

AUGUST 1968 NO. 115



# *europaean* *community*

COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM



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Europe went on vacation this month, but not before dealing with one of the heaviest work loads the Community has faced since its inception. While rushing through important decisions to meet the July 1 deadline for customs union, it was faced with a new challenge to European unity: the economic crisis in France. EUROPEAN COMMUNITY this month contains a summary and chronology of the events between June 25 and July 23 which illustrate the complexities of the political process which led to a joint Community effort to assist France in its current difficulties.

As in the United States, Europe this fall faces the trauma of elections. In this issue, EUROPEAN COMMUNITY surveys the major political parties in the Six. *Paul van Ypersele de Strihou* reviews the history of the Christian Democratic parties; *Roger Morgan*, the Social Democrats; and *Murray Forsyth*, the Liberal parties.

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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

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COVER: Detail of continuous sizing of textile fibers. Photo archive, Montecatini—*Società Generale per l'Industria Mineraria e Chimica*, Italy.

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# Community Solidarity and National Interests

## THE COMMUNITY DEALS WITH FRENCH CRISIS

*Following the emergency situation in which France found itself as the result of the events in May, the French Government announced that it planned to take a series of measures to solve the economic and social problems facing the country. However, the interpenetration of the economies of the Six no longer allows a single state to act alone. The European Communities Commission saw the dangers and the challenge inherent in the situation. It promptly moved to set into motion the procedures pro-*

*vided by the Common Market Treaty, striving to make sure that the French measures did not jeopardize the interests of the other members or the development of the Community. Thus, a series of consultations and meetings were held in Brussels which eventually led to a joint Community effort to assist France in its current difficulties.*

*The following is a summary and chronology of the events which took place between June 25 and July 23*

THE COMMUNITY in July broke new legal and procedural ground. For the first time since the Treaty of Rome came into force, on January 1, 1958, it was called upon to apply Article 108, which deals with the action a member state may take when confronted with balance-of-payments difficulties. It did so under particularly unfavorable conditions calling for quick decisions, following the emergency situation in France during May.

Ever since early June, when the first evaluations of the economic and social consequences of the French events were made public, France's partners realized that the French Government would be forced to ask for assistance from the Community; and the feeling prevailing in Brussels and in the Community capitals was that some kind of assistance ought to be granted. This action was also seen as a meaningful way to deter France from postponing the tariff cuts scheduled for July 1—those due both for the completion of the customs union and the first stage of the Kennedy Round. Others feared a devaluation of the franc.

### French Announce Emergency Measures

On June 25, the French Government submitted to the Commission of the European Communities a document indicating the measures which it planned to take to meet the difficulties inherent in the French economic situation. Contrary to general expectations, the French did not request the application of Article 226 of the Treaty, but referred in a general way to the Treaty provisions allowing particular, urgent action in the event of economic difficulties. Thus without specifically saying so, the French Government referred its action in particular to Article 109 of the Treaty, which says that when a sudden crisis in the balance of payments occurs, "the member state concerned may provisionally take the necessary safeguard measures," and that "the Commission and the other member states shall be informed of such measures . . . not later than at the time of their entry into force." The announced measures consisted of import quotas in certain particularly sensitive sectors, import controls in a few

other sectors, and some export subsidies aimed at balancing the new wage increases. Import restrictions would affect mostly member countries and only to a very limited extent the United States and other third countries. France assured its partners that all measures were temporary and that the tariff cuts scheduled for July 1 would be implemented.

### FRENCH MEASURES

#### QUOTAS

Temporary quotas starting July 1 to limit the increase of French imports in relation to 1967 base periods:

- passenger cars, effective July 1—November 1, 1968, 15 per cent above the corresponding 1967 level
- other motor vehicles, effective July 1—November 1, 1968, a 10 per cent increase over the same period in 1967
- refrigerators, washing machines, and gas cooking ranges, total 1968 imports to be 10 per cent over total 1967 imports
- textiles, permitted increases to vary for each product with 1967 as the base period
- steel, 59,000 long tons per month until December 31, 1968, 7 per cent higher than monthly imports during the second half of 1967.

#### EXPORT INSURANCE

Continuation of its export insurance system, which was to be eliminated on July 1, on eligible exports to all destinations until January 1, 1969. This system protects against cost increases on machinery requiring a long lead-time in production. The Government, in addition, added new categories of equipment to be covered and lowered the floor for eligibility from \$200,000 to \$20,000.

#### EXPORT SUBSIDIES

Temporary export subsidies on industrial products to compensate for the increase of wages following the May-June disturbances. The basic rate of compensation was set at 6 per cent for the period July 1—October 31, 1968, and 3 per cent for November 1, 1968—January 31, 1969.

#### EXPORT CREDIT RATES

As an additional measure to encourage export sales, a lower preferential rediscount rate for export credit, from 3 per cent to 2 per cent. The reduced rate would apply for the full life of the credits (up to five years) extended under export contracts concluded between June 28 and December 31, 1968. For contracts prior to June 28, the 3 per cent rate would continue to apply.

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#### ARTICLE 109

1. Where a sudden crisis in the balance of payments occurs and if a decision, within the meaning of Article 108, paragraph 2, is not immediately taken, the member state concerned may provisionally take the necessary safeguard measures. Such measures shall cause the least possible disturbance in the functioning of the Common Market and shall not exceed the minimum strictly necessary to remedy the sudden difficulties which have arisen.
2. The Commission and the other member states shall be informed of such safeguard measures not later than at the time of their entry into force. The Commission may recommend to the Council mutual assistance under the terms of Article 108.
3. On the basis of an opinion of the Commission and after consulting the Monetary Committee, the Council, acting by means of a qualified majority vote, may decide that the state concerned shall amend, suspend, or abolish the safeguard measures referred to above.

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#### ARTICLE 226

1. In the course of the transitional period, where there are serious difficulties which are likely to persist in any sector of economic activity . . . a member state may ask for authorization to take safeguard measures to restore the situation. . . .
2. At the request of the state concerned, the Commission shall . . . immediately determine the safeguard measures which it considers necessary, specifying the conditions and particulars of application.
3. The measures authorized under paragraph 2 may include derogations from the provisions of this Treaty. . . . Priority shall be given in the choice of such measures to those which will least disturb the functioning of the Common Market.

*Members of the European Communities Commission consult with the Council in Brussels on July 5. On the agenda: measures proposed by the French Government to protect its steel industry in the wake of the May events which disrupted the French economy. Front left to right: Guido Colonna di Paliano and Albert Coppé, members of the Commission; Commission President Jean Rey, and Commission Vice President Raymond Barre.*



#### No Precedent, No Clear Guidelines

The content of the import restrictions seemed fairly moderate. As for export subsidies, these could be questioned, but their limited duration was seen as a positive factor. Consequently, critics questioned the procedure followed much more than the substance of the measures. And although some argued that the foregoing measures and procedure were in accord with the Treaty of Rome, in a strictly legal sense, the announcement took the Commission and the Five by surprise. Did France have the right to decide, unilaterally, that there was a "sudden crisis" in its balance of payments? Opinions differed. The Treaty does not offer clear guidelines and there was no precedent to which the Community could refer. All these factors contributed to the uncertainty of the situation. On one hand, Community circles acknowledged that the French measures were reasonable. There could be little doubt that such measures would have been considerably more far-reaching had the French Government been able to act freely, without the legal obligations, as well as the economic and political considerations, which stemmed from France's membership in the Community. Yet, it was regretted that France had not consulted with its partners before announcing its plans. In any case, the opinion in Community circles was that it was absolutely vital, to prevent the system from being seriously shaken and to avoid establishing a dangerous precedent, that no member country should be allowed to act unilaterally on matters which were relevant to the Community as a whole.

#### Quick Action by the Commission

On June 28, after close examination of the French document and following two days of around-the-clock deliberations, the Commission made the following statement:

"The Commission fully appreciates the confirmation of the French Government's determination to observe the July 1 deadline, and it is aware of the efforts made by the French Government to restrict the safeguard measures.



*The French delegation at the July 5 Council meeting: Ambassador J-M. Boegner, permanent representative to the Community, and Albin Chalandon, Minister of Industry.*

“However, the Commission doubts whether the French Government will alone be able to take all the safeguard measures announced and thinks that, in any case, the Community procedures should be referred to without delay.

“Therefore, before pronouncing finally on the measures announced, the Commission is opening the procedure of Article 108 requesting the calling of a Council meeting.

“The Commission has also decided to begin the consultations provided for by the Treaty of Paris with regard to steel products.”

Thus, the Commission set into motion the Community procedures. Meanwhile, the French Government had indicated that it was prepared to examine the problems raised by the measures, at a Community Council session to be held at the earliest possible date.

### **Steel: A Special Case**

The most urgent problem was that of steel import restrictions because the Treaty of Paris bans limiting imports of European Coal and Steel Community products from other member countries. Only if there are “fundamental and persistent disturbances” in the economy of a member state can the Commission, after consulting the Council, recognize the existence of such a situation and then decide the measures to be taken to end it, while safeguarding the Community’s vital interests (Article 37 of ESCS Treaty). The French Government bowed to these rules. Consequently, while the other measures it had announced were put into effect on July 1, it withheld its decision with regard to steel imports and declared that it would accept the decision of the Commission. On July 5, the Commission, having consulted the ECSC Consultative Committee and the Council, authorized the French Government to grant French steel firms certain aids until January 31, 1969, and to take during the period July 8—December 31, 1968, measures to limit deliveries of steel products into France. The Commission took this decision in spite of strong reservations from some member governments. It also decided that it would re-examine the overall situation on October 15, 1968, at the latest.

### **Community Grants “Mutual Assistance”**

Also on July 5, the Commission informed the French Government about the various measures which, according to the Commission’s evaluation of the situation, France ought to take, in addition to those already taken unilaterally under Article 104 of the Treaty. Thereafter, the Commission decided to submit to the Council a formal recommendation to grant France “mutual assistance” (Article 108 of the Treaty). The Commission’s proposal stated that “a prolonged disequilibrium of the French economy may undermine the cohesion of the Community, at the very time when the interpenetration of the six member countries’ economies is steadily increasing, and particularly now that an important step has been made towards the creation of an economic union and the implementation of common policies. The French problems must be solved in a spirit of Community solidarity, by abiding by the rules of the Treaty and using the means which it provides.”

