of the North German Confederation and Bismarck's Reich was the revenue from the post and telegraph administration to which was added in 1871 income from the managements of the Alsace-Lorraine railroads. In 1913, the Prussian revenue of 4.2 billion marks exceeded



*The Krupps works at Essen in the Ruhr, a symbol of Germany's industrial might in the nineteenth century.*



### Deutsches Zollmanduwer.



This 1833 cartoon comments on the German Zollverein. Friedrich List, a German economist who in 1819 suggested the idea of the Zollverein, is shown holding his paper promoting this cause about to cut the economic ties between struggling Germany and a derisive Great Britain.

the ordinary and extraordinary Reich revenue by 100 million marks.

Before the Weimar Constitution, the entire field of direct taxation was a prerogative of the states, which also received large revenues from their railroads. The municipalities derived most of their income from property taxes, but they also levied surtaxes on some state taxes. Only in the last years before the First World War did the Reich succeed in entering the field of direct taxation. In 1906, the Reich was allotted a share in the inheritance taxes, which previously had been reserved to the states. The states continued to administer these taxes, however, and the Reich's share remained inconsiderable.

The first significant inroads into the traditional tax system were made under the shadow of the impending war. In 1913 the Reich imposed a capital levy combined with a surtax on higher incomes as a defense contribution (*Wehrbeitrag*). The revenue from this levy in 1914 and 1915 amounted to approximately one billion marks.

#### Currency Unification

In 1871, Germany was still divided into seven separate currency areas. There were 33 banks of issue, totally unconnected with each other, and carrying on their issuing activities under widely differing rules and regulations. Under such circumstances no monetary policy could be devised that could meet the needs of an industrialized country.

The new unified currency system of the Reich was set up in three stages:

- In 1871 a law regulating the minting of gold coins was passed. The mark was adopted as the currency unit, its ratio to the values of the circulating silver coinage was defined, and the silver coins were withdrawn.
- In 1873 the gold standard was established by law, and the use of silver was reduced to small coins.
- In 1875 one of the 33 banks of issue, the Prussian Bank, was reorganized as the Reichsbank.

The other banks of issue were left in a precarious situation, both in relation to a Reichsbank and to the private commercial banks. The plan was to induce them to relinquish voluntarily to the Reichsbank the rights which still belonged to them by law to issue banknotes. By 1910, in fact, 27 of them had yielded to this pressure; the rights of issue of the remaining five banks were not canceled until 1935. The note circulation of these "private issuing banks," as they were called after the Reichsbank had been organized, was so small and so strictly regulated that it counted for little in the new monetary system.

"The unification of the Reich," Stolper concluded, "was of indubitable and permanent benefit to the German economic system. The German nation, united for the first time in its history, enjoyed unparalleled prosperity, political power, and economic expansion."



# COMMUNITY NEWS

## COUNCIL APPROVES CUSTOMS REGULATIONS; MEETS JULY 1 DEADLINE

The European Communities Council of Ministers, in work prior to the July 1 deadline for the completion of the customs union, touched on almost every relevant section of the Rome Treaty creating the European Economic Community or Common Market.

Since the last issue of *European Community*, the Council has met three times on agricultural matters and once on foreign affairs. Meetings of May 27-29 and May 30 were held in Brussels. The meetings of June 17-18 and June 27-28 were held in Luxembourg.

### Customs and Tariffs

On June 28 the Council adopted the Commission's proposals concerning: the definition of the concept of origin of goods, the dutiable value of goods, provision for temporary storage of goods in bond, and treatment of goods arriving in customs (see *European Community* No. 112, page 18). In addition, regulations on the common customs tariff were adopted. In view of the possibility of distortions of trade and diversion of customs revenue after July 1, both the Council and the Commission considered the enactment of these provisions indispensable.

**Definition of origin.** The criteria given are valid for all products but petroleum products, for which definitions will be specified later.

**Dutiable value.** This value is considered to be the normal price of a sale effected under conditions of full competition between a purchaser and a vendor who are independent of each other.

Both regulations provide for the creation of a committee to administer these regulations. A representative of the Commission will be chairman of each committee which will be composed of representatives of the member countries.

**Tariff exemptions and reductions.** Full or partial tariff exemptions were granted for ethyl acrylate and chloroethylvinyl ether copolymers in blocks; maintenance and repair products for aircraft and helicopters with tare weights of 2,000 kg. to 15,000 kg; equipment used in fitting out aircraft; amines of undefined chemical composition and epoxy resins in liquid, powder, or paste form for use in the manufacture of aircraft; tires for use on aircraft; young male cattle, and products used in the manufacture of sea-going vessels.

### Agricultural Markets Completed

With the Council's latest decisions in agriculture, the agricultural common market was completed. Decisions touched almost every sector. In addition to new decisions and regulations reported below, modifications were made in the basic regulations on cereals,

eggs, and rice to adopt the nomenclature used in them to the new nomenclature in the common customs tariff.

**Milk and milk products.** On a proposal by the Commission, the Council on June 28 adopted the regulations on the common organization in milk and milk products and agreed to put it into force on June 29. The single price system was introduced on July 1, 1968, and July 29, 1968, will be the effective application date. The main lines of the policy had been agreed at the Council meeting of May 27-29, during former demonstrations against the Commission's proposed policy (see *European Community*, No. 113, page 15).

