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COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM

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COVER PHOTO: Hurricane as seen from weather satellite. Courtesy of the National Aeronautics and Space Administration, Washington, D.C.

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'It's Time We Began Paying Europe More Attention'

EVER SINCE OUR BIRTH AS A NATION, close ties of history and kinship have bound America to Europe. But since World War II, we have also been bound by new ties of vital national interest. The Atlantic Alliance—formalized in the North Atlantic Treaty Organization—has been the cornerstone of our own network of defensive alliances and the world's strongest bulwark of peace.

"But the structure born of necessity in the bitter aftermath of World War II has fallen on days of neglect. The United States has been preoccupied in Asia. Many of our European partners have been caught up in their own concerns, or grown dissatisfied with the functioning of the Alliance, or changed their estimates of the Soviet challenge.

"The Atlantic Alliance has suffered from American neglect. . . . There has not been a NATO summit since President Eisenhower went to Paris in 1958. Actions have been taken by the United States which vitally affected the security of our European partners, without even the courtesy of prior consultation. In its preoccupation with bilateral détente with the Soviet Union, the Administration has to jeopardize their interests, without having those interests represented.

"It's time we began paying Europe more attention. And if our ideals of Atlantic interdependence are to mean anything in practice, it's time we began lecturing our European partners less and listening to them more. What we need is not more proclamations and declarations, but a greater attention to what our Allies think.

"One of the chief values in having allies is the access it gives to their ideas. Too often, America's world view has been narrowed to the view from a Washington window. What we need from our NATO partners is not only their strength, but their experience and their judgment.

"The world has changed; the Soviet Union has changed; Western Europe, too, has dramatically changed.

"Since World War II, Western Europe has seen its empires dismantled and its pre-eminence in power taken by others. Yet at the same time, its economies have been rebuilt, its societies restructured, a new set of political relationships pioneered.

"After centuries of intense nationalism, new international organs have sprung into being in Europe on a scale unmatched in the world, and unmatched in history: The Western Europe Union, the European Coal and Steel Community, the Common Market, the European Free Trade Association, Euratom the Organization for Economic Cooperation and Development, and many more—not least of them NATO itself.

"The result is that Western Europe today is self-assured, strong, and growing stronger. If a greater measure of European union can be achieved, its potentials for development are almost limitless. It has the resources, the skills, and the educated people to make it another superpower.

"Some argue that we should not encourage further European unity, precisely because Europe does have so great a power potential. But a strong, independent Europe within the Atlantic Alliance could make for a healthier Atlantic Community, at the same time providing a strong negotiating hand with the Soviet Union.

"Whatever our own feelings in the matter, however, we should recognize that the shape of Europe's future is essentially the business of the Europeans. If greater European unity is to be achieved, it will have to be through European initiatives and on European terms; it is not our place to meddle, to prescribe, or to sponsor schemes to bring it about. We can, however, cooperate with initiatives the Europeans take. . . .

"A revitalized NATO, a strengthened European Community, a new spirit of cooperation between the U.S. and Europe—all these together can contribute to a stronger defense, to the concerting of new initiatives for peace, and not least to the coordination of effort needed for crisis prevention. . . ."

PRESIDENT RICHARD M. NIXON

Campaign Speech *CBS Radio, Detroit* *October 13, 1968*

Assurances of Cooperation on Common Problems

Jean Rey, President of the European Communities Commission, sent the following telegram to President Richard M. Nixon on January 20:

"On behalf of the Commission of the European Communities I offer you our sincere congratulations on your inauguration as President of the United States and extend our good wishes to you and to the American people for the years ahead.

"We are confident that you and your administration are with us in viewing the unity of Europe as essential for advancing peace in the world and for assuring cooperation between the United States and Europe. Only through such cooperation, in this age of interdependence, can we work out constructive solutions to the common problems we face. You will find that the European Commission is ready to participate with you in this effort."

President Richard M. Nixon replied to President Jean Rey's message on January 31:

"Thank you for your thoughtful message. As you know, the United States government has long supported the vision of a united Europe, for we know that it is an essential element in building a stable and peaceful world.

"I value your offer of cooperation and look forward to working with the European Commission in seeking constructive solutions to our common problems."

1968: A Year of Turbulence

MILITARY INVASION, CIVIL DISORDERS, FINANCIAL STORMS

IT WAS A YEAR of turmoil and strife for Europe. After a gradual thaw in East-West relations, the Soviet invasion of Czechoslovakia shocked West Europeans into realizing how fragile the détente still was, and how little control their governments individually had over events on their doorstep. A wave of student demonstrations, often breaking into violent clashes with the police, swept across Europe. In France, the student revolt sparked a nation-wide general strike which paralyzed the country. Two severe currency crises created near panic in financial circles and helped compel two major European countries, France and Britain, to adopt severe austerity policies. Fears grew of a protectionist revival in Europe and the United States.

Within the European Community, 1968 saw the full customs union come into effect. The Six made progress in working out a common policy for transport, and for beef and dairy products but made little headway in overcoming the crisis in the European Atomic Energy Community or in coping with mounting food surpluses. Despite the many government initiatives to seek a compromise solution, the Six were unable to move closer together on the key issue dividing them: the enlargement of the Community by the membership of the United Kingdom, Ireland, Denmark, and Norway.

These were some of the main events in Europe in 1968:

January

18. United States and Soviet Union submit revised draft treaty on non-proliferation of nuclear weapons to 18-nation disarmament conference in Geneva.

27. Benelux Governments propose consultation procedure and technological cooperation between Six and applicants for membership in the Community.

31. Germany resumes diplomatic relations, severed in 1957, with Yugoslavia.

February

5-9. Commission President Jean Rey visits United States for talks on U.S. proposals to reduce its balance-of-payments deficit and on carrying out decisions made in the Kennedy Round negotiations under the General Agreement on Tariffs and Trade.