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#### **ARTICLE 104**

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**Each member state shall pursue the economic policy necessary to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while ensuring a high level of employment and the stability of the level of prices.**

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#### **ARTICLE 108**

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**1. Where a member state is in difficulties or seriously threatened with difficulties as regards its balance of payments . . . and where such difficulties are likely . . . to prejudice the functioning of the Common Market . . . the Commission shall without delay examine the situation of such state and the action which . . . that state has taken or may take in conformity with the provisions of Article 104. The Commission shall indicate the measures which it recommends that the state concerned adopt.**

**If the action taken by a member state and the measures suggested by the Commission do not prove sufficient to overcome the difficulties encountered or threatening, the Commission shall, after consulting the Monetary Committee, recommend to the Council the granting of mutual assistance and the appropriate methods therefor. . . .**

**2. The Council, acting by means of a qualified majority vote, shall grant mutual assistance. . . . Mutual assistance may take the form, in particular, of:**

**(a) concerted action in regard to any other international organisations to which member states may have recourse;**

**(b) any measures necessary to avoid diversions of commercial traffic where the state in difficulties maintains or re-establishes quantitative restrictions with regard to third countries; or**

**(c) the granting of limited credits by other member states, subject to the agreement of the latter.**

**Furthermore, during the transitional period, mutual assistance may also take the form of special reductions in customs duties or enlargements of quotas . . . subject to the agreement of the states by which such measures should have to be taken.**

**3. If the mutual assistance recommended by the Commission is not granted by the Council or if the mutual assistance granted and the measures taken are insufficient, the Commission shall authorize the state in difficulties to take safeguard measures of which the Commission shall determine the conditions and particulars.**

**Such authorization may be revoked and such conditions and particulars may be amended by the Council acting by means of a qualified majority vote.**

The Council of Ministers met on July 20 to discuss and vote a directive granting mutual assistance to France on the basis of the Commission's recommendation. The directive stated that the member states other than France shall adopt all measures necessary:

- to achieve high growth rates without jeopardizing the stability of their economies and, should growth prove too slow, to introduce an expansionary policy
- to pursue a policy of interest-rate stabilization
- to allow, as far as possible, the flotation on their capital markets of loans contracted by French borrowers
- to adopt, within the framework of Community decisions, a common attitude in discussions and exchanges of views on France's situation held in international economic organizations, such as the Organization for Economic Cooperation and Development, the General Agreement on Tariffs and Trade, and the International Monetary Fund.

The directive also pointed out that, in the monetary field, the member states had already participated in the financing of a drawing made by France on the International Monetary Fund early in June and in the granting of short-term credit lines opened for the Bank of France by major central banks.

At the same meeting, the Council of Ministers also had an exchange of views on the measures already taken and implemented by France. All delegations recognized the exceptional nature of the French situation and the soundness of the Commission recommendation, and agreed on the principle of mutual assistance. However, there was serious concern in the Council over the French measures that had already gone into effect. As the Commission was solely responsible for a decision on these measures and since it had not yet taken any action on them, some delegations raised reservations with regard to the principle of quotas. All delegations attached great importance to the temporary nature of the measures. The French delegation emphasized that they were all strictly limited in time and that

they represented the minimum safeguard allowable, especially in view of the effort made to observe the July 1 deadlines in a critical situation.

### Commission "Corrects" French Measures

On July 22 and 23, the Commission again met to examine the French situation. It did so on the basis of Article 108 (3), since the "insufficiency" of the measures adopted by the Council in the framework of mutual assistance was generally recognized. Here, the difficulties came from the fact that the French Government had already adopted a series of measures, and implemented some of them. Consequently, the Commission had to decide if each measure were justified and consistent with the functioning of the Common Market.

In its decision, which was formally handed to the French Government on July 23, the Commission authorized France to implement the measures which it had announced. However, several correctives were introduced, mainly to protect the interests of the other member countries. Most of the correctives changed the base periods and enlarged the quotas for various products. For instance, the base period for household equipment was changed from all of 1967 to the second half of 1967; similarly the quota would apply only to the second half of 1968, instead of the whole year. These changes considerably improved the export possibilities of the other five countries, especially Italy, since imports during the first half of 1968 had already increased sharply over the same period in 1967. The same considerations applied to textile imports. In one case (carded wool) the Commission did not authorize the quotas because it said that structural weaknesses rather than short-term trends had caused the difficulties in the industry. The Commission said it would follow the French economic situation closely and reexamine it no later than October 15. Moreover, the Commission reserved the right to amend or abrogate its decision if the measures created serious difficulties for another member state.

*The Council of Foreign Affairs Ministers met in Brussels on July 20 and adopted a directive granting France "mutual assistance."*



# Christian Democratic Parties in the Community

by PAUL VAN YPERSELE DE STRIHOU

EVALUATION OF THE CHRISTIAN DEMOCRATIC PARTIES' present and future positions on the political chessboard of the European Community's member countries must begin by a careful examination of party developments from a time when they all had something in common. A handy reference point is the year 1945 when every Christian party demonstrated the will to break with the past and rebuild on new foundations. For some of these parties—the French Popular Republican Movement (MRP), the Dutch Christian parties, and the Belgian Social Christian Party (PSC)—this new orientation was motivated by the general upheaval following four years of war and foreign occupation. The German Christian Democratic Union (CDU) and the Italian Christian Democrats (DC), in addition, had to fill the internal political vacuum caused by years of stifling totalitarianism.

If, on the whole, these parties managed to turn over a new leaf by taking advantage of a coincidence of circumstances, it was because there were imaginative politicians in their ranks, men who had reached maturity in reflection during years of silence under the enemy. Under the leadership of men such as a de Gasperi in Italy and an Adenauer in Germany, the Christian Democrats were to play down their old role as society's foremost defenders of religious interests.

## Immediate Success

Without discarding the Christian beliefs that would still underlie their programs, the Christian Democratic parties, nevertheless, minimized religious issues. Of course, the extent of party "secularization" varied from one country to another. In any case, they became mass-parties, sensitive to the economic and social issues of the day. The diversity of the electorate they cultivated naturally placed them politically in the center, though an undercurrent of reform did run through their programs.

Their success was immediate. Elections in Italy, Benelux, and Germany gave them first place with 30-40 per cent of the ballots. In France, even the MRP saw its influence grow steadily. From then on—and this element was another one common to all the Christian Democratic parties—they became the figure-head party in coalition governments. Everywhere, throughout Western Europe, they bore the responsibilities of almost continuous power in the following years. At times in Germany, and occasionally in Italy and Belgium, governing power was exercised by the Christian Democrats alone, without any coalition. Thus, to the Christian Democrats Western Europe owes its greatest debt for rapid economic recovery and relative political stability, despite a few ups and downs.

## Platform with a "European" Dimension

The Christian Democrats' most important contribution during this period was, however, that they gave their platform a "European" dimension. Once the initial temptation to keep the defeated German and Italian nations subordinated by a new "Versailles Treaty" had been overcome, it was the Christian



Most of former German Finance Minister Ludwig Erhard's rallies in July 1966 in North Rhine-Westphalia were held out of doors, under banners proclaiming "For Our State—For Our Times—CDU". PHOTO: Courtesy of the German Information Center, New York.

Democrats who chose to win acceptance for a spirit of cooperation instead of one of bitterness.

These pioneers found a natural leader in Konrad Adenauer, who became the first president of the CDU in 1946 and Chancellor three years later. The decisive Franco-German reconciliation thus became possible, the needle's eye through which European unification had to pass or fail. This new approach to intra-European relations took concrete form in the Paris Treaty creating the European Coal and Steel Community. All of the signatories were Christian Democratic cabinet members.

The same "European" conviction coupled with tireless efforts to achieve a more just social order at the national level constituted the two most outstanding signs of the Christian Democrats' presence in the post-war governments.

## Enthusiasm Scattered by Diversity

What is the prognosis for the Christian Democratic parties in the Europe of the Six this year? Do they still have the initial enthusiasm that enabled them to carry out quasi-revolutionary plans just a short time ago? The answer must be generally negative. No matter what attributes each party may have, no matter how strong their respective national positions, all of them are suffering from an ailment that defies diagnosis. However, there are signs that one of the main causes of their earlier success—their diversity—is working against them today.

With so many different types of supporters, the Christian Democratic parties are finding it more difficult today than before to heal internal conflicts and the resulting splits. These disagreements have always been present, but latent. Once they could have been overcome, or at least diluted, by the natural

Mr. van Ypersele de Strihou, a member of Belgium's Social Christian Party, was special assistant to Belgian Prime Minister Théo Lefèvre from 1961-65, and is scientific adviser at the Brussels Center of Socio-political Research and Information.

consensus inherent in their sociologically homogeneous Christianity, but now this bond is beginning to disappear. Throughout Europe churches are moving towards political disengagement while the revival of regional and ethnic traits is moving in the same direction. As a result, special interest groups within the parties are tempted to form factions, which sometimes act like separate parties. Thus, it is not surprising that the Christian Democrats' progressive stratification into social (peasant, labor, and middle class) or linguistic interest groups has encouraged rigidity in their political thought and activities. For this reason, young voters find less satisfactory answers to their aspirations today than they used to. Recent election returns in Italy and Belgium and current events in the Netherlands adequately illustrate this point. Still, though questions are being raised from every side about the Christian Democratic parties' basic tenets and reasons for existence, they could remain a major factor in their countries' political life for years to come, but only if they have the courage to make some decisions about their future orientation.

### The Parties as an International Force

Before 1940, no one had thought of the European Christian Democratic Parties working together; contacts between leaders of the national parties had been on a purely personal basis. Only in 1948 did international cooperation become a reality with the creation of the *Nouvelles Equipes Internationales* (NEI), now called the International Union of Christian Democrats. This international organization, or club, of Christian Democrats was formed for discussion and comparison of the national governments' programs and experiences. A. de Schry-

ver, a Belgian, was its first president. What brought about this change? The reasons already given: the rise of the Christian Democratic parties in their respective countries, the discovery of the European perspective, the importance surrounding the Franco-German reconciliation. The existence of the NEI helped to establish the respectability of the German CDU, while "European" objectives, developed by politicians from various countries, were scrutinized before being broached at the official level of ministerial conferences.