To finance the common milk policy, the Council agreed to:

- reduce eligible expenditures by \$170 million, divided among the member countries holding butter stocks in proportion to the quantities of butter in stock on April 1, 1968
- go ahead with a tax on vegetable and marine-animal fats intended for human consumption. The tax will accrue to the Community. Though the German delegation said it would not introduce the tax, it would, nevertheless, meet the corresponding financial obligations
- take appropriate economic and financial measures, on a Commission proposal in the context of an examination of the entire agricultural policy, should expenditures from the price support section of the farm fund exceed \$630 million in the 1968/69 marketing year

- to adopt as quickly as possible measures for the disposal of surpluses in the milk and milk products sector.

**Beef and veal.** The Council agreed to introduce the single price system on July 1, 1968. In addition, the Council said it planned to define measures concerning stock breeding to guide the development of cattle herds to meet consumer demand more effectively for veal and dairy products as well as beef.

**Pork.** The Council adopted regulations fixing prices and standard quality for pork from July 1 to October 31, 1968, and adopting the nomenclature used in the basic regulation to that used in the new common customs tariff.

**Sugar.** To enable the single market for sugar to come into force on July 1, 1968, the Council on June 18 adopted implementing regulations for the common sugar policy. The most important of these regulations:

- fixed prices for sugar in the 1968/69 marketing year
- specified the general rules related to export rebates, to denaturing of sugar used in animal feeds, and to export rebates on sugar used in the chemical industry.

**Fruits and vegetables.** The Council on June 28 adopted a proposal by the Commission for the liberalization of intra-Community trade in processed fruit and vegetable products, with or without added sugar. Prices were also decided for peaches and lemons during the current marketing season.

**Fats and oils.** The Council adopted regula-



Farmers demonstrate in Brussels against the Community's proposed dairy policy.



tions fixing prices for colza, rape, and sunflower seeds.

**Other Annex II products.** For the other farm products listed in Annex II of the Rome Treaty creating the European Economic Community which were not subject to common market organizations, the Council adopted the Commission's proposal to create a single market starting on July 1, 1968.

#### Foreign Affairs Activities

The Council meeting of May 30 was devoted chiefly to foreign affairs, but decisions were also made concerning Community financial aid for research in coal and steel. The Council also decided to transmit the annual report of the Monetary Committee to the European Parliament for publication (see page 18).

**United Kingdom, Denmark, Norway, Ireland.** The Council heard a statement by the Committee of Permanent Representatives (CPR) concerning the four requests for membership in the Communities. After a short discussion, the Council agreed to put this item on the agenda for its next meeting, scheduled for July 30-31.

**Malta.** The Council instructed the CPR to examine the Commission's report on the request for an agreement.

**Morocco and Tunisia.** The Council heard an interim report by the CPR chairman concerning problems connected with the conclusion of a partial agreement with these countries and instructed the committee to present a complete report at the next meeting so that a negotiating mandate could be adopted before the August vacation.

**Algeria.** The Council agreed to examine soon the Algerian request for negotiations and instructed the CPR to examine and to report at the next meeting on the Commission's proposal for transitional arrangements for commercial relations with this country.

**Yaoundé Associates.** The Council heard the Commission's views on the renewal of the association convention with the eighteen African countries. The Association Council of the agreement will meet in Kinshasa, the Congo, on July 23 to review the year's work.

**East Africa.** The Council noted its agreement on the results of the Commission's negotiations with Kenya, Uganda, and Tanzania and authorized it to draw up the text of an association agreement (see page 19).

Decisions on matters of foreign affairs taken at other Council meetings concerned:

**International Grains Arrangements.** The Council on June 18 decided to ask for an extension of the time allowed to deposit the final instruments of acceptance of the conventions on trade in wheat and food aid. In the meantime, the Council decided to deposit

with the Government of the United States a declaration of intent by which the Community will apply the conventions on a provisional basis. According to the conventions signed in Washington last November, the Community's share of the assistance is 23 per cent, amounting to 1.035 billion tons of cereals a year (see *European Community*, No. 108, page 23).

**Lebanon.** The Council adopted the decision concluding a trade and technical cooperation agreement with the Lebanese Government, following Lebanon's notification that the necessary internal procedures had been completed. The Community members' approval procedures had been completed for several months.

**Israel.** The Council decided on June 28 to suspend part of the common customs tariff on certain products imported from Israel.

#### Advisory Opinions Sought

The Council agreed to ask the opinions of the European Parliament and the Economic and

Social Committee on:

- proposed directives concerning: cut glass; electrical equipment designed for use within certain voltage limits; the marketing of seeds of oleaginous and fibrous plants; the joint catalogue of varieties of the species of agricultural plants; and the marketing of vegetable seeds.

- proposed regulations for the common market organization in the fishing industry and implementing regulations.

The Council agreed to consult the European Parliament on proposed regulations:

- amending Regulation No. 158/66 on the application of quality standards to fruits and vegetables marketed in the Community

- on the common organization of the market in cereals

- on the manufacture and marketing of butter

- on payments from the Community's agricultural price support fund during the first six months of the 1967/68 accounting period.