7. Belgian Catholic-Liberal coalition government, headed by Paul Vanden Boeynants, resigns after dispute over splitting Louvain University into Flemish-and French-speaking faculties.

16. In Paris, German Chancellor Kurt Kiesinger and French President Charles de Gaulle announce their willingness to see the European Community conclude trade agreements with applicant countries, including tariff reductions on industrial products.

23. Italian Government urges greater economic cooperation between Six and applicants, to facilitate applicants' eventual membership.

24. France's Federation of the Democratic and Socialist left and French Communist Party publish joint declaration on future cooperation; agree to diverge on attitude toward Community.

26-27. Finance ministers of the Six, in Rome, decide on concerted action to maintain stable interest rates.

March

9. Council of Ministers fails to agree on German plan for trad arrangements with applicants for membership.

11. Italian Parliament dissolved at end of its five-year term

14. Causse Report on coordination of European space policie recommends the merger of the European Launcher Develop ment Organization and the European Space Research Organi zation and the enactment of a $1.3-billion program to launc a two-ton telecommunications satellite in 1978.

15. Major European stock and foreign exchange markets (ex cept Paris) close.

16-17. Following unprecedented demand by private buyers fc gold, central bank governors of seven "gold pool" countrie meet in Washington and agree on two-tier gold price syster and end of gold pool.

19. Austerity budget announced in Britain.

20. General de Gaulle repeats earlier calls for return to gol standard.

29-30. In Stockholm, finance ministers and central bank gov ernors of "Group of Ten" (except France) endorse plan t increase liquidity by creating "special drawing rights" on Inter national Monetary Fund.

31. General election in Belgium fails to return any singl party sufficiently dominant to form a government. After four month political crisis, Christian Socialist coalition governmen formed on June 18 under Gaston Eyskens.

April

2. German *Bundestag* unanimously adopts four Monnet Com mittee resolutions, including demand for rapid entry of Unite Kingdom into the European Community.

5. Council of Ministers fails to agree on Commission proposa for establishing trade links between EC and applicants.

9. Finance and economics ministers of the Six agree to acce erate Kennedy Round tariff reductions and permit Unite States to defer its second stage of cuts if the United States abo ishes American Selling Price system and renounces protection ist measures.

16. United Kingdom announces it will withdraw from Euro pean Launcher Development Organization in 1971.

19-20. General election in Italy. Christian Democrats remai largest party in new Chamber of Deputies. Socialists decide t withdraw from coalition on May 29. On June 24 Giovann Leone forms minority Christian-Democrat government.

30. German *Bundestag* adopts law granting Government spe cial emergency powers in case of war or extreme interna disorder.

June

12. United Nations General Assembly endorses joint U.S. Soviet draft treaty on non-proliferation. Treaty signed by Bri tain, United States, Union of Soviet Socialist Republics, and 5 other countries on July 1.

25. French Government confirms it will carry out custom

nion and Kennedy Round obligations, but asks European :ommission's authorization to impose temporary import quotas n a wide range of goods as an emergency measure necessitated y the May disturbances.

uly

. European Community's customs union achieved: all indus-ial tariffs between the Six completely abolished, 18 months head of Rome Treaty deadline. Community's common external ıriff comes into full operation together with first Kennedy .ound cuts in external tariffs. Agricultural common market all ut completed.

. German Foreign Minister Willy Brandt suggests closer co-peration between Community members and the United King-om in the Western European Union.

8-19. Council of Ministers adopts first five regulations of the ɔmmon transport policy.

6. Community signs association agreement in Arusha, Tan-ınia, with Kenya, Tanzania, and Uganda.

9. Council of Ministers adopts regulations ending remaining ɜstrictions on mobility of workers in Community.

ugust

4. First French hydrogen bomb exploded in the Pacific.

eptember

. Exchange controls lifted in France.

. Central banks agree in Basle, Switzerland, on arrangements ɪr gradual withdrawal of pound sterling from its reserve-ırrency role.

. General de Gaulle, at press conference, says supranational ommunity would entail domination by United States; France ɜgretfully opposes United Kingdom's entry because of conse-ιent risk of "Atlantic absorption."

2. Italian Government agrees on extensive university reforms.

9. French Government adopts draft law to reform universities.

6. New Communist Party launched in Federal Republic of ermany.

7. France, in session of Council of Ministers, rejects Brandt an for strengthening links between the Community and United ingdom.

8. Community member governments sign convention on juris-.ction and enforcement of judgments in civil and commercial ıses.

9. In referendum, new Greek constitution receives majority ɪproval.

ctober

. Belgian Foreign Minister Pierre Harmel proposes coopera-on between the Community and the United Kingdom in West-'n European Union framework on subjects outside scope of ome Treaty, including defense and technology.

2. Germany's nuclear-powered merchant-vessel *Otto Hahn* ɔuilt with financial aid from European Atomic Energy Com-ːunity) enters service.

21. At Western European Union Council of Ministers meeting in Rome, France turns down Harmel plan.

24. Britain's three political parties join Jean Monnet's Action Committee for a United States of Europe.

25. After initial resistance from French Government, Fiat and Citroën agree to merge.

30. Luxembourg Government resigns.

November

5. French Foreign Minister Michel Debré proposes to the Community's Council of Ministers nine-point plan to strengthen Community and trade and technological agreements with applicants and other European countries.

8-9. Hague Congress of European Parliamentarians urges summit meeting to advance European integration.

13-15. European space conference in Bonn agrees to merge ELDO and ESRO.

18. Following intense speculative flight from French franc into German mark, French Government announces austerity measures, including cuts in government expenditures.

19. Italian Government resigns.

19. Germany announces reduced tax rebates on exports and reduced compensating taxes on imports.

20-22. "Group of Ten" monetary powers meet in Bonn. Germany refuse to raise value of mark. Five Community members subscribe half of $2 billion loan to help France.