In the sixties, the Christian Democratic parties' evident desire to cooperate was to eventually extend their influence beyond the European continent. The implantation of Christian social ideas in Latin America was encouraged, and judging by its rapid progress, especially in Chile, Peru, and Venezuela, found fertile ground there.

Now, after twenty years, does the International Union of Christian Democrats still perform its original functions? Paradoxically perhaps, the very fact that the Christian Democrats have exercised ministerial responsibilities almost without interruption has decreased the importance of dialogue at party level. Moreover, in view of the increasingly technical turn of "European" problems, different organizations, such as the Christian Democratic Group in the European Parliament, have proven better equipped to debate them. Nevertheless, through annual congresses, periodic meetings, and the great presidents that it has elected—one, Théo Lefèvre Belgian Prime Minister; another, Secretary General of the Italian Christian Democrats Mariano Rumor—the International Union could remain a choice place for comparing different viewpoints and, above and beyond that, for finding common ground.

*Billboards and election propaganda in Baria, Italy, May 1953. On the left, the Christian Democrats attack the Communist unions (CGIL) for the way they defend the interests of civil servants. The middle board is that of the Movimento Sociale Italiano, a neo-fascist party, and the board on the right that of the Italian Communist Party (PCI). PHOTO: Courtesy of the Italian Information Center, New York.*





# Social Democrat Parties

by Roger Morgan

SOCIAL DEMOCRATIC PARTIES, representing various shades of socialist opinion, play an important part in the political life of the countries of the European Community.

These parties normally win between one-fifth and two-fifths of the votes at elections. They have often taken part in coalition governments in the main countries—in France in the 1940's and 1950's, in Germany since 1966, and in Italy and the Benelux countries for a great part of the post-war period. The names of their leaders have been among the household words of post-war Europe—Guy Mollet, the French Prime Minister, and Gaston Defferre the challenger to de Gaulle, Willy Brandt the German Social Democratic Party leader and current Foreign Minister, and Paul-Henri Spaak, the former Belgian Prime Minister and Foreign Minister whose work for European integration earned him the name of “Mr. Europe.”

Most of the Social Democratic parties of industrial Western Europe were founded in the second half of the nineteenth century and many of them are still in theory committed, like the British Labour Party, to fairly revolutionary programs radically challenging the capitalist economic system. Their political experience in the last 20 years, however, and particularly their failure in most cases to win an absolute majority, have often made them play down the more controversial items of their program—the commitment to Marxism, or to nationalization—so as to allow the formation of coalition governments which were their only way to a share of power.

Another reason for the dilution of strongly socialist party programs has been that the Social Democratic parties of Western Europe, in varying degrees, have attempted to widen their electoral appeal from the industrial working class, their original source of support, to both rural voters and white-collar workers.

The retreat from dogmatic Marxism and the attempt to broaden the basis of electoral support have evolved in different ways in the various countries of the Six.

## Germany: The SPD

The Social Democratic Party of Germany (SPD) claims first consideration, partly because it is the oldest (founded in 1863) and partly because it now seems to occupy a position of unprecedented strength in the political life of its country. At the last general election in 1965, the SPD won nearly 40 per cent of the votes (its share has gone up by 3-4 per cent at every election since 1963).\*

This electoral show of strength put the party in a good position to take advantage of conflicts which broke out in the ruling Christian Democratic Party under Chancellor Adenauer's successor, Ludwig Erhard. At the end of 1966 these conflicts led to the formation of a coalition government, in which the SPD's leaders hold several prominent positions: Willy Brandt, the Party Leader, is Vice-Chancellor and Foreign Minister; Herbert Wehner, for several years the Party's administrative head, occupies the important ministry of All-German Affairs; Professor Karl Schiller, who was in charge of the economic affairs of Berlin when Willy Brandt was its mayor, is now Federal Minister of Economics, and other members of the Party

head the Ministries of Social Welfare and of Transport, as well as other ministries.

The SPD's decision to enter a coalition with the Christian Democrats was the logical conclusion of a slow but steady evolution towards the Right. The Party was for many years officially committed to a Marxist revolutionary program. Although it joined in several coalition governments under the Weimar Republic (1919-33), its commitment to all-out socialism was, if anything, reinforced by the experience of persecution and exile its leaders underwent during the Third Reich. The Party's first postwar leader, Kurt Schumacher (1895-1952), who had spent 11 of the 12 years of the Hitler period in concentration camps, spoke up intransigently after the war for a socialist economic policy, and against many aspects of the economic and foreign policy of Chancellor Adenauer.

After Schumacher's death, the SPD was led for a number of years by Erich Ollenhauer (1900-63), an honorable but rather colorless man, under whose leadership it suffered disappointments in the federal elections of 1953 and 1957. After the second of these, the Party went through an internal shake-up which resulted in big changes both in program and leadership.

## Drastic Shift

The new policy statement of the SPD, adopted after long debates at the Party Congress in Bad Godesberg in 1959, threw out much of the radical Marxist phraseology of the earlier program, replacing it with a clear commitment to a moderate policy of support for private enterprise, for precise but limited social reform proposals, and for the Christian Church (an important point in a country where religious and philosophical *Weltanschauungen* have regularly inflamed political arguments).

This drastic shift in the SPD's social and economic policy was followed in 1960 by a clear statement that in foreign policy the party would move nearer to the line already taken by the Adenauer government, which the SPD had thus far strongly opposed.

In terms of personalities, the SPD went into the 1961 and 1965 elections with a new “Chancellor candidate,” the popular and dynamic Mayor of West Berlin Willy Brandt. He was backed by an impressive Shadow Cabinet, including Fritz Erler, the spokesman on foreign policy (whose death in 1967 was tragic for his party at the time of its greatest success); the defense expert Helmut Schmidt (former Minister of the Interior of the City State of Hamburg, and current chairman of the SPD parliamentary party in Bonn), and several others who had made their names by successful administration of the large towns and states of the Federal Republic.

In electoral terms, this change of platform and leadership paid off handsomely. Controversy still continues within the SPD about whether the party was right to enter the coalition instead of allowing the previous government to take the full blame for its own mistakes, or whether its decision was a statesmanlike act that helped to save the Federal Republic from the dangers of economic stagnation and the rising threat of the National Democratic Party. Either way, however, the SPD has established

\* ED. NOTE: In the Baden-Wuerttemberg regional elections on April 28, 1968, however, this trend was reversed, and the SPD share dropped from 37.3 per cent of the ballots cast in 1964 to 29 per cent.



Herbert Wehner



Paul-Henri Spaak



Willy Brandt



its right to be regarded as one of the major political forces of the Federal Republic.

**France: The SFIO**

In France, although the tradition of socialist political thought and action is strong, the situation of the democratic socialist party is much less promising than in Germany. The French Socialist Party (whose official name is French Section of the Workers' International—SFIO) has to fight for its share of the left-wing vote against two powerful rivals—to its left the Communist Party which regularly wins between 20 and 25 per cent of the votes at elections and to its right the radical liberals who accept some points of socialist policy but not all of them and who in recent elections have won about 10 per cent of the votes. This means that the SFIO, which in recent elections has won only about 12 per cent of the votes, can only make its weight felt politically by entering an alliance either to the left or to the right. At present it is connected with its right-hand neighbor, the Radical Party, in the Federation of the Democrats and Socialist Left (FGDS), though it still looks leftward occasionally towards the possibility of cooperation with the Communists as well.

Under the Fourth Republic, before General de Gaulle's return to power in 1958, the French Socialist Party provided the leadership in several coalition governments. In the early post-war years, under its veteran leader Léon Blum and a new generation of leaders including Daniel Mayer, Jules Moch, and Guy Mollet (who became the party's General Secretary in 1947), the SFIO took the lead with its coalition allies in nationalizing basic industries and creating a modern system of social services.

Guy Mollet, who remains General Secretary of a party after a record 21 years in that position, also holds the record for the duration of a government under the unstable conditions of the Fourth Republic. The government he formed in January 1956, after an electoral swing to the left, lasted nearly 18 months. It carried through several reform measures, including the increase in holidays with pay from two to three weeks a year; but it came to grief over the problem of Algerian nationalism, which Mollet had tried to settle by building up French military strength in Algeria and by carrying out the Suez operation against Egypt. Early in 1957, before the government fell, Mollet's foreign secretary, Christian Pineau, signed the Rome Treaty, the foundation for the next steps forward in European integration.

**Less Doctrinaire**

The SFIO was swept to one side, like the other parties of the Fourth Republic, by the Gaullist upsurge of 1958. In the ten years since then, the party has recovered some of its strength and now forms an important part of the main parliamentary opposition group, the Federation of the Left. Guy Mollet and some of the older socialist leaders remain attached to the Marxist concepts of the 1930's (the SFIO has not thought of adopting anything like the SPD's Godesberg program—partly because this could be denounced by the Communists as a complete sell-out of socialism), but other leaders of the democratic left have made an impact as less doctrinaire men of action. They include Gaston Defferre, who has made a considerable reputation as

*(continued after index)*

Giuseppe Saragat

mayor of Marseilles and in 1965 appeared likely to be the candidate of the united left against President de Gaulle, and more recently François Mitterand, a member of a small left-wing party and an ex-minister of the Fourth Republic, who achieved a remarkable feat in the presidential election of December 1965 in preventing General de Gaulle from winning 50 per cent of the votes.

In the parliamentary general election of March 1967, the Federation of the Left won less than 20 per cent of the votes, a disappointing result in comparison to the 50 per cent won by the Gaullist Union Nationale Républicaine (UNR). However, the unity achieved on this occasion between socialists and radicals has remained intact, and the ideas and policies of democratic socialism will certainly count for something in France after de Gaulle.

### Italy: Consolidation of Socialist Parties

In Italy, the third main country of the Community, democratic socialism has until recently been in an even worse position than in France. There the socialist movement has been split not just into two parties, Socialist versus Communist, as in France, but into three. The Socialist Party itself, which was fairly strong in the immediate postwar years, in 1947 split into two factions. The larger and more left-wing of these, the Italian Socialist Party under the leadership of Pietro Nenni, remained fairly close to the Communist Party until 1956. Since then, it has gradually worked its way back towards reconciliation with the right-wing Social Democrats. The Social Democrats, who in 1947 took the name of Social Democratic Party of Italy, were led for several years by Giuseppe Saragat, current President of the Italian Republic; and they participated in several coalition governments during the 1950's.