## AGRICULTURAL UNIT OF ACCOUNT MADE MORE FLEXIBLE; COUNCIL SETTLES POLICY ON PARITY CHANGES

The European Community recently has acted to introduce new flexibility into its policy on changes in the parity of member countries' currencies.

The Council of Ministers of the European Communities on May 30 adopted a regulation amending and supplementing previous provisions dealing with the unit of account in the context of the agricultural common market. This accounting unit, pegged to gold, is used to express agricultural prices in the Community and relate them in the national currencies of each member state. The need for flexibility in the existing "rigid, automatic" adjustment provisions dealing with a revaluation or devaluation of member states' currency became essential as a single price system came into effect for farm products covered by common market organizations.

Since single prices had to be fixed for a territory comprising six different monetary areas, a common monetary denominator had to be used and a device found which could do for the Community what a currency does for a country: namely, act as a standard for measuring assets and liabilities in monetary terms. Had a common instrument not been found, assets and liabilities would have had to be expressed in terms of the six currencies concerned. As long as the relationship between any of these currencies and the other five, or between each of them and gold, remained purely a matter for the national authorities, the common market in agriculture could not operate if even one government changed the value of its currency.

#### The Accounting Unit Technique

The Accounting unit technique can be summed up as follows:

- A common standard is chosen, normally a given weight of gold, usually 0.88867088 grams of fine gold—the gold parity of the U.S. dollar.

- A stable, but not fixed, relationship is established between gold and each of the national currencies concerned.

- The unit of account performs one function of a currency: it acts as a monetary yardstick. The other, that of a means of settlement, is performed in each country by the national currency. Once assets and liabilities have been expressed in units of account, the amount due is converted into the relevant national currency: for this, the ratio between the national currency and the standard chosen, a ratio derived from parity, is used.

- If this ratio is altered by a nation, the amount of the settlement in terms of that currency is automatically adjusted. If a currency is devalued, for example, by 20 per cent with relation to the standard, the amount due in terms of the national currency will be increased by 20 per cent. Conversely, it will decrease by 20 per cent if the currency is revalued by 20 per cent.

Legal provisions covering these various points were agreed upon by the Community in October 1962. The common market organizations, however, were still undeveloped and less rigid than now, particularly with regard



to prices. Prices were still being fixed by each of the Six within price-brackets approximating the single price, allowing governments considerable latitude. The situation changed once single prices for each product became a feature of the organization of the common market in agriculture.

#### **Regulation Settles Parity Policy**

The May 30 regulation of the Council provides for the following hypothetical cases:

- A simultaneous and uniform change in the parity of all Community currencies (for instance, if the price of gold changed). The regulation provides that the gold value of the unit of account would automatically increase or decrease in proportion to the change in parity. This provision, as does that of the case below, has the effect of abolishing the gold-value guarantee given to agriculture by previous regulation. The Council felt that there was no reason why agriculture should be the only sector to have a gold guarantee.
- The parities of all member states' currencies change simultaneously but not uniformly. In this case, the value of the unit of account will be changed in proportion to the change in parity for the currency least af-

ected. This would also be automatic unless the Council decided otherwise.

- The parity of one or several currencies in the Community changes. The Council, in this case, would decide whether or not the value of the unit of account should also be changed.

These provisions were supplemented by some rules of procedure. The regulation provides that any changes in parity taking place within a period of three days will be regarded as being "simultaneous" and that the Council must meet and decide on the value of the unit of account and any other related questions within the same period of time. This three-day period will begin on the day on which the first member state to change its parity makes an official announcement to this effect.

According to current Community procedure, the competent Community authorities must be consulted prior to any change in parity of any member. Any change, in almost all cases, must take place at the end of a working week. The three-day period should, therefore, coincide with the period during which banks and stock exchanges are closed. However, in the case one or two working days go by before the Council reaches a decision, and in order to avoid uncertainty as

to the value of the unit of account, the regulation provides that the unit's value will be suspended from the beginning of the three-day period until such time as a value can definitely be fixed.

#### **Other Rules Make Technique Less Automatic**

The regulation also provides that the Council, in the interest of the economy as a whole, may disregard existing agricultural regulations and make minor adjustments in agricultural prices provided this does not hinder the free circulation of farm products. A Council decision to change the value of the accounting unit or adjust farm prices must be unanimous and must be taken on a proposal by the Commission and following consultation with the Monetary Committee.

A supplementary provision making the accounting unit technique less automatic stipulates that a member which has changed the parity of its currency may then take transitional measures to cushion the effects of the automatic readjustment of prices in its national currency. These measures must be made according to Community procedure and may not hinder the free movement of farm goods or the operation of the single price system.

## **DEMAND FOR FOREIGN WORKERS DROPPED SHARPLY IN 1967**

Demand for foreign workers, as measured by the number of first work permits issued, declined by over 50 per cent during 1967 in France, Germany, Luxembourg, the Netherlands, and Belgium, the five members of the European Community that need outside labor. Italy is a supplier of labor to the other five Community members.