23. General de Gaulle states that franc will not be devalued.

24. France introduces further austerity measures, including severe exchange control.

25. Commission approves maintenance of value of mark and franc.

28. Council postpones decision on Euratom's future.

December

10. Commisison submits proposals for a ten-year program to reform agriculture in the Common Market.

20. Council again defers decision on Euratom's future, for six months.

Trade Problems Face U.S. in 1969

by **RICHARD LAWRENCE**

THE NIXON ADMINISTRATION faces a formidable trade policy challenge. It must act to reestablish the U.S. trade balance but keep channels of commerce open, and at the same time improve on the efforts of the Kennedy-Johnson Administrations to help domestic industries overcome competition from low-priced imports.

Richard M. Nixon takes office before the United States can forget its worst trade balance in a decade. Righting the balance of payments will be one of his highest priorities in the economic field, requiring vast improvements in 1969 net commercial transactions.

Export growth will have to be maintained or, if possible, enhanced and surge of imports ended. The new Administration, however, will have to use special care in choosing its methods of influencing trade patterns. Foreign governments will react swiftly to any U.S. move that might hint of protectionism, while many U.S. industries will impatiently await measures for import relief.

An economic slowdown in the United States, combined with accelerated expansion in some key trading nations, would do much to ease the Republican burden. The U.S. trade balance would then be virtually certain to improve as American export business picked up and imports settled down. Still, President Nixon is bound to feel strong pressures—from steel, textiles, footwear, and other industries—for a new, tough approach to trade questions. Not only will these interests demand a tight rein on imports but they will also insist that the U.S. Government compel other countries to liberalize their import policies.

American industry is becoming increasingly sophisticated about trade matters. Instead of relying solely on tariffs and quotas, it now makes more subtle proposals such as market sharing arrangements. It also has recently found a new use for a 1930 law on countervailing duties and takes an intense interest in European border taxes and other non-tariff barriers around the world.

American industry is using its new expertise to advantage in Congress. This past year it mounted one of the strongest legislative campaigns ever for trade restrictions. This drive, from present signs, will be equally imposing in 1969. The Nixon Administration, then, will be up against the threat of Congress enacting import controls unless something is done to neutralize trade pressures.

If trading nations work with the new Administration, they will have a chance to help make this neutralization possible. It is felt that this is especially true of the European Community and Japan. Should the Community settle the border tax issue to U.S. satisfaction, for example, it could help blunt U.S. protectionist demands. If the Community would relent on its agricultural export subsidies, the Nixon Administration could better argue for liberal trade back home. Action by Japan to liberalize its import quotas would provide a similar boost for an outward-looking U.S. policy.

Import Policy Options

The Republicans can be expected to press hard on all these fronts. They may also feel obliged to propose changes in the U.S. trade law so that industries, or selected firms groups of workers, can actually receive Federal help to a just to import competition. Not since 1962, when the prese law was enacted, has anyone obtained import relief, so sp cific and limited are the qualifying criteria in the Trade E pansion Act. Even officials in the Johnson Administrati conceded that this situation should be corrected.

The Nixon Administration will have to decide how mu of a correction is warranted. How stiff should be the criter for granting an industry tariff increases or import quota What justifies extending financial and technical aid to co panies or firms claiming damage from foreign goods? Ho much adjustment aid is necessary? These questions will doub less be put to the new President.

The President will also be forced to weigh whether or n to take new courses in administering the antidumping act a applying the countervailing duty law. Record numbers dumping and countervailing duty cases have been filed wi the Government in recent months. Perhaps the most inte esting is a U.S. Steel Corp. petition demanding that counte vailing duties be levied against most European Communi steel exports, to compensate for special tax write-offs giv Community producers.

The Johnson Administration has been trying to hanc dumping cases as diplomatically as possible. Usually t Treasury Department dismisses charges after foreign e porters agree to raise prices. It is less than certain that t new Administration will pursue the same liberal policy avoiding the application of antidumping duties. If the R publicans adopt tougher methods, it could endanger the cent international antidumping agreement.

The countervailing duty law might easily be the more e plosive of the two issues. Foreign countries contend that t law is not in keeping with the spirit of the General Agre ment on Tariffs and Trade, since it calls for duty penalt without requiring any proof of injury to domestic produce Nevertheless, the United States is legally entitled to prom the law, since the statute predates GATT.

For years, the Treasury Department declined to carry c the countervailing duty law, because its strict enforceme could obviously trigger a highly destructive trade war. In t past year, however, the Department has had recourse to t law, though it still distinguishes carefully between the kinds foreign tax incentives subject to countervailing duties. M importantly, it has refrained from retaliating against t Community's tax rebates on exports. A word from the Wh House could, however, change the Department's philosopl The Nixon Administration might try to use this possibil to persuade the Community to agree to changes in borc tax rules under the GATT if other arguments fail.

Another policy option facing the new President concer the use of the national security clause to impose imp quotas. This clause has been invoked only once, to establ restrictions on oil imports; but the ferro-alloys industry l filed for quota relief on national security grounds, and t textiles industry has a similar petition pending. Even t steel industry has at times considered applying for quotas u der the national security clause. The President has it within his c power to invoke any quota he finds serves security interests.

Mr. Lawrence is Washington correspondent for The Journal of Commerce.

ptions for Expanding Exports

nquestionably, Mr. Nixon will review varied recommenda-ɔns now being made to expand U.S. exports. Proposals run om export tax-incentives, to freight rate reductions and the smantling of foreign non-tariff barriers. The export tax-in-ntive suggestion is tied, at least partly, to the current talks ı border taxes. The new President must decide whether or ɔt such incentives are good in principle and, if so, how to eate them.