In the 1960's, a new period in the history of the Italian left began, for two main reasons:

- A shift occurred within the Christian Democratic Party, preparing it for "an opening to the left," or coalition with the Nenni Socialists, as well as with the Social Democrats led by Saragat.
- Nenni's own political philosophy evolved towards the right.

After the general election of 1963, when both socialist parties did well, a left-center coalition government was formed in which not only the moderate Social Democrats participated but also the Italian Socialist Party, including Nenni himself. The logical next step was reunification of the two socialist parties which had fallen out in 1947. Many difficulties remained, but a congress in November 1966 agreed that the two parties would be reunified in a form which left their internal structure intact as a first step towards full fusion, to be seriously considered after the 1968 election. In the meantime, the Italian socialists of both persuasions have exercised some influence on the economic and social policies of the coalition government.

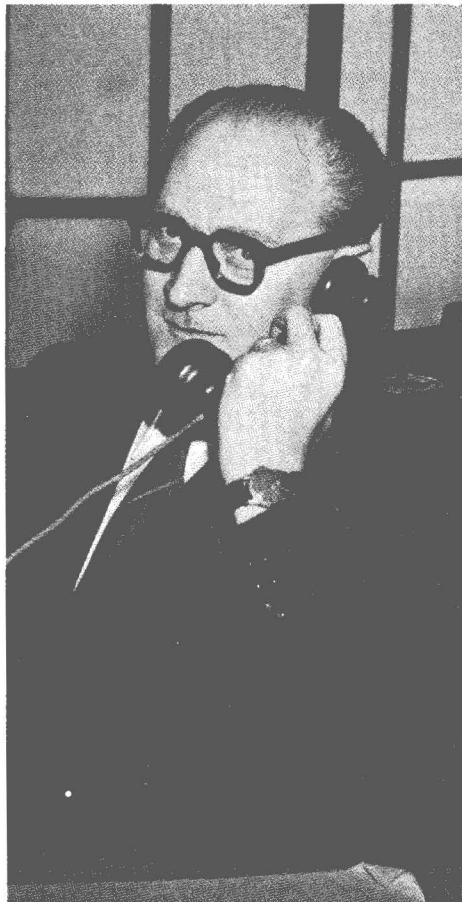
In the three smaller countries of the Community—Belgium, the Netherlands, and Luxembourg—social democracy since the war has had its ups and downs. Usually the Social Democratic parties failed to win more than a third of the votes in any election, hence government coalitions with either Liberals or Christian Democrats. The outstanding socialist statesman from this part of Europe is Paul-Henri Spaak.

### Firmly European

All Social Democratic parties in the European Community—no matter how far their national political situations differ or how far their traditional Marxist programs need revising—stand firmly behind the policy of "making Europe." For the socialist parties in France and the Benelux countries this was a natural decision in the early post-war years. Partly because they found it difficult to win power in their own countries individually and partly out of traditional socialist internationalism, combined with a conviction that this was the best way to solve the German problem, socialist leaders like Mollet and Spaak were pioneers of European unity from the beginning. For the Germans, the decision was more difficult, since they felt that to opt for West Germany's integration into Western Europe was to cut off the possibility of reunification with the East; but by the late 1950's they had come round to the view that Western European unity was the right path for Germany.

The Social Democratic parliamentarians of the Six operate as a well-organized international party group in the European Parliament. They also have a permanent liaison office in Luxembourg and organize regular congresses. As well as pressing for greater democratic control of the European Community through the European Parliament, the Social Democratic parties of the Community are firmly on record in favor of its enlargement to include Britain and other applicants. Delegations from the Labour Committee for Europe have been warmly received at recent congresses of the Social Democratic parties of the Six, who look forward to welcoming the British Labour Party as a full member of the European Parliament and of the political life of the Community.

Guy Mollet



Pietro Nenni



# Liberal Parties in the Community

by MURRAY FORSYTH

THE LIBERAL PARTIES in the European Community are the heirs of parties which stood for constitutionalism, individual rights in the economic and political spheres, and secularism in school and state. Many Liberal parties of the past also stood for national unity and were instrumental in creating the nation states of Europe as they are known today. The reasons for the decline of these parties need not be examined here; suffice it to say that they were, in a sense, destroyed by the democratic and industrialized societies which they had helped to create.

Today the Community's Liberal parties usually win between 5 per cent and 15 per cent of the votes in national elections, coming in third or fourth, after the mass-parties of the right and left. They are concerned by roughly the same problems: whether to side with right or left; whether to sacrifice purity of doctrine for the sake of power; whether to try to become a mass-party like their rivals or to concentrate on representing the social groups whose views aren't expressed by the mass-parties. Most of their support comes from the middle strata of society, very little from the working class. Since the war, most of the European Liberal parties have participated in coalition governments. Except for the French Radical Party, most other Liberal parties reached their lowest points after the war and are now in slightly stronger positions.

## Which Liberal Parties Espouse Liberalism?

There are no less than thirteen national parties and parliamentary groups represented in the European Parliament's bloc of Liberals and allied parties. Which of them are genuine liberal parties?

The situation is relatively clear-cut in the case of Belgium, the Netherlands, Luxembourg, and Germany; each country has only one Liberal party. In Italy, only the Italian Liberal Party (PLI) deserves consideration here. Both of the other Italian parties seated in the European Parliament's Liberal faction are extreme right-wing parties completely unconnected with liberalism.

The situation in France is the one that confuses the picture of European liberalism. The Radical Party, the party usually considered the representative of liberalism in France, has split into a number of factions within the French Assembly and Senate. Some Radical legislators have joined the Federation of the Left, while others have joined groups of the center-left and the center-right. Each of these groups, except the Federation of the Left, is represented in the European Parliament's Liberal Group. Beside them sit representatives of the French Independents and of the Independent Republicans, a party formed recently around Valéry Giscard d'Estaing, former French Minister of Finance. The Independents, who emerged in the Nineteen Fifties, belong to the French right and are strongly representative of farmers' views. The Independent Republicans have some claims to be considered "liberals," despite their close links with Gaullism. Their views on economic matters are liberal in content, and they themselves describe their policies as "liberal," "centrist," and "European."

## Belgium: Votes Won From the Christian Democrats

Of all the Liberal parties in Europe, the Belgian Liberal Party has been the most successful in maintaining its position in the face of the rise of other parties. The introduction of universal suffrage (1919) and the concomitant increase in the strength of the Belgian Socialist Party weakened, but by no means extinguished, the Belgian Liberals. Throughout the inter-war years the Liberals won between 14 per cent and 18 per cent of the votes and participated in many of the bipartite or tripartite coalitions which governed Belgium during that period.

In 1945 the Belgian Liberals lost their position as third biggest party to the Communists; but by 1949 the Communist Party had faded, and the pre-war pattern re-emerged. In the elections between 1949 and 1961 the Liberals won an average of 12 per cent of the votes and participated in a number of coalition governments. In 1961 they changed their name from the Liberal Party to the Party for Liberty and Progress, a gesture symbolic of their renunciation of anticlericalism. Under the dynamic leadership in Omer Vanaunderhove the Party achieved its most astonishing success in 1965, when it secured 21.6 per cent of the votes. It held its previous gains in the elections of 1968; though it won no new ground. On a platform of national unity and a free market economy, the Belgian Liberals seem to have drawn most of their new support from the right-wing of the Christian Social Party, currently wracked with severe internal divisions.

## West Germany: A Tense Amalgamation

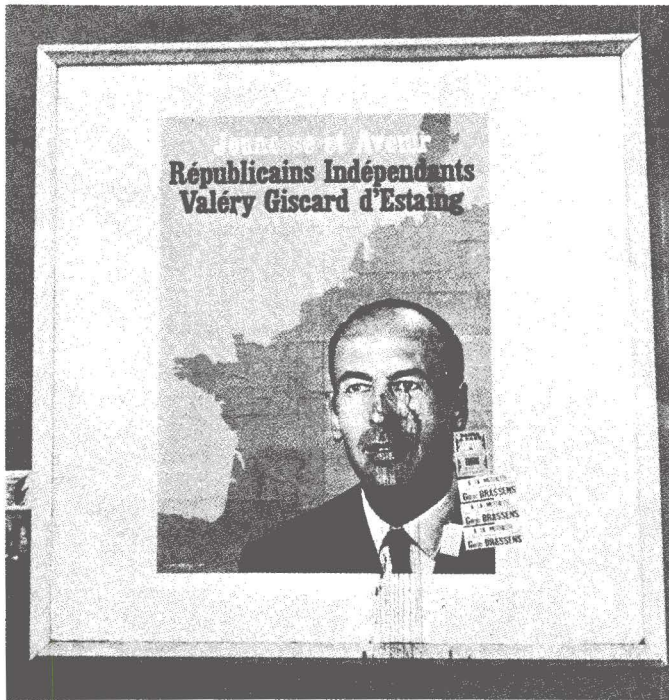
German liberalism has long been divided. During the German Empire, and again during the Weimar Republic, one group of Liberals leaned towards the right and nationalism, while the other stood firmly for individual rights, the rule of law, and a free economy. Under the Federal Republic both strands have been united in one party, the Free Democrat Party (FDP), an amalgamation not always without tension. The nationalist element in the FDP is rooted primarily in Rhineland-Westphalia, while the more genuinely liberal elements are based in Baden-Württemberg and the Hanseatic towns. During the early years of the Federal Republic the conflict between the two wings was acute; one group wanted the FDP to become a nationalist party to the right of the Christian Democrats, the other wanted it to occupy the ground between the Socialists and the Christian Democrats. Today the division has become more attenuated. Dr. Erich Mende, who was the party chairman from 1960 to 1967, undoubtedly helped to weld the Party together.

The FDP formed part of a government coalition with the Christian Democrats in 1949-56, and in 1961-66. Today it provides the opposition to both the Socialists and the Christian Democrats. It has taken up this role with vigor, though it seems recently to have lost some of its support to the German National Democratic Party, the NPD, and stands in great danger from a current government proposal to remove the proportional method of voting from the German electoral system.