On May 22, 1968, the European Community's Commission and the member states discussed this and other findings presented in the fourth annual report on "The Free Movement of Workers and Labor Markets in the Community." The report, prepared by the Commission in cooperation with the six ministers for social and labor affairs, reviewed the major difficulties encountered during 1967 in trying to improve the balance of job offers and requests, in providing information on job openings, and in helping foreign workers get settled in new jobs away from home. The statistics in the report cover the first nine months of 1967, the latest available when the report was approved.

#### **Benefits of Business Recovery Delayed**

Since the labor market takes longer to respond to changes in economic activity, little change was reported in the trend of employment for the year, despite the recovery of business activity that was already apparent by early summer. As a result, the number of newly employed foreign workers in the Community as a whole dropped sharply in 1967.

In 1967 284,900 first work permits were issued, 52 per cent fewer than at the same time in 1966.

In view of the inadequacy of statistics on first work permits as an indicator of foreign employment and labor mobility, the Technical Committee on Manpower is working with the member states to create a more complete, meaningful, and homogeneous statistical system.

The decline in demand for foreign workers throughout the Community varied from industry to industry and country to country. In Germany, where the decline was strongest, demand for foreign workers dropped 65 per cent. Luxembourg (down 57 per cent) and the Netherlands (down 51 per cent) followed with the next sharpest declines. Germany and France still granted the highest number of new work permits, 87 per cent of foreign workers entering the Community.

The major declines in demand for foreign workers occurred in the production and metal processing industries, down 72 per cent; textiles and clothing, down 72 per cent; mining and quarrying, down 71 per cent; and construction and public works, down 53 per cent.

#### **Priority for Community Nationals**

Among the total entries of foreign workers, the proportion of Community nationals granted permits for work in other member countries improved in each member country

during the year. Despite slackness in the labor markets of the five countries using foreign manpower, the principle of giving priority in employment to nationals of the Community gained ground. Despite increases in unemployment in most member countries, recourse to the safeguards clause was minimal as a result of increasingly effective efforts to provide information about poor employment prospects in certain trades and geographical regions.

#### **Outlook for 1968**

The Commission estimated the member states' total requirements for non-national manpower in 1968 at 325,000 to 350,000 workers. Italian reserves of manpower were estimated at 150,000 workers. Since 80 per cent of them are unskilled or semi-skilled, the Commission sees little likelihood that Italian reserves can be absorbed by the other member countries. "The quality of supply does not match demand," the Commission remarked.

To improve the process of adjustment between supply and demand, the Commission suggested that this report be used as a point of departure for regular surveys of the qualifications of available manpower, and as the basis for providing appropriate vocational training. These measures could facilitate the execution of priority employment for Community nationals when filling vacancies. The report stressed the need for close cooperation between the labor authorities of the member countries, as well as the Community's responsibilities for promoting this cooperation.



## EIB ACTS AS CATALYST FOR REGIONAL AND EUROPEAN-SCALE INVESTMENTS

Regional development loans and loans to projects of European-scope have been the focal points of the European Investment Bank's (EIB) first decade of operations. In addition to reviewing its first ten years, the Bank's report on fiscal year 1967, approved by the Annual Assembly of the Board of Government on May 27, 1968, treats the current trends in the European capital markets. Created by the Rome Treaty establishing the European Economic Community, the Bank provides part of the funds necessary for investment projects, enough to encourage private and government sources to finance the balance.

### The First Ten Years

The Bank devoted its first ten years to establishing its credit, and to making loans for regional development, sectoral conversions (especially in shipbuilding), and projects encouraging the alignment of the economies of the member countries. It has been particularly active in financing major transport networks and industrial projects that benefit several member countries.

Since 1961, when the EIB floated its first loans, it has acquired a reputation as a prime borrower. The amount of its borrowing has risen from \$21.4 million in 1961 to \$66.8 million in 1964 and \$194.5 million in 1967. At the end of 1967, its total borrowings amounted to \$553.7 million, more than double the paid-up capital.

Similarly, the annual amount of loans granted has grown regularly, passing from an annual average of \$53.4 million during the period 1959-61, to \$128.8 million in 1964-65 and \$232.8 million for 1967. Since its creation, the Bank has granted some 200 loans, for an overall amount of \$1 billion. This sum includes 28 loans for \$123 million under preferential terms in Turkey and in the 18 African states associated with the Community by the Yaoundé Convention.

The Bank's emphasis on regional development loans explains the preponderance of loans to Southern Italy and the islands in its overall lending activities. In the other member countries, the Bank's regional action has focused on the peripheral areas, such as Western and Southern France and certain German *Länder*, such as Schleswig-Holstein and Bavaria.

As an example of the economic effects of the Bank's loans on regional development, the report mentions the case of the Italian province of Campania. Bank-financed projects have helped to create 15,000 new jobs and maintain about the same number. The annual turnover of EIB-financed enterprises in the area exceeds \$100 million.

The first ten years have made clear the role that the Bank can play in European integra-

tion by promoting economic interdependence and industrial modernization. This role has been supplemented by the extension of its development activities to the associated countries. The Bank stated its readiness to contribute to the solution of the major problems that the Community will face in the future, such as those now emerging in the field of development of technology.