One possible course is to propose a sweeping Federal sales x, similar to the value-added tax in the Community, and e it as a base for border taxes and export rebates. A more ely alternative, however, is for the United States to insist ı a change in the GATT rules so that border adjustments ın be made not only for sales taxes, as is now the case, but also for such "direct" taxes as corporate income taxes, which are not eligible for border adjustments under the current rules.

Still another option available to the new President is the creation of an export rebate on existing Federal, state, and local sales taxes. It could be done without changing the GATT rules, but the rebate would amount to only 2 per cent, which many officials feel would be less than meaningful.

Recently, the U.S. Government took a major step in the freight rates area when the Federal Maritime Commission ordered a British-based ocean freight rate conference to reduce its charges to American exporters. The conference has had to comply, pending a final U.S. court ruling. There are other conferences that allegedly charge U.S. exporters more than foreigners, and the Nixon Administration, if it is so inclined, might try to force these shipping groups, too, to make reductions.

Non-Tariff Trade Barriers

Inevitably, the Republicans will have to hammer out a policy on non-tariff trade obstacles, an issue that has assumed considerable importance since the completion of the Kennedy Round of GATT negotiations. As tariffs go down as a result of the Round, it is an increasingly popular belief that non-tariff barriers will rise. It is believed widely enough so that the Government may be forced to make a show of waging an all-out assault on these barriers.

The Community's border taxes and its common agricultural policy are the two items at the head of the U.S. list of undesirable trade practices. Under President Johnson, the United States has argued for border tax reductions and fixed limits beyond which the taxes cannot be increased. The Nixon team is expected to follow approximately the same approach.

The United States seems most disturbed, however, about the Community's agricultural policies. The Johnson Administration even resorted to the tactic of fighting fire with fire—witness U.S. export subsidies on poultry, lard, and possibly barley—to counter Community subsidies. Worried over a possible Community tax on products processed from certain fats and oils which could affect U.S. exports of soybeans, soybean oil and cake, U.S. officials are already hinting that if the tax is adopted the United States will raise tariffs on a wide range of Communty exports. President Nixon will inherit these problems and, quite likely, others in the unusually complicated agricultural area.

Major trading nations, except for Japan, have relatively few import quotas on industrial products; but non-tariff barriers to U.S. exports exist in other guises, U.S. officials maintain. Health regulations and various technical standards can be, and sometimes are, used to discourage imports. Procurement policies may shut out U.S. bidders. It will be up to the Republicans to decide how to negotiate these obstacles.

ASP and Presidential Negotiating Authority

The United States may discover that non-tariff negotiations will be difficult as long as it keeps the American Selling Price (ASP) system of assessing duties, mainly on benzenoid chemical imports. Europe regards ASP as its American *bête noire.* Until its removal, other countries will have an excuse to retain their own non-tariff barriers.

Related to the ASP issue is the problem of restoring presidential authority to reduce tariffs. Since July 1967, the President

"President Nixon is bound to feel strong pressures—from steel, textiles, footwear and other industries—for a new, tough approach to trade questions." Loading of iron bars for export to the United States at the port of Antwerp, Belgium.

has not had this authority, the longest such period in decades. The Johnson Administration asked Congress to return these powers, on a modest scale, but received nothing. The Nixon Administration may also want tariff cutting authority, if only to compensate other countries for U.S. tariff hikes or other restrictions. As of now, the United States can not offer compensation, which could force retaliation by another nation.

Peace and Trade

"... WE MUST CONTINUE to support efforts in regional cooperation. Among those efforts, that of Western Europe has a very special place in America's concern. The only course that's going to permit Europe to play the great role, the world role that its resources permit, is to go forward to unity. I think America remains ready to work with the united Europe, work as a partner on the basis of equality.

"For the future, the quest for peace, I believe, requires that we maintain the liberal trade policies that have helped us become the leading nation in world trade; that we strengthen the international monetary system as an instrument of world prosperity. . . ."

LYNDON B. JOHNSON, *President of the United States*
State-of-the-Union Message, January 14, 1969

The United States and Regional Preferences

Other broader issues confront Mr. Nixon and his aides. For one he is likely to review, if not revise, U.S. policy toward the Com munity's trade ties with other countries. Preferential tariffs fo the less-developed countries and East-West trade policy are tw other major questions due for rethinking.

The next year or two should provide enough tests for U.S attitudes on the Community's relations with the rest of th world. The United States now stands flatly against propose preferential tariff agreements between the Community and Brit ain plus other nations unless they provide for the eventual entr of those countries into the Community. In the same vein, th United States opposes the preferential pact about to be renewe between the Community and its 18 African associates.

Mr. Nixon will not be committed to these positions. He coul take a more lenient view of any proposed tariff pact betwee the Community and other European countries, or he might de cide to fight the Community's special ties with Africa mor vigorously than the Johnson Administration. The new Chie Executive's ideas about how generally to help the less-develope nations will influence this decision. During the presidential cam paign, Mr. Nixon mentioned the possibility of the United State granting trade preferences to Latin America. By pursuing th course, Mr. Nixon would recognize and promote economi spheres of influence, in effect leaving Africa to Europe, whil the United States attended to Latin America. Mr. Nixon reference to Latin America could have been made, however, i the context of general preferences to all developing nation which the Johnson Administration favored. Despite the John son Administration professed support of preferences, little prog ress has been made in negotiating with the less-develope nations. The opportunity will be present for Mr. Nixon to try t break the deadlock.

From all accounts, the Republicans will toughen the U. position on East-West trade. The new President will be urge by some groups in his party to discontinue dealings with Easte Europe, but his remarks indicate that the current volume trade will be maintained but little effort made to expand it. Th Nixon Administration will probably insist on concessions fro Eastern Europe in return for U.S. tariff reductions. The U. Export Control Act will be up for renewal in 1969, and th legislation may provide a first test of the new Administration intentions toward East-West trade.