The FDP has won an average of 10 per cent of the votes in the general elections since 1949. It made its worst showing, 7.7 per cent of the votes, in 1957 and its best, 12.8 per cent, in 1961. There has been no full analysis of FDP supporters, but it is clearly based primarily on the more highly-educated, property-owning strata of German society. Perhaps the most prominent

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*Mr. Forsyth is lecturer in Politics at Leicester University, United Kingdom.*



A March 1967 campaign poster: Valéry Giscard d'Estaing running as an Independent Republican. The poster reads: "Youth and the Future." PHOTO: Courtesy of the French Embassy Press and Information Division, New York.

personalities of the Party in the post-war period have been Theodor Heuss, the first President of the Federal Republic, and Franz Blücher, Vice Chancellor in the first Adenauer cabinet.

### France: Shifting Splinter Groups

Some of the difficulties of defining liberalism in France have already been touched upon. The Radical Party, usually considered the embodiment of French liberal tradition, has undergone a dramatic cycle of development since the war. Having dominated the Third Republic, it emerged as a mere shadow in 1945, but gradually managed to regain its old position. Veering to the left and to the right as the situation demanded, the Radicals succeeded in participating in all the governments of the Fourth Republic and provided no fewer than 10 of its 21 premiers.

Splits, however, began to appear in the Party from 1955 onwards, chiefly over the policies of Pierre Mendès-France. When the Fourth Republic collapsed, the Radicals collapsed with it. In the legislative elections of 1958, they won only 2 per cent of the votes and suffered the worst defeat in their history.

During the Fifth Republic the Party has splintered into various parliamentary groups, some of which have been short-lived. Its current membership is divided chiefly between the Federation of the Left, to which Maurice Faure, the former president of the Party now belongs, and the center-right group known as the "Progress and Modern Democracy" group. The political beliefs of the Radicals are notoriously difficult to define. They claim to stand for the principles of the French Revolution, which means in practice a strong belief in the rights of the individual, a strong emotional attachment to France, and a deep-rooted anticlericalism. The traditional stronghold of the

Radicals is the Midi, in the South of France.

The present position of liberalism in France looks less bleak if the Independent Republicans, grouped around de Gaulle's former Finance Minister Giscard d'Estaing, are also treated as liberals. Apart from their designation of themselves as liberals, their ideas on economic policy provide the major justification for such a classification. The Independent Republicans favor the creation of a competitive economic system, based on free markets, low tariffs, and stable prices. They also wish to see the French Parliament playing a bigger role in policy development.

### The Netherlands: Two Wings

Liberalism in the Netherlands, as in Germany, split at a relatively early date into a right and a left wing. The present Dutch Liberal Party, the People's Party for Freedom and Democracy, inherited the right wing tradition. Most of the left-wing liberals joined the Socialists after the war.

The Dutch Liberals have participated in a number of coalition governments since 1945, including the current one. The Party has gradually gained in strength, moving from 7.9 per cent of the vote in 1948 to 10.7 per cent in 1967, becoming the third instead of the fifth biggest Dutch party. Its main support seems to come from upper income groups, and individual rights and a free market economy are the main planks in its platform. Perhaps the most prominent figure among the Dutch Liberals in the post-war period has been Dirk Stikker, who was Secretary General of the North Atlantic Treaty Organization from 1961 to 1964.

### Italy: Clearly on the Right

The Italian Liberal Party, like the Dutch, stands clearly on the right. It is financed by industrialists and attracts votes from the middle and lower-middle classes. The Party's fortunes fell to their lowest ebb in the 1953 elections when it won only 3 per cent of the vote. Under the leadership of its current Secretary General Giovanni Malagodi, it has now recovered part of its strength, winning 7 per cent of the votes in 1963 and 5.8 per cent in 1968. The fourth largest Italian party, it has relatively strong support in the industrial centers of the North, particularly in Milan and Turin. By tradition strongly anticlerical, the Party nevertheless collaborated with the Christian Democrats in the early post-war years. When the Christian Democrats moved towards collaboration with the left, the Liberals turned to a policy of opposition to both the Christian Democrats and the Socialists.

### European Unity

All of the Community's Liberal parties have tended to support the idea of European unity, but concrete issues have revealed doubt and division. The German FDP, for example, strongly supported the creation of the European Coal and Steel Community in 1951, but in 1957 were the only group in the German *Bundestag* to speak out against the ratification of the Rome Treaties creating the Economic and Atomic Energy Communities. Similarly, the French Radical Party has produced ardent Europeans such as Maurice Faure, but also men such as Mendès-France who opposed France's entry into the Common Market.

# COMMUNITY NEWS

## COUNCIL REACHES COMPROMISE ON TRANSPORT POLICY; AGREES ON RATE BRACKET SYSTEM, ADOPTS LABOR PROVISIONS

The European Communities Council of Ministers on July 18 agreed on the major rules of the common transport policy, a compromise between some member countries' preference for a regulated market and the traditional preference of others for carriage by individual contracts.

The agreement was reached for the establishment for road transport of "rate brackets," the highest and the lowest permissible transport rates, and approval was given to the arrangement, pending the Council's acceptance of the texts in the four official languages. In addition, the Council decided to apply the rules of competition to transport by rail, road, and inland waterway, and agreed to Community norms prescribing minimum age and maximum driving times for truck drivers. Work done by the Committee of Permanent Representatives of the member states in Brussels facilitated the agreement, since elections in Italy and France and a Government crisis in Belgium had forced cancellation of two Council transport meetings that had been scheduled for May. The meeting on July 18-19 was the first on transport matters since the end of April.

The Council also met on July 15 and 22-23 (on agriculture), and on July 5 and 20 concerning French balance-of-payments difficulties and related events following strikes in May and June. (For details, see page 3.) Two more meetings were scheduled during the month, on July 29 to discuss social affairs and on July 30 to discuss external relations.

### Competition Rules Apply to Transport

The regulation applying the rules of competition to transport is retroactive to July 1, the expiration date of the waiver of the competition laws for this sector. The regulation prohibits any agreement that could affect trade between the member states and that has as its object or effect the prevention, restriction, or distortion of competition within the Common Market. Expressly forbidden are: direct or indirect fixing of prices and conditions of transport; limitation or control of supply, outlets, technical development, or investments; market sharing; applying dissimilar rules to equivalent services, and contracts tied to the acceptance of auxiliary services unconnected with supplying transport.

The regulation provides for the following exceptions for agreements that:

- have as their sole purpose and effect the application of improved techniques or technical cooperation
- group small and medium-sized companies with a total combined capacity of 10,000

metric tons or less by road and 500,000 metric tons or less by inland waterway

- benefit shippers by improving the quality of transport services, promoting stability in meeting transport needs, improving productivity, or promoting technical or economic progress

- reduce severe and unusual disturbances.

The abuse of a dominant position is also forbidden by the regulation. Public enterprises are subject to the general rules provided in the Rome Treaty creating the European Economic Community. Article 90 subjects public service enterprises to the competition rules to the extent the rules do not prevent the enterprise from performing the tasks entrusted to it. The Article states that trade may not be affected to "such a degree as would be contrary to the interests of the Community."

### Marked Progress in Road Transport

A quota system for licensing transport companies to haul anywhere in the Community also met with Council approval, together with a directive providing for tax-free entry of fuel in the tanks of commercial vehicles.

- The quota system provides for 1,200 licenses for 1969-1971, to be issued by the member countries. Belgium receives 161, Germany 286, France 286, Italy 194, Luxembourg 33, and the Netherlands 240. Before the regulation expires on December 31, 1971, the Commission is to make proposals to the Council for the system of licensing road shipments after that date.

- The directive on fuel provides for tax-free entry of 50 liters (13.21 gallons) in commercial vehicles, applicable no later than February 1, 1969. Each time a substantial alignment of the national gas and oil taxes occurs the Council will decide how much additional fuel in tanks can be admitted tax-free, until all taxes on it have been eliminated.

The Council noted its agreement in principle on a regulation providing for harmonization of social provisions in road transport. The regulation would set a minimum age of 18 for drivers of vehicles weighing up to 7.5 tons, and for other larger vehicles 21 will be the minimum age, except in the case of holders of professional certificates, who can qualify at 18.

Other provisions specify maximum driving between rest periods and maximum driving times of 50 hours a week and nine hours a day. On long hauls, a team of two drivers must handle the trucks or a fresh driver must replace one who has driven 450 km. between rest stops. Two years after entry into force, these social provisions will be liberalized,

with the understanding that this regulation is not intended to bar the enactment of more favorable provisions for the workers or more conducive to road safety.

### Rate Bracket System Agreement

The Council noted its agreement on an obligatory bracket system of rates for transport of merchandise by road, valid until December 31, 1971. The regulation can be extended for one year if the Council has not decided on a system to replace it at that time.

According to the regulation, the spread between the highest and lowest rates cannot exceed 23 per cent of the highest rate. Each rate is based on a base price to be established in relation to a number of specific criteria and can be modified only by agreement of the member states directly involved, with the Commission participating in the negotiations in a consultative capacity. Prices of carriage can be freely set within the limits of the rates.

Individual written contracts can be concluded outside these rate limits:

- only under circumstances not foreseen when the rates were set, for example, to meet competition, or to fill unusual transport requirements, but only for a limited time
- only if the contracts deal with a tonnage of at least 500 metric tons per quarter.

The terms of the contract and the reasons for entering into it must be communicated immediately to the competent authorities for verification that the competition rules are being followed.

In addition, the Council asked the Commission to study the member states' systems of aid to transport by rail, road, and inland waterway and to make proposals for their alignment by the end of October 1968.

### Numerous Agricultural Decisions

Decisions during July, as had been the case in June, affected almost every agricultural market. In addition, the Council passed a regulation concerning payments due from the Guarantee Section of the Agriculture Fund for expenditures in the first six months of the 1967/68 accounting year.

*Fruits and Vegetables.* The Council adopted regulations setting the base price and the purchasing prices for pears, apples, table grapes and for financing Community expenditures for these products. The Council agreed to begin discussion of the general problem of intervention in fruits and vegetables, especially apples, during the month of September.

*Beef and veal.* The Council passed the regulations for applying the general rules of intervention for beef, private stocking, setting the levy on certain types of frozen beef, and fixing the orientation price from July 29, 1968, for veal and heavy cattle. In addition, the Council adopted the official estimate of beef needed

for processing between August 1 and December 31, 1968.

**Cereals.** The Council adopted a regulation modifying the basic common market organization for animal feeds with a grain base.

**Pork.** The Council passed a regulation modifying the price system for products derived from pork.

**Dairy.** The Council passed regulations containing general rules for stocking powdered skim milk and establishing general rules for intervention on the butter and cream markets and the Grana-Padano and Parmigiano-

Reggiano cheese market.