### Lending Spurs Investment

The Bank's activities in 1967 were influenced by the common cyclical policy and economic conditions in each member country. The first six months of the year were characterized by a general economic slowdown, except in Italy. To encourage investments, the Bank intensified its loan operations, particularly in France and Germany. Assistance to depressed areas in Italy continued to occupy a predominant place in the Bank's interventions.

As a result of developments in the Community's capital markets, the Bank obtained the capital it needed with minimal increases in the cost of its resources. In the European national markets, yield rates of fixed-interest securities were subjected to less stress than in 1966. Net issues of securities amounted to \$12.81 billion, compared with \$10.98 billion in 1966. Share issues slowed down, except in the Netherlands and Belgium. National issues of fixed-interest securities remained high.

Foreign bond placings in France, Italy, and the Netherlands amounted to \$100 million. As a source of long-term financing, the international European market played a greater role. The value of issues expanded by 65 per cent to \$1.8 billion compared with \$1.1 billion in 1966. American borrowers accounted for \$527 million and Community borrowers for \$529 million.

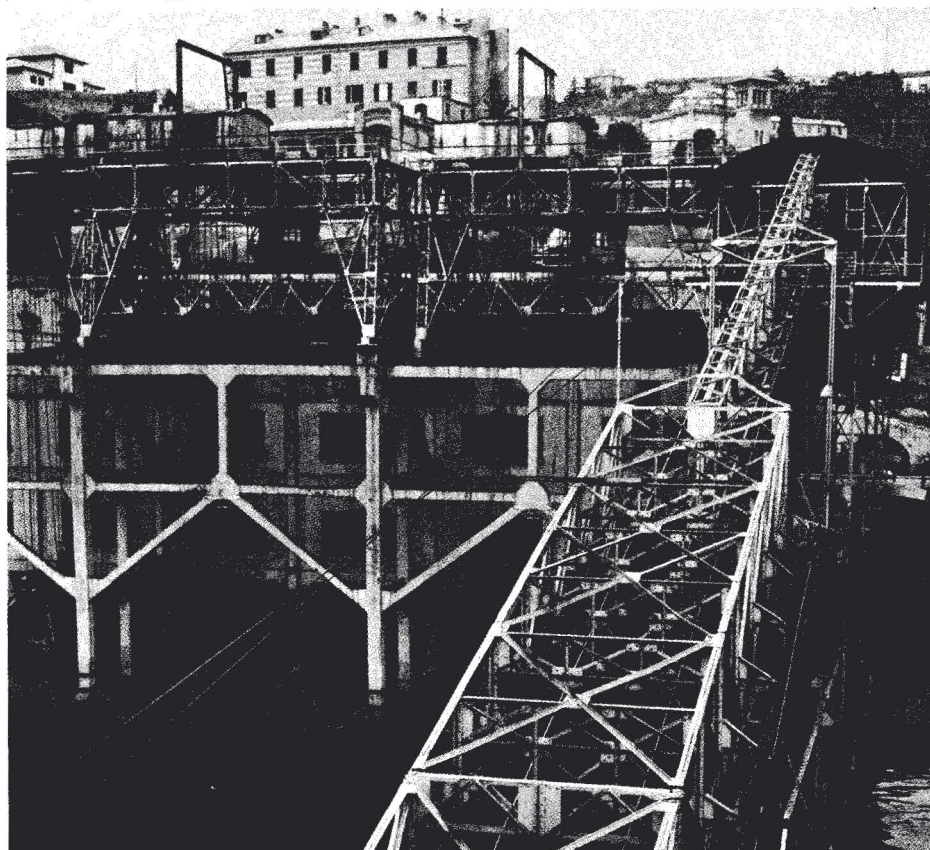
Projects related to major European-scale infrastructures and the reorganization of certain industries received emphasis in the Bank's lending activities in 1967. During the year, 42 loan contracts were signed for a total of \$212.6 million equivalent.

The following loans were also approved:

### EIB LOANS APPROVED IN 1967

Country	Number of Projects	Loans (in millions of dollars)
Belgium	1	\$ 16.0
Germany	5	27.5
France	6	53.7
Italy	13	65.1
Greece	1	15.0
Turkey	9	35.5
African Associates	6	20.0
<b>TOTAL</b>	<b>41</b>	<b>\$232.8</b>

*Modernization and specialization in the shipbuilding industry have been encouraged by EIB financing. A shipyard in Savona, Italy. PHOTO: © Rudolf Betz, Munich.*





## MONETARY COMMITTEE REPORTS ON 1967, A YEAR OF INTERNATIONAL PAYMENTS TURMOIL

A year of international monetary turmoil brought the six members of the European Community a step closer to economic union. Before 1967 ended, the Six had managed to hammer out a common attitude towards the solution of the world's monetary ills.

Comments on the economic situation in the Community and the world are contained in the Monetary Committee's fourth annual report, published late in May. The Monetary Committee is an independent group of experts created by the Common Market Treaty to advise the member states' governments and central banks, and the Community's Council of Ministers and Commission.