President Nixon is sure to hear suggestions for closer tra links with Britain and Canada, and perhaps other countries, what is called a North Atlantic Free Trade Area. For the Pre dent to propose such a course would be precedent-shatterin but Mr. Nixon will find little pressure in favor of that propos Even advocates of a North Atlantic Free Trade Area adn there is not much political or economic advantage in it for t United States.

A clue as to how the incoming Chief Executive will tackle these issues is being provided in the men he selects to help ma trade policy. His choices for Secretaries of State and Treasu and Chairman of the Council of Economic Advisors point an international view. The man tapped as the new Special Re resentative for Trade Negotiations will further reveal M Nixon's probable leanings on trade policy.

Can You Get Toys at The Common Market?

OYS ARE SOLD THE WHOLE YEAR 'ROUND and a child is not likely) be fussy about when he gets one or why. Least of all does e care where his toy comes from—whether from the Common farket, the United States, Japan, or elsewhere.

It's a small world when it comes to toys and the market is ighly international. With buyers traveling each year to the ıany toy fairs held all around the world, few toys remain the ıonopoly of one country. Like fashions, new toys are avidly opied or imported by other nations. Books on the history of oys have credited toy fairs and widespread trade in toys with elping to break down the barriers between countries in Europe s early as the thirteenth and fourteenth centuries. Toys and olls accompanied more mundane merchandise, such as wool nd cloth, in medieval times.*

At F.A.O. Schwarz, the long-established New York City toy :ore, imported toys are prominent. Shoppers are struck by the ollection of stuffed animals from Germany—all sizes, shapes, reeds, and prices. These animals are one of the store's most opular items for all ages. Ernest Thauer, the store's vice presi- ent, recounts the time a man drove up to the store entrance in rented truck, walked in, and struggled out with a giant stuffed iraffe in full view of customers, staff, and guards. He was a ıoplifter.

ı Toy is for All Seasons and Ages

ı toy is hard to define. A dictionary says it is a plaything for hildren and others; something contrived for amusement rather ıan for practical use; a model or imitation of ordinary objects sed as a plaything. Toys also appeal to collectors who buy xpensive toys to display on shelves and to most adults whose ıstes often dictate those of their children. Most games, but ot sporting goods, are considered toys. Then too, some toys ualify as works of art.

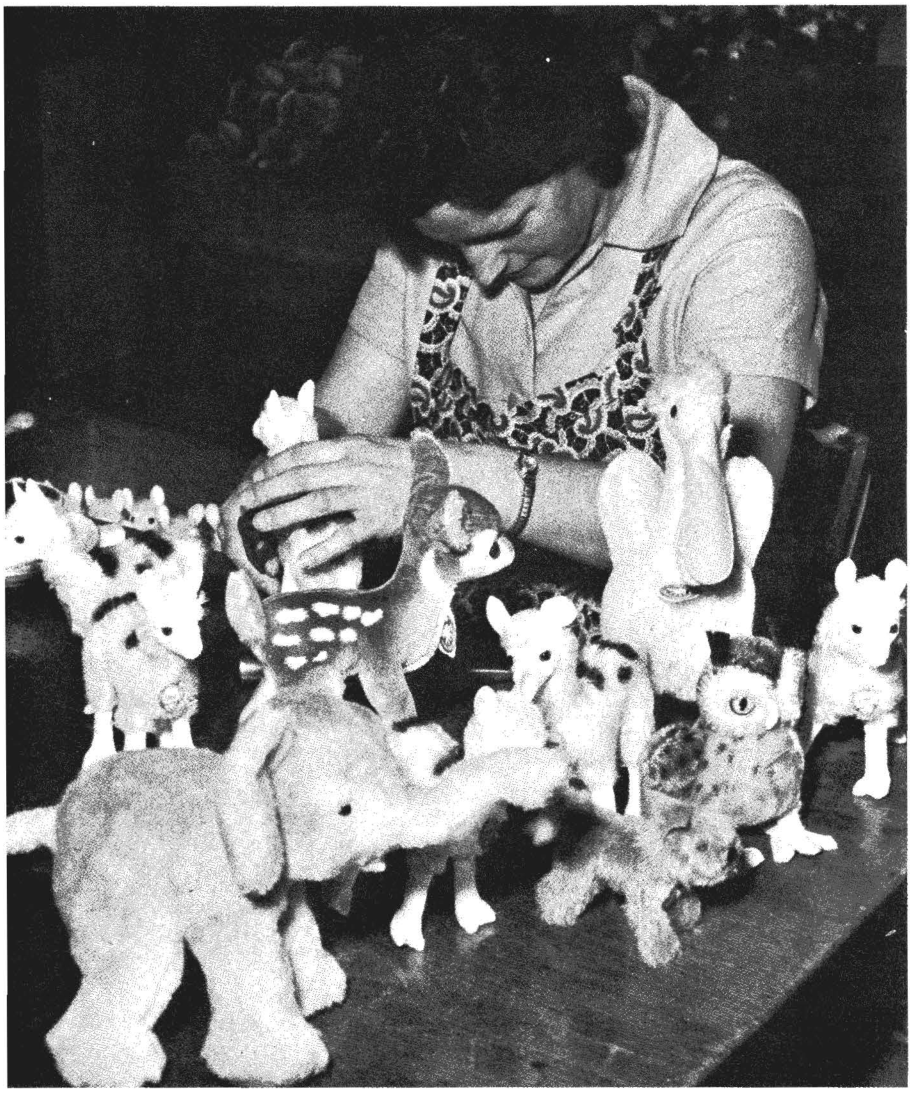
The 1969 F.A.O. Schwarz catalog has 156 pages showing ıore than 1500 "toys:" games, dolls, building sets, children's lothes, and games for adults. A third, or about 500, of these stings are imports, 275 of them from the Common Market. A uick look at U.S. import figures for 1966 shows that the Com- ıon Market supplies only a little more than 10 per cent of J.S. toy imports as does the United Kingdom, while Japan upplies an unstuffed lion's share of about 53 per cent.