In addition, it adopted a regulation concerning the disposal of between 140,000 and 160,000 metric tons of surplus milk. Among the disposal methods mentioned in the regulation were: supplying surplus milk to certain processing industries and to consumers in the form of concentrated cooking fat; incorporating it in animal feed; and furnishing developing countries with milk. The Council expressed its intention of continuing talks with the UN Food and Agriculture Organization on the latter point.

The next agricultural Council has been scheduled for September 23-24.

## CRITERIA OUTLINED FOR COOPERATIVE AGREEMENTS IN LINE WITH COMMUNITIES' COMPETITION RULES

Cooperative agreements that enable small and medium-sized enterprises (and sometimes large firms) to work more efficiently in the enlarged Community market are permissible as long as they do not enable the contracting parties to restrict competition inside the Common Market or affect trade between the member states.

These guidelines, given in a "notice" released in Brussels on July 18 by the European Communities Commission, were illustrated by three recent decisions by the Commission. The July 18 notice relates only to competition as discussed in Article 85 of the Rome Treaty creating the European Economic Community and Article 65 of the Paris Treaty creating the European Coal and Steel Community. Both articles forbid price fixing, restrictions on production, and other restraints that directly or indirectly affect competition within the Common Market. Both articles also provide exemption from the competition laws for agreements that make economic and technical contributions which could not be achieved without the use of restraints

### Other Guidelines Planned

Cooperative agreements other than the ones discussed in the communication may or may not violate the competition rules. The Commission said it planned to give further clarification in other general notices and specific decisions, since free competition is becoming more and more important as the Community members' economies become more closely interconnected. However, since cooperative ventures can facilitate the adaptation of enterprises to the realities of doing business in a large unified market, it felt that the types of ventures permitted by the competition laws ought to be defined. At the moment, the Commission added, no generalizations could be made on "abuse of a dominant position," forbidden under other articles of the Treaties.

In the hope of diminishing its backlog of paperwork, the Commission indicated that the communication should obviate the need to obtain negative clearances for the types of agreements discussed and so reduce the number of applications pending. In addition, the

Commission said that notification would no longer be necessary for agreements of these types, though companies still in doubt about the legality of their agreements remained free to file them with the Commission if they so wished.

"Notification" provides temporary immunity from penalties for violating Article 85 (1) of the EEC Treaty, pending the Commission's advice on the legality of the Agreement. A "negative clearance" is issued for agreements that contain no restrictions on competition. "Exemptions" are granted those that do if they make technical or economic contributions that could not be achieved otherwise and do not appreciably distort competition in the Community. Notification, application for negative clearance, or exemption involve three different procedures; and many European companies have used all three, flooding the Commission with paper.

### Joint Market Research Organizations

The first of eight types of permissible agreements treated in the communication was the joint market research organization, associations formed by enterprises for the sole purpose of procuring necessary information for participating enterprises to make independent and autonomous determinations of marketing policy. As examples of acceptable agreements, the Commission mentioned agreements to exchange opinions or experience, to make joint market studies and comparative economic studies of enterprises and economic sectors, or to establish common statistics and projections.

However, limitations placed on the participants' freedom of action, explicitly or by concerted practice, could constitute a restraint of competition. As examples of unacceptable agreements, the Commission mentioned associations that made specific recommendations or that stated conclusions in such a way as to result in uniform market behavior by at least some of the participating enterprises.

Information can be exchanged either between enterprises or through the intermediary of a third organization. However, the Commission said that the distinction must be made between information that affects competition and information that does not, a difficult distinction in the case of organizations that enter orders, turnover figures, investment figures, and prices. In these instances, generalizations are usually impossible. A restraint on competition could occur in an oligopolistic market for similar products. Calculation models containing specific rates are regarded as recommendations that could lead to restrictions on competition.

### Accounting Pools, Collection Agencies

Agreements do not violate the competition rules if contracted for the sole purpose of cooperating on accounting technicalities, pro-



Council of Ministers meeting, Brussels, July 5. Left to right: Joseph Merlot, Belgian Minister of Economic Affairs; Albin Chalandon, French Minister of Industry, Ambassador J-M. Boegner, French permanent representative to the Community, and E.M.J.A. Sassen, member of the Commission.

viding joint credit guarantees, or establishing joint debt-collecting agencies, or joint business or tax consulting agencies. Cooperation in these fields does not affect the supply of goods or services or the economic decisions of the participants and do not lead to restraints on competition.

However, a restraint on competition could occur in the case of a debt-collecting agency that does more than execute the policy decisions of a participant in the agreement. As examples, the Commission mentioned agencies whose work is not confined to collecting outstanding payments on the instructions of a participant, or that influences or sets prices. Subjecting the participants to uniform conditions could constitute a concerted practice, just as collective comparisons of prices could. There would be no objection to the use of uniform literature, but it could not be connected with a written or a tacit agreement on uniform prices, rebates, or sales conditions.

#### Working Partnerships for Filling Orders

The competition rules do not prohibit agreements for the sole purpose of creating working partnerships of noncompeting firms for filling orders or bidding on products and services that none of them could execute alone. Enterprises not in competition with each other do not restrict competition by forming such associations, especially when they belong to different industries. The same principle applies to firms in the same industry to the extent that their contribution under the working partnership consists of supplying only goods or services that the other participants cannot supply, whether for lack of experience, special knowledge, capacity, or financial resources, or because they cannot deliver on time. The determining factor is whether or not the facts of each situation indicate that competition will be possible in the near future for the products or services involved. If the lack of competition and the maintenance of this situation are based on agreements or concerted practices, a restraint on competition could exist. If the enterprises agree to confine their activities to working solely within the association, a violation could also occur.

#### After-Sales Service and Joint Sales Outlets

The competition rules do not prohibit agreements between noncompeting firms for the sole purpose of creating joint sales outlets or after-sales service facilities. Often the formation of such associations by small or medium-sized competitors does not have a marked effect on competition, although no general criteria can be given for this situation. If a group of manufacturers, without collusion, arranges for after-sales service with the same firm which is independent, no violation occurs.

#### Joint Advertising Associations

Joint advertising is intended to draw the attention of buyers to an industry's products or to a common brand. As such, it does not restrict competition. However, if the participants, by agreement or concerted practice, are partially or completely prevented from doing independent advertising, or if other restrictions are placed on them, a violation may occur.

#### Common Label Arrangements

Associations for the joint use of a quality label do not restrict competition if other competitors whose products meet objective quality requirements can use the label under the same conditions as the members. Quality-control standards, uniform instructions for use, or use of the label for the products meeting the standards do not constitute restraints on competition.

A restraint may occur if the right to use the label is tied to obligations concerning production, marketing, price fixing, and other restrictions such as obliging the participants to manufacture or sell only guaranteed-quality products.

#### Joint Research Agreements

Agreements are also permissible under the competition rules when made for the sole purpose of executing joint research and development projects, joint placing of research and development contracts, and dividing projects among the participating enterprises. In research, too, exchanging experience and data serves an information function and does not restrict competition.

The same principle applies to the division of research and development work according to the fields involved, provided that all contracting parties have access to the results in proportion to the extent of their participation in the work. If, for example, a party decides to make a financial contribution for only one area of research, refusing him access to research knowledge acquired in another area would not constitute an infraction of the competition rules.

The following limitations could constitute infractions of the competition laws:

- restrictions on the participants' independent research activities
- failure to accord reciprocal access to the results of specialized research entrusted by the association to one or several members
- limitations on the use of research knowledge acquired by the association, in particular, agreements to refrain from manufacturing products developed in common or agreement to divide up the market for production
- express or tacit agreement not to license third parties to use the results of research. (However, the fact that research is carried out jointly warrants arrangements to grant

licenses to third parties contingent upon the consent of the other participants.)

#### Sharing Production, Distribution Facilities

Agreements that have as their sole purpose sharing installation, production, stock, and transport facilities are permissible under the competition rules.

These forms of cooperation do not restrict competition because they relate only to organization and technical arrangements. By contrast, a restraint on competition could occur if the parties concerned did not pay the cost of using the installations and equipment, or if concerted practices or agreements in this area were executed to split up the market or to exploit a joint enterprise.

#### Size Is A Factor: "Machine Tool" Case

The Commission decided to give a negative clearance to the joint sales agreement between *Alliance de Constructeurs français de Machines-Outils* of Paris and its stockholders, which set up a joint export service for the nine members of the company.

The company, created in 1961, only negotiates sales. The manufacturers conclude the sales, set prices, establish the invoice, and collect from the customer. The association, which operates in every market but France, receives payment only for its marketing expenses. When the *Alliance* was created, the shareholders manufactured different non-competing lines of machine tools.

For three reasons the Commission decided to issue a negative clearance, signifying that the arrangement neither contains nor results in restraints on competition:

- The *Alliance* is a joint export service engaged only in marketing; it does not act as an intermediary for distribution of products.
- The commitment of each member to refrain from producing or selling machines competitive with other members' product lines simply reflected the situation that existed when the *Alliance* was formed. Furthermore, the sales prospects for machine tools would not justify diversification, and the agreement tended to encourage specialization.

- The members, in any case, represented a relatively small slice of the Community machine-tool market.

#### Rules Apply to Buyers Too

In a decision indicating that competition rules apply to agreements between purchasers as well as between sellers, the Commission granted a negative clearance to the *Société Commerciale et d'Etudes des Maisons d'Alimentation et d'Approvisionnement à Succursales* (SOCEMAS). Sixty French retailers of specialty foods created the organization in 1959 to find promising import items for its members and to purchase in bulk at favorable prices if enough members were interested. The members remained free to refuse



SOCEMAS' offers, buy elsewhere, and do independent market prospecting. SOCEMAS' purchases represented a negligible part of the Community market for the products in question (1 per cent in the case of German canned fish). Over a period of years, SOCEMAS continued to buy the same products and in about the same volume.

SOCEMAS' request for negative clearance was unopposed. It was granted because the organization's activities in EEC countries other than France were not on a sufficiently large scale to entail appreciable restraints on competition. Article 85 of the EEC Treaty may, however, apply to purchasing organizations whose activities exceed a certain scale.