### A Smooth Transition to Economic Union

The Community members' efforts to curb cost-price increases by restricting domestic demand led to a slackening of economic activity at the end of 1966 and early 1967, the committee recalled. Germany experienced a recession; in most other parts of the Community a hesitant trend took hold. The tendency of economic conditions to spread from one member country to another again demonstrated the need for close coordination of the six national economic and monetary policies, the Monetary Committee commented.

The primary objective of national monetary policy now should be the gradual attainment of the optimum use of production capacity, the Committee said. A step in the right direction was the agreement reached by the Economics Ministers of the Six in February 1968 in Rome (see *European Community* No. 111, page 19), strongly emphasizing concerted action to keep interest rates stable. The U.S. and British programs to curtail their balance-of-payments deficits could contribute to an increase in interest rates which could put a brake on the revival of private investment after several weak years. The Monetary Committee observed that this concerted action of the Six marked a new step towards the coordination of economic policies involved in making the transition from customs union to economic union.

### International Payments Disequilibrium

The international payments disequilibrium worsened in 1967, most noticeably in the balances of the key-currency countries, the United States and the United Kingdom. Anxieties about the solidity of the dollar and the pound sterling had sporadic but serious repercussions on the international gold and foreign exchange market. After several unusually strong waves of speculation, the United States and Britain found strong actions necessary.

In November 1967, the United Kingdom devalued the pound sterling by 14.3 per cent. According to agreed procedure, consultations were held between the Community members, and played an important part in the members' decision not to alter the parities of their currencies.

The Committee said that the U.S. balance-of-payments program was of key importance because of its scope and potential effects on the world economy. It called upon the United States to take additional steps. Increased use of budget policy together with appropriate monetary measures would help mop up excess domestic demand, the report said. Although the primary responsibility for correcting its imbalance belongs to the United States, other industrial countries should pursue policies that do not frustrate U.S. efforts to re-establish equilibrium.

The Committee said that some Community members are still running balance-of-payments surpluses despite the persistence of underemployment of their productive resources. For those countries, the Monetary Committee suggested a continuance, and in some cases an intensification, of their current expansionary policies insofar as it is compatible with domestic stability.

### Consensus Facilitated SDR Accord

Although the Six were not able to take a common position on every aspect of reform of the international monetary system, consultations between the Six within the Monetary Committee facilitated agreement to create a new system of special drawing rights (SDR's) on the International Monetary Fund (IMF).

On January 16-17 in the Hague, the finance ministers of the Six and the governors of the member countries' banks of issue decided to instruct the Monetary Committee to devote special attention "to the improvement of international credit procedures." As a result, the Committee worked out the basis for a common position of the Six in discussions within various international organizations for the establishment of additional credit instruments and the concomitant modifications of certain IMF rules and procedures. The common attitude arrived at in consultations enabled the Community members to make an important contribution to the SDR agreement reached in London on August 20, 1967, and initialed in September in Rio de Janeiro at the annual assembly of the IMF.

The Community members' common attitude also strengthened their negotiating positions in meetings of the Group of Ten, participants in the General Arrangement to Borrow (GAB), and with the Board of Executive Directors of the IMF. Although it was not possible to reach an agreement on the system of SDR's acceptable to all the Common Market countries, the Six, together with other members of the Group of Ten, were able to declare their intention of strengthening international monetary cooperation at the conference of the finance and economic ministers and governors of the Group of Ten in Stockholm on March 25 and 30. Despite these gestures of solidarity, however, lasting improvements in the international monetary system depends on the adequacy of every country's balance-of-payments policy. The Committee indicated that such a policy was especially important for the United States "whose prolonged deficit is . . . imparting an increasing degree of uncertainty to the world monetary system."

## HIGH COURT UPHOLDS COMMISSION FARM REGULATION

The European Community Court of Justice has upheld the validity of a Commission agricultural regulation establishing a countervailing charge on imports of Bulgarian and Rumanian dessert grapes grown out-of-doors. The ruling embodies a statement of principle that, in weighing the interests of producers and consumers, the Council must also take into account, where applicable, Community preference, which constitutes one of the principles of the Rome Treaty.

A German importer had appealed to the Munich Financial Court against the countervailing charge on the grounds that the regulation was illegal. The German Court suspended the proceedings while it asked the Community Court of Justice whether the regulation concerned was valid.

The company argued that the regulation contravened Article 39 and Article 110 of the Rome Treaty because it gave preference to the interests of growers rather than consumers of fruit and vegetables and because it had done away with the requirement that a countervailing charge could not be introduced until the existence or threat of a serious disturbance on the Community market had been established.

The Court of Justice rejected this argument on the grounds that the objectives set out in Article 39 could not all be fully attained at the same time. The regulation was, in the Court's view, intended to provide protection for Community producers only within reasonable limits.



## COMMUNITY TO SIGN ASSOCIATION AGREEMENT WITH THE EAST AFRICAN COMMUNITY

The East African Community—Kenya, Uganda, and Tanzania—will sign an association agreement with the European Economic Community in Arusha, Tanzania, on July 26. The agreement relates mainly to reciprocal rights and obligations in trade, but also contains provisions on free movement of persons and capital, freedom to supply services, and the right of establishment for companies from and in any of the signatory states.