Production figures for the toy industry in Europe are not eadily available, but trade figures put out by the European Communities Statistical Office show that Common Market toy xports have burgeoned. From 1962 to 1967, Common Market xports of toys and dolls to the rest of the world practically oubled—from $60 million to $108 million. These figures in- lude exports of rocking horses, pedal cars, scooters, and other ehicles for children; dolls, and other toys and scale models.

European Community toy exports to the United States show similar increase between 1962 and 1967, doubling from $6.1 ıillion to $12 million. Italy showed the largest growth among ıe Community countries, and the Netherlands, too, has made trides in its exports of toys. For example, Italy's total exports f wheeled toys, dolls, and other toys grew from $1,333,000 ɔ $4,471,000 in the five-year period. The Netherlands increased s exports to the United States in the category of "toys and

Tin cans become toys, when treated with imagination. PHOTO: Inter Nationes/UPI. *Courtesy of the German Information Center, New York.*

A History of Toys by Antonia Fraser, Delacorte Press, 1966, ɔage 67.



Stuffed animals such as these at the Steiff factory in Giengen, have earned Germany's reputation of leadership in this field. PHOTO: Bundesbildstelle, *Bonn. Courtesy of the German Information Center, New York.*

models" by almost ten times, from $67,000 to $657,000.

Toy-making first developed as an industry in Germany. German toys have been popular for centuries, and Germany remains one of the world's leaders. The F.A.O. Schwarz catalog gives an idea of the scale of imports an American store handles and shows that Germany heads the list as the country with the greatest variety of the imported toys handled by the store—255 listings, which includes 123 different stuffed animals. Japan was the closest rival for the number of listings included, 100; followed by England, 84; France, 24; and Italy, 15.

Each Country Has Its Own Specialty

F. A. O. Schwarz doesn't buy toys abroad if the United States makes the same ones better, but certain countries seem to make certain toys more skillfully than anyone else.

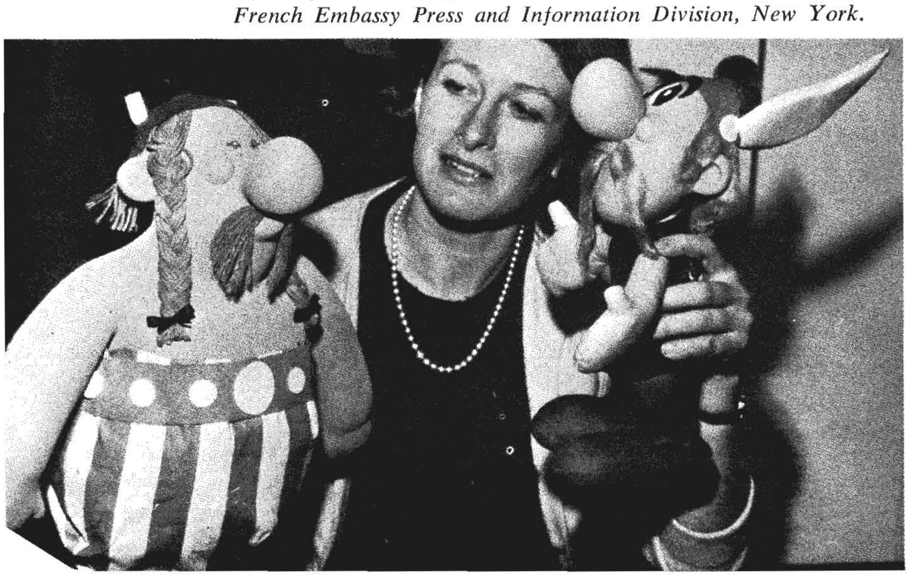
For example, Germany, the largest and best manufacturer of stuffed animals, is also known for its fine model electric trains. However, since the Second World War, the popularity of electric trains has declined; reflecting contemporary life, toy trucks, cars, planes, and rockets have replaced the traditional iron horse. Germany also excels in mechanical toys, such as electric steam engines; a leading German item last year were sets from which a child can build models ranging from a simple push toy to complex operating machines with motors.

France has a conglomeration of specialties. The French put out a number of model service-station-type toys with friction-propelled model cars and, if the station includes a heliport, model helicopters.

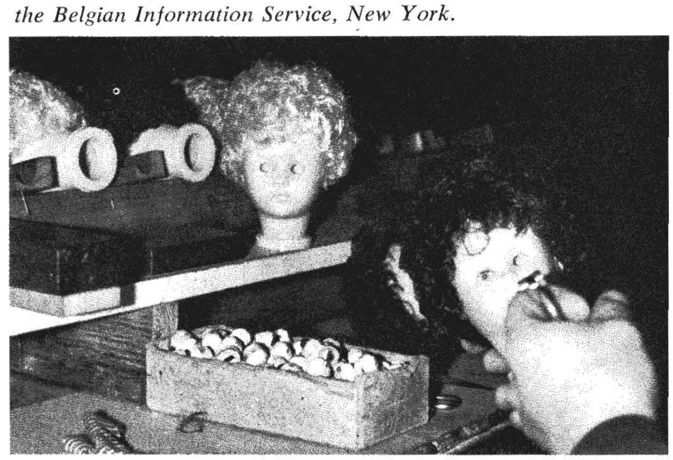
Adult games, such as puff billiards or horse racing games, are also French specialties. These are catalogued as "very adult games" and have a very adult cost: the puff billiards sells for $44.50, and the horse race game—a roulette with horses on circular tracks put in motion by a crank—costs an eyeopening $75. But France also exports some of the more usual "bread and butter" toys—inflatable rubber balls, model soldiers, and gyroscopes (complete with Eiffel Tower stand).