#### Exemption Granted for Joint Research

In the case of an agreement for joint research between *S.A. Ateliers de Constructions Electriques de Charleroi* (ACEC) of Brussels and the *Société Automobile Berliet* of Lyons, the Commission decided to grant an exemption from the competition rules. The restraints

imposed were necessary to fulfill the purpose of the agreement—the design and marketing of a new type of bus with an electrical transmission system.

According to the contract, *Berliet* will be responsible for the general design and mechanical adjustments of a bus using an ACEC electrical transmission system, adapted to the *Berliet* vehicles. Once a marketable prototype has been designed, ACEC will supply the transmission and *Berliet* the mechanical parts of the vehicle. ACEC will, however, be free to sell its transmissions to only one manufacturer in each of the four other member countries (in addition to *Berliet* in France and Belgian users).

In conjunction with the Eurogypsum case, in which the Commission granted a negative clearance because there were no restraints on competition, the ACEC-*Berliet* decision provides guidance for European firms interested in concluding joint research agreements that are compatible with the EEC Treaty.

said, "by the qualified representatives of our governments. Never did we recognize these agreements in which we had no hand. We did not participate in those Council meetings. We first learned of them in the press. . . ." The Council later sent copies of the agreements to the Commission but decided not to discuss them with the Commission until after the merger of the executive bodies of the three Communities, which took place in July 1967.

After being named President of the merged Commission, Mr. Rey said he had discussed his views with his colleagues who agreed that they "couldn't agree to begin discussion on the basis of this heptalogue which was connected with an executive of which we were not a part and under political circumstances which belonged to the past. . . . We have always treated these agreements as if they had no relation to us, to the point that, in our statement of July 1, we asked—in a rather direct allusion to the Luxembourg agreements—that freedom to make decisions by majority vote in conformity with the Treaty be restored in the Council."

"The heptalogue remained in the drawer," said Mr. Rey. "Discussion between the Council and us did not begin. . . . This heptalogue is a document of the past that wisdom orders left there."

Mr. Rey pointed out, however, that the Treaty provides for majority decisions only in certain instances. For example, decisions affecting national legislation must be made unanimously under Article 100 of the Rome Treaty creating the European Economic Community.

## LUXEMBOURG AGREEMENTS REPUDIATED BY REY

"The Hallstein Commission and the current Commission have never accepted the Luxembourg agreements as a fact," Jean Rey, President of the European Communities Commission, told the European Parliament on July 3 during debate on actions by France to repair its strike-damaged economy.

The Luxembourg agreements which ended the Community crisis of 1965 consisted of two texts. One, a four-point document, stressed the intention to continue to develop

the Community despite differences between five of the member countries and France on the question of majority voting. The other text was a seven-point list, known as the *heptalogue*, which concerned relations between the Commission and the Council but which stopped short of reducing the Commission's exercise of its rights of initiative under the Treaty. (For text of agreements, see *European Community* 89, page 1.)

The agreements were concluded, Mr. Rey

*Djime Momar Gueye, Ambassador of Senegal, presents his credentials to the President of the European Communities Commission. The Luxembourg agreements stipulated that letters of credence be presented to both the President of the Council and the President of the Commission meeting together for this purpose. Left to right: Ambassador Gueye; Mr. Kasel, protocol officer; Henri Rochereau, member of the Commission; Raymond Rifflet, executive assistant to President Rey; Gian-Paolo Papa; Commission President Jean Rey; and Axel Herbst, Director-General of External Relations.*



## INVESTMENT DECLINING IN ECSC INDUSTRIES; OXYGEN-STEEL TO ACCOUNT FOR 44% OF 1971 CAPACITY

Investment in the European Community's coal, iron, and steel industries again declined in 1967, according to the annual survey of investments published in July by the European Communities Commission. The decline followed a trend established since 1960 for coal and since 1963 for iron and steel, as the table indicates.

Investment in coal and steel during 1968 will increase by 16 per cent of the 1967 figure to reach \$1.18 billion. Predictions of investment are based on declarations filed with the Commission by manufacturers, as required by the Paris Treaty creating the European Coal and Steel Community.

The Commission anticipates a slight rise in investment in iron-ore and coal mining. Capital investment in mining now represents less than 25 per cent of total investments in the ECSC industries, whereas in 1954-59 it was

about half.

The decrease in iron-ore mining capacity should amount to 2.7 million tons in 1967-71. According to the collieries' investment declarations, annual coal production capacity will contract by 24 million metric tons in 1967-71, to 186 million tons. However, this contraction would not necessarily lower the coal surplus, in view of the rapid decrease in demand, according to the Commission.

In the manufacturing sector, production of sinter and pig-iron should expand by 10 per cent by 1971, while crude steel production should expand by 11 per cent, to reach 124 million tons in 1971. Most of the increase in steel capacity would be due to the increased use of the oxygen method of steel-making which would account for 44 per cent of capacity by 1971, as compared with 28 per cent in 1967.

Sector	INVESTMENT BY ECSC INDUSTRIES in millions of dollars									
	1954-59*	1960	1961	1962	1963	1964	1965	1966	1967	Forecast 1968
Mining										
Coal	439	377	384	372	334	299	286	254	246	251
Iron-ore	39	43	52	47	28	24	25	17	16	24
Manufacturing										
Iron and steel	581	775	1123	1230	1480	1315	932	848	750	905
Total	1059	1195	1559	1649	1842	1638	1243	1119	1012	1180

\*annual averages

## NEW ITALIAN ROAD OF ENTRY GIVEN EIB AID

The *Autostrada dei Fiori*, the first Italian road of entry that does not cross the Alps, will be built with assistance from the European Investment Bank.

The road, connecting the French border with San Remo, will cost \$55.4 million; the Bank will supply \$16 million. The loan contract was signed in Brussels on July 18 with *Autostrada dei Fiori S.p.A.* The road, scheduled to open in 1969, forms part of the Euro-

pean E-1 system connecting London with Palermo via Paris, Nice, Genoa, and Rome.

On July 17, the Bank signed another loan contract, of \$4 million with the *Syndicat des Eaux du Barrage d'Esch-sur-Sûre (SEBES)* of Luxembourg. SEBES will use the proceeds of the loan to finance the construction of a water treatment station, two reservoirs for treated water, and forty miles of water mains in Luxembourg at a cost of \$21.2 million.

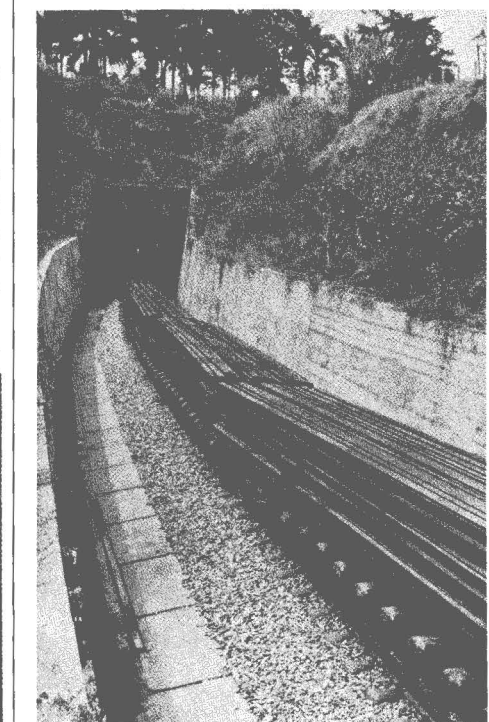
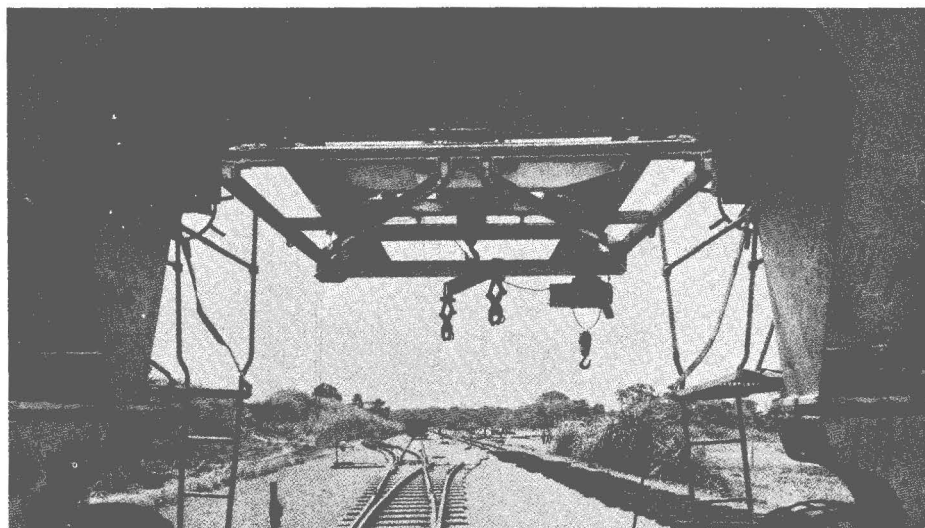
## ECSC CONGRESS STUDIES STEEL UNDER STRESS

Steel under extreme chemical and physical stress was the topic of the fourth International Steel Congress sponsored by the European Community.

Four hundred private and government experts from fourteen countries met in Luxembourg for the conference held July 9-11. Technical papers were delivered and discussed in four workshops, one on the theory and one on the practical aspects of chemical attack on steel, the third on the effects of high polyaxial pressures on steel, and the fourth on stress and strain on steel caused by high and low temperatures.

Jean Rey, President of the European Communities Commission, addressed the participants. Now that both the chemical and the steel industries have large markets in which to operate, they must be given the means to do so, by creating a mechanism to allow the formation of European-scale companies, he said.

Guido Colonna di Paliano, member of the Commission with special responsibility for industrial policy, urged Europeans to "renounce all conservatism in business management to create a favorable climate for innovation. This is essentially a political problem," he added, "which involves mainly the public authorities."



Construction on the Trans-Cameroon railroad financed in part by the European Development Fund.

## STRIKES, INFLATION SWELL U.S. IMPORTS FROM COMMON MARKET

U.S. imports from the Common Market increased sharply in the first quarter of 1968. The European Communities Commission attributed the rise largely to inflation in the United States and to the fact that American buyers hedged against a steel strike later this year.