Negotiations for the agreement began in March 1965 and were concluded in Brussels on June 7, 1968. The association stems from the declaration of intention issued by the EEC member countries in 1963, at the time of signing the Yaoundé Convention associating 18 African countries with the Community. The declaration said that countries with economies similar to those of the Eighteen could conclude association agreements with the Community.

The new agreement provides that East African exports to the Six will generally receive the same treatment accorded to Community members. However, to prevent possible damage to the trade of the Yaoundé associates, the agreement limits duty-free entry of coffee and cloves from East Africa to a quantity based on the average Community imports of these products during the past three years. For the same reason, there is a safeguard clause for canned pineapple.

Treatment of agricultural products competitive with European products would be decided later, in the context of the Commu-

nity's common agricultural policy and after consultations in the Association Council, the institution empowered to administer the agreement.

The East African countries agreed to eliminate customs duties on goods imported from the Community except on those products necessary to meet their development needs, industrialization requirements, or which are intended to contribute to their budgets. As a result of these concessions, the Community receives tariff advantages of between 2 per cent and 9 per cent for 60 products. The East African countries will normally refrain from applying quantitative restrictions on imports of Community products, except as required by development or industrialization needs or balance-of-payments difficulties. Should such restrictions prove necessary, the East African countries will notify the Association Council.

### Agreement Linked to Others

The agreement recognizes the need to define the concept of "goods originating in . . ." as closely as possible to the definition under the Yaoundé Convention.

The "Arusha Agreement" will come into force on the first day of the month following the date on which the instruments of ratification are exchanged. It will expire on May 31, 1969, the expiration date of the Yaoundé Convention and the Lagos Agreement associating the Community with Nigeria. The Lagos agreement, though signed in July 1966, has not yet been ratified by all signatories.

## EDF TO PROVIDE \$33 MILLION FOR DEVELOPMENT

Total commitments of the second European Development Fund were raised to \$552,457,000 by nine financing decisions by the European Communities Commission on June 19:

**Mali:** \$3,908,000 for improving rice production.

**Martinique:** \$2,431,000 for improving the Lamentin-Marigot-St. Joseph road and for laying a new road from the mountains to Marigot.

**Cameroon:** \$20,000,000 for the construction of a second railroad track from Belabo to Ngaoundere, for installation of a telecommunications system along the route, and for purchases of rolling stock. The United States, France, and the Government of Cameroon are participating in the financing.

**Cameroon:** \$1,400,000 for the purchase of refrigerator cars, passenger trains, and workshop equipment for the Cameroon Railroad.

**Scholarships:** \$4,600,000 for scholarships in

1968-69 for nationals of the African countries associated with the Community and overseas Departments and territories of the Community members.

**Training programs:** \$54,000 to bring 20 civil servants from the associated countries to Brussels for five-month study and training programs with the Commission.

**Meetings and conferences:** \$150,000 for meetings and conferences during 1968-69 for 1200 participants. Part of this money will be used to publish a newsletter on the African association agreement mailed to former scholarship holders and student workers in the Community and participants in meetings organized by the Commission.

**Feasibility study:** \$100,000 to explore the possibilities of forming a common export organization for the African associates.

**Production aids:** \$1,054,000 for production aids and structural improvements in cotton, rice, and groundnut cultivation.

## REY REPLIES TO TRADE UNIONS ON GREECE

Jean Rey, President of the European Communities Commission, has told the trade union movement that the Commission's views on resuming the association treaty between the Community and Greece have not changed since the treaty was suspended last year.

In a letter to Theo Rasschaert, secretary general of the free trade-union movement in the Community, and Jean Kulakowski of the International Federation of Christian Trade Unions, Mr. Rey wrote: "The feeling of the Commission has not changed and we do not believe that a normal functioning of the association between Greece and the Community could be resumed until we are convinced that Greece has engaged herself seriously and rapidly on a return to normal constitutional and democratic life. Until today nothing has taken place which might give us this conviction. That is why our Commission considers itself unable to change the attitude which it took last year."

The trade union protest had been occasioned by the Greek Government's attempts to revive the agreement which was curtailed as the result of many interventions—including those of the trade union movement—when the army seized power in Greece.