The most warlike toy F. A. O. Schwarz sells is an import from France—a model of a U.S. Army missile base with office buildings, repair shops, radar and searchlight towers, an operating missile launcher which fire missiles six feet in the air, four two-stage missiles, warning buzzer, American flag, and soldiers

"Obelix" (left) and "Asterix" (right), both personalities from Franco-Roman history, in modern days have become cartoons and then toys. PHOTO: © *Universal Photo, Paris. Courtesy of the French Embassy Press and Information Division, New York.*



A doll factory in West Flanders Province, Belgium. Courtesy of the Belgian Information Service, New York.



Italy makes the best dolls today, according to the toy store ɛecutive. He pointed out that the Italian dolls, as do the Ger- .an stuffed animals, have better features and color than their merican counterparts. American toys of this sort, he said, nd to be formless and lack character. Italy also seems to do ell in exporting electric cars and pedal vehicles large enough ›r a child to sit in and race along a sidewalk at a respectable ip. The electric Lotus Racer made in Italy runs on batteries. is for 4- to 8-year-old children, has one forward and one :verse gear, goes 4 m.p.h., and costs $175. Italy has its upper :ust, as does every country, which can afford such toys. :hwarz admittedly also caters to the "upper crust."

Holland, not listed in the 1969 catalog, is best known for its ıanufacture of puzzles, especially children's jigsaw puzzles. elgium, while unrepresented by a toy *per se*, does a brisk trade ı rugs illustrated with Disneyland characters for children's ɔoms.

ads Fail to Alter Basic Market

'he toy market doesn't change much from year to year. Al- ıough there is something new every year, stores continue to ɜrry and sell the basic lines, such as dolls, soldiers, and games. 'he toy industry in Europe, as elsewhere, has been changing ver time. Toymakers can no longer afford hand operations and ɪe production-line toy has become the rule more and more; so as the use of plastics.

If some trends can be spotted, they would include the growth ı the popularity of old toys as antiques and the shift away from lectric trains to racing autos and road racing sets, remote con- :ol cars, planes, and space vehicles. The last three or four ears has also seen a sharp drop in the popularity of war toys. chwarz, like other toy stores, has deliberately de-emphasized 'ar toys since the Viet Nam War became so controversial. Iodel soldiers still remain, mostly with historical uniforms, but ɪe vast array of model tanks and guns are gone.

The United States imports a considerable number of games nd toys from Eastern Europe, but Mr. Thauer explained that ɪere were none at F.A.O. Schwarz. Toys made behind the :on Curtain in such countries as East Germany or Czecho- .ovakia, by and large, tended to be similar to those made in Vestern Europe without enjoying reduced tariff rates.

Cars such as this remote-control Ferrari are becoming more popular than electric trains. PHOTO: *Courtesy of the French Embassy Press and Information Division, New York.*

uropean Community Exports of Toys

ı millions of dollars)

Exports to U.S.

	France	Belgium/Lux.	Netherlands	Germany	Italy	Total
1962	.338	.006	.109	4.314	1.333	6.088
1967	.608	.021	.669	6.147	4.471	11.916

Exports to World

	France	Belgium/Lux.	Netherlands	Germany	Italy	Total
1962	8.671	.854	3.044	32.279	15.208	60.056
1967	12.691	1.561	5.838	51.214	37.201	108.505

The Kart-Flot-Bob *adapts for use on land, water, or snow with a quick change of accessories.* PHOTO: *© Universal Photo, Paris. Courtesy of the French Embassy Press and Information Division, New York.*

The Next Yaoundé Convention

AFRICANS SEEK ASSOCIATION CHANGES

by **CHARLES SCHIFFMAN**

HAMANI DIORI, President of the Niger Republic, introduced himself as "the spokesman for Africa's peasants," during his tour of Community capitals last fall. As spokesman for the 17 African states and Madagascar associated with the European Economic Community by the Yaoundé Convention, he told the six Community member governments, the Commission, and business leaders that the Eighteen want to renew the association after the Convention expires on May 31, 1969, but that they also have important changes to propose.

The signatories are about to begin negotiating the renewal of the Convention and have, since the beginning of 1968, been hard at work preparing for the talks. They have formed national committees and held ministerial meetings in Niamey and in Brussels. With the help of a young Malian, Seydou Djim Sylla, the eighteen ambassadors in Brussels have been coordinating the work. For the second time, they chose the President of Niger, as emissary to stimulate the interest of the Community.

The Eighteen's 65 million inhabitants have an annual per capita income of less than \$100. Experts predict that at the present rate of economic advance it would take them three centuries to reach the living standards of industrialized countries. However, their governments do not count on global solutions to poverty, such as those advocated at the United Nations Conference on Trade and Development in New Delhi at the beginning of 1968. Mr. Diori often repeated during his tour of the Six that the Eighteen prefer to renew their trade and aid association with the Community, but that they would also like to improve it.

The Eighteen give four main reasons for wanting to revise their association with the Community:

- Although the associates enjoy certain privileges, they supply only 4 per cent of the EEC's total imports (4.3 per cent in 1964, 4.2 per cent in 1967).
- EEC imports of their agricultural produce, which make up 60 per cent of the total exports of the Eighteen, have fallen both in quantity and value.
- Unfavorable terms of trade have aggravated this situation. Prices for cotton, coffee, and other raw materials have fallen, but prices for manufactured goods have increased. Mr. Diori gave this example: 220 pounds of African cotton could buy four blankets and eight yards of cloth in 1958, but only one blanket and three yards of cloth in 1967.
- Since 1958 the Community has given the Eighteen almost \$1.3 billion in direct aid grants from its European Development Fund, or 20-25 per cent of the total aid received by the African states. However the population of the associated states is increasing by 2.5 per cent annually, and the prices of imported industrial goods are rising by 3-3.5 per cent a year. To maintain effective aid at its present level, the Eighteen argue that the resources of the Fund should be increased by 5-6 per cent.