According to the second quarterly Economic Survey of 1968 released by the Commission in Brussels on July 15, the Common Market's exports to the United States were 41.5 per cent higher than at the same time last year. The increase still left the Community with a deficit in its balance of trade with the United States. Community imports from the United States came to \$1,501,000,000,

while exports in the first quarter came to \$1,424,000,000.

The Community's total exports in the first quarter of 1968 amounted to \$8,577,300,000, while imports totaled \$8,104,700,000. Strong export demand persisted through June, contributing to the general recovery of the Community's economy. In view of the tariff cuts made on July 1, as agreed in the Kennedy Round of negotiations under the General Agreement on Tariffs and Trade last year, the Commission expects imports to increase markedly in 1968.

### Outlook for Remainder of 1968

Gross Community product would expand by 5 per cent this year, the Commission esti-

mated, but noted that forecasts did not take into account the effects of the recent strikes in France. Statistics in the report cover the first quarter and the analysis pertains to the state of the economy through mid-May, prior to the strikes.

Export demand would weaken, as "special factors" that had caused such a steep rise in the first quarter disappeared, the Commission said. Internal demand would strengthen, especially for private consumer goods and material to replenish stocks. Both production and imports would expand more rapidly than in the first quarter. Imports of consumer goods and industrial equipment, in particular, would progress sharply.

## DAC MEMBERS INCREASE AID TO DEVELOPING NATIONS BUT MISS 1% OF NATIONAL INCOME TARGET

The seventeen participants in the Development Assistance Committee (DAC) contributed \$11.4 billion in financial and technical aid to developing countries during 1967, \$800 million more than in 1966. Despite this 8 per cent increase, the total net flow of resources from rich to poor countries amounted to .94 per cent of the DAC members' combined national incomes. This percentage however is below the target of 1 per cent of national income set by the DAC in 1965.

DAC, a specialized committee of the Organization for Economic Development, released these figures in Paris on July 4 in its annual report on development assistance. DAC participants are: the Commission of the European Communities, Belgium, France, Germany, Italy, the Netherlands, Australia, Austria, Canada, Denmark, Japan, Norway, Portugal, Sweden, Switzerland, the United Kingdom and the United States. (Luxembourg is the only European Community member that does not belong to the DAC.)

Four Community members of DAC surpassed the 1 per cent goal: France (1.64 per cent), Germany (1.26 per cent), Belgium (1.01 per cent), and the Netherlands (1.24 per cent). The United Kingdom and Portugal, the only other DAC members to exceed the goal, gave respectively 1.10 per cent and 1.07 per cent of their national incomes. Although U.S. aid represented only .85 per cent of national income, it was the largest amount given by any single country.

France and the Netherlands also surpassed the new target for aid between 1967 and 1975, contributing 1.24 per cent and 1.01 per cent of gross national product, respectively. The new goal, 1 per cent of gross national product, set last spring by the second United Nations Conference on Trade and Development, effectively raises the level of aid expected by 25 per cent.

Flows of private funds to the developing countries, though a volatile part of development aid, has accounted for a more important

part of total financing in 1965-67 than they did in the early sixties. Most of these funds are in the form of direct and portfolio investments and export credits.

Two-thirds of all government assistance was given in the form of grants and loans, 89 per cent of them disbursed bilaterally. The other official assistance was channeled through multilateral agencies such as the World Bank. Switzerland was the only DAC member to disburse all development aid through multilateral agencies, the report said.

## BOOK REVIEW

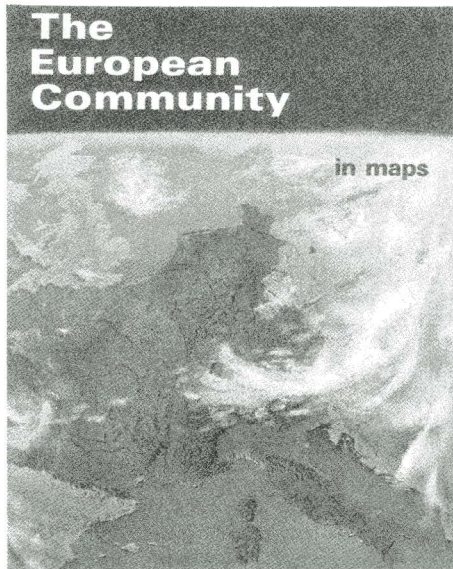
**The European Common Market and the World.** By Werner Feld. Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1967. 184 pages.

A study of the Common Market's external relations. The author focuses first on the general problems of external policy formulation, examining the competencies of the European Community to engage in relations with non-member states and international organizations. Mr. Feld then discusses the substance of the Common Market's relations with the world in terms of past events, current activities, and likely future moves. He supplements his study with a survey of attitudes and views held by officials of influential interest groups, political parties, and pertinent government ministries in the member states on future relations between the Community and the world. Foreign policy, the author notes, has traditionally been a jealously guarded sphere of national sovereignty. The bold step of the Common Market Treaty drafters to transfer certain foreign-policy making powers from the national governments to the Common Market organs has "understandably" created tensions and stress in the Community system, he says.

### AID BY DAC MEMBERS (in millions of dollars)

	1966			1967		
	Official	Private	Total	Official	Private	Total
Belgium	81.1	96.9	178	98.8	54.6 <sup>(1)</sup>	153 <sup>(1)</sup>
France	744.8	574.9	1,320	831.1	512.8	1,344
Germany	489.7	248.2	738	549.4	593.6	1,143
Italy	121.9	509.7	632	202.8	66.3	269
Netherlands	93.9	160.2	254	113.5	113.5	227
Community						
Total	1,531.4	1,589.9	3,122	1,795.6	1,340.8	3,136
United Kingdom	525.9	499.6	1,026	499.8	480.2	980
United States	3,660.0	1,323.0	4,983	3,723.0	(1,844.0)	(5,567) <sup>(2)</sup>
Other DAC	789.0	643.5	1,431	(951.6)	725.0	1,677
TOTAL	6,506.3	4,056.0	10,562	(6,970.0)	(4,390.0)	(11,360) <sup>(2)</sup>

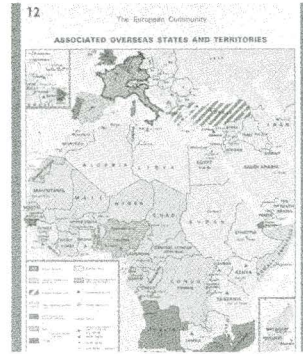
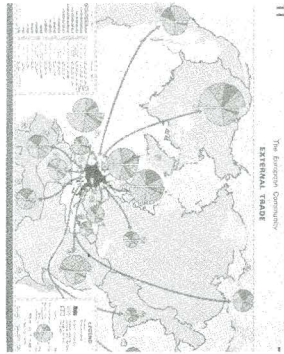
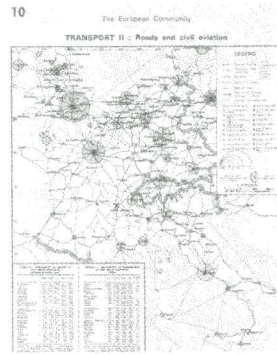
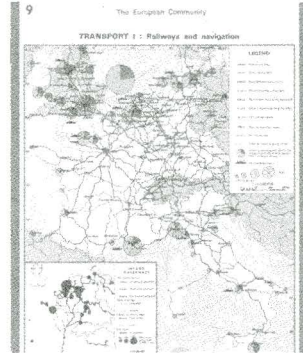
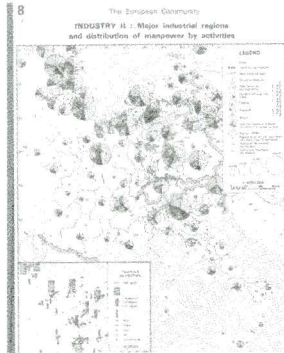
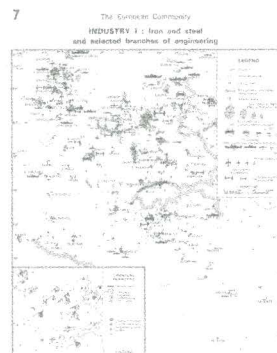
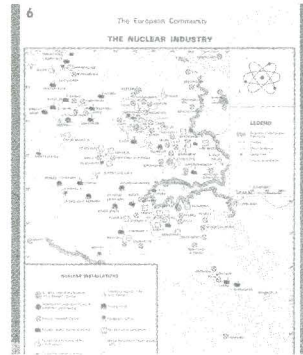
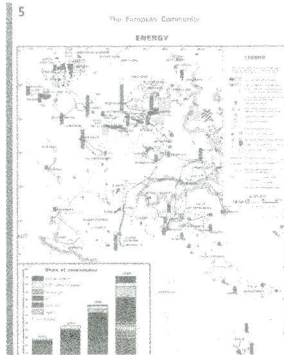
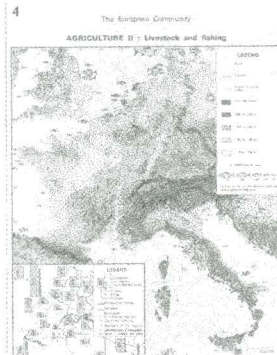
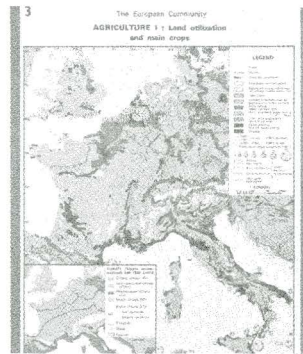
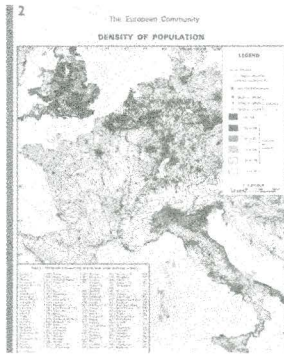
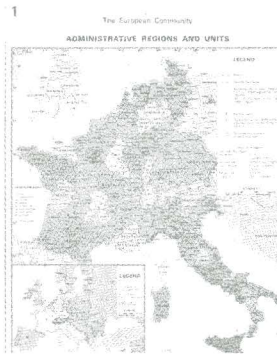
(1) excludes reinvested earnings (2) estimate

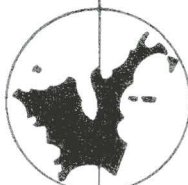


European Community Information Service, Brussels/Luxembourg, 1967, 8½ x 11 inches, color, . . . . . FREE

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