## COMMISSION SUPPORTS CONVENTION ON RULINGS

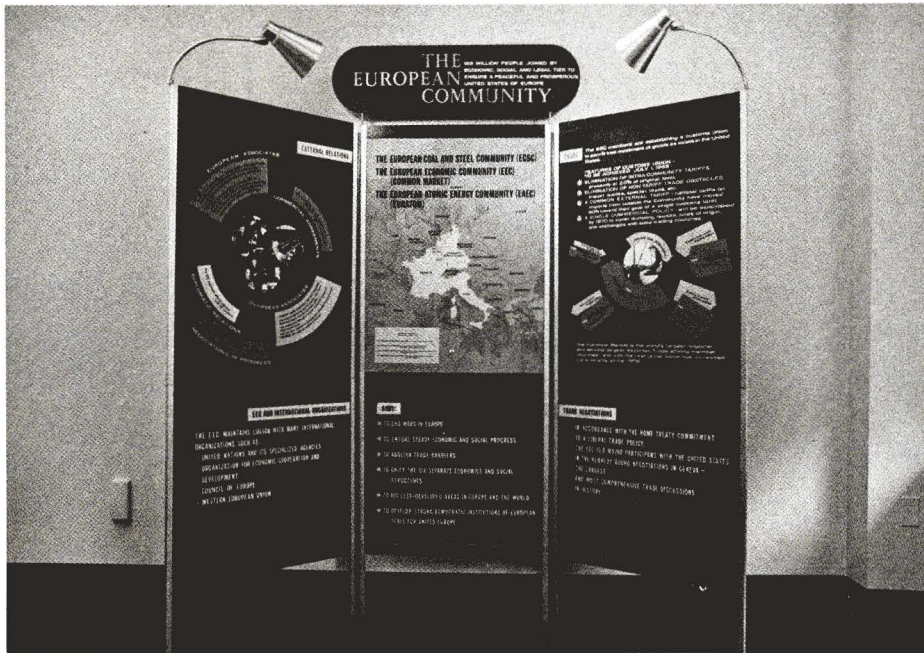
The Commission has expressed its support for early signature of the draft Convention submitted to the Six on judicial competence and the execution of decisions in business and civil disputes. The Convention would ensure that member states recognize and enforce rulings of each other's courts.

Sharp increases in trade among the Six, and a corresponding increase in the number of legal disputes involving more than one member state, necessitated this agreement. Intra-Community trade amounted to 43 per cent of the six member countries total trade in 1967, compared with 29 per cent in 1958. The completion of the customs union will further raise this percentage.

Bilateral agreements now regulate mutual recognition of court decisions, but the proposed Convention would simplify and expedite the process.

The Commission believes that a clause should be added to the agreement to enable national courts to ask the Community Court of Justice for preliminary interpretations of the Convention. Such a clause, it said, would carry the risk of divergent interpretations and would preserve the legal uniformity resulting from the Convention.





## HAVE CRATE, WILL TRAVEL

The European Community Information Service will lend schools, libraries, civic associations, and other interested organizations this exhibit on the Community, free of charge; but reservations should be made early. Panels show different aspects of Community affairs:

external relations, trade, nuclear energy, and the Community's association with Africa. Standing, the display measures 28 inches deep by 70 inches wide. It is 7 feet 4 inches high, including the headboard and lights. Panels, lights, and frame fit into a wooden crate especially built to facilitate safe shipment.

## PUBLICATIONS AVAILABLE

ETUDES ET ENQUETES STATISTIQUES, 1968, No. 1. Statistical Office of the European Communities, Brussels, 211 pages. . . . \$2.00  
*A new periodical which replaces INFORMATIONS STATISTIQUES and STATISTIQUES SOCIALES. This issue contains the following articles in the languages indicated.*

- ELIMINATION OF SEASONAL VARIATIONS: THE S.O.E.C.'S NEW METHOD (French)
- SCIENTIFIC RESEARCH AND NATIONAL ACCOUNTS (French)

- PROBLEMS CONCERNING THE CALCULATION OF INDUSTRIAL PRODUCTION INDICES FOR THE EUROPEAN ECONOMIC COMMUNITY (German)
- ETUDES ET ENQUETES STATISTIQUES, 1968, No. 2. Statistical Office of the European Communities, Brussels, 222 pages. . . . \$2.00  
*Contains harmonized statistics of gross hourly wages, work week, and employment in industry for April 1967. Some earlier statistics included. (French/German/Dutch/Italian)*
- PROJET DE SECOND PROGRAMME DE POLITIQUE ECONOMIQUE A MOYEN TERME. Commission

of the European Communities, Brussels, March 20, 1968, 179 pages, Annexes: 207 pages (limited quantity available) . . . . free  
*This draft second program of a medium-term economic policy complements the first program and develops it in greater detail. The first program was adopted by the Council of Ministers in April 1967.*

THE UNIT OF ACCOUNT IN AGRICULTURE. *Information Memo P-35*, Commission of the European Communities, Brussels, June 1968, 5 pages (mimeographed) . . . . free  
*Analyzes the May 30, 1968, regulation dealing with the unit of account in the context of the common market in agriculture.*

THE FREE MOVEMENT OF WORKERS AND LABOR MARKETS IN THE COMMUNITY—1968. *Information Memo P-32*, Commission of the European Communities, Brussels, May 1968, 6 pages (mimeographed) . . . . free  
*Summary of the fourth annual report on the movement of workers. Contains statistics on foreign manpower in the Community.*

TENTH REPORT ON THE ACTIVITIES OF THE MONETARY COMMITTEE. *Information Memo P-33*, Commission of the European Communities, Brussels, May 1968, 4 pages (mimeographed) . . . . free  
*Summary of the report adopted April 26, 1968.*

THE COMMON MARKET AND CONSUMERS: BIBLIOGRAPHICAL REFERENCES. Directorate General for Press and Information, European Communities, Brussels, 1968, 11 pages (mimeographed) . . . . free  
*Publications listed are in French, German, Dutch, and Italian.*

WOMEN WORKERS IN EUROPE: BIBLIOGRAPHICAL REFERENCES Directorate General for Press and Information, European Communities, Brussels, 1968, 26 pages (mimeographed) . . . . free  
*Publications listed are in French, German, Dutch, and Italian.*



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