Problems: Volume vs. Value

In trade the Africans have a twofold objective: to increase the volume of their exports and to obtain more favorable prices. They therefore think the Community should abolish or reduce the remaining barriers to their associates' agricultural produce.

Charles Schiffman is a correspondent for the French news agency, Agence France-Presse, *in Brussels.*

The Yaoundé Convention stipulated that the Six, in makin agricultural policy, "shall take the interests of the associate states into consideration." The imprecise nature of this prov sion has not helped the Africans. Today they want a system c benefits for their own farmers similar to the one Communit farmers have, and at least one that offers some protectio against competition from non-member countries. Such a syster should also apply, they feel, to processed agricultural produc because processing is a major route to industrialization i Africa.

The Africans are infuriated by the fact that the excise ta levied per pound of coffee in some Community countries is larger sum than the coffee planter himself receives. They there fore want decreases in taxes on tropical products which, the insist, should not be treated as luxury goods.

Prices are the thorniest problem. The Yaoundé Conventio granted the associates financial aid (which has decreased i amount each year) to improve production techniques and kee prices down. This aid has been supplemented by provision subsidies for some products. The five-year period (1964-69 covered by this arrangement has proven too short to sho results.

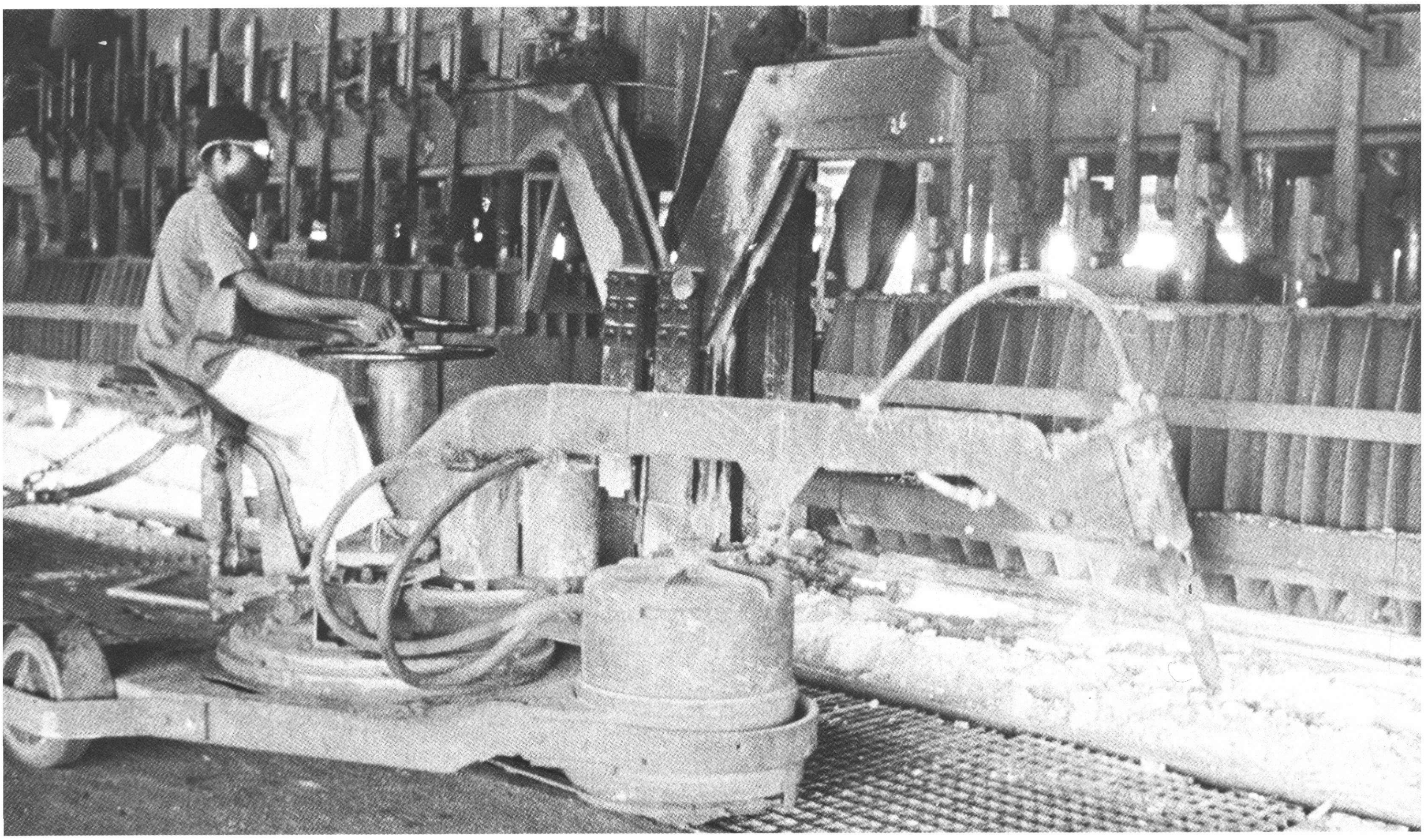
Moreover, the Africans say that they will never be able t beat subsidized "world prices" at which competing products ar sold in Europe for they are in reality knock-down prices vali only for surpluses sold outside national or regional marke organizations. If world agreements fail to end this situation, th African states want the Community to create a stabilizatio fund for their tropical produce. The annual cost of such a fun is estimated at \$200-\$300 million, a figure Mr. Diori compare with the \$2 billion now paid out by the Community's Agricul tural Fund.

Development Aid Generally Satisfactory

The Africans are satisfied on the whole with the Convention' provisions for financial and technical cooperation. They ar still an effective and unprecedented example of developmen aid for economic and social infrastructure investment, production, crop diversification, and technical training.

The Convention's drafters may have overestimated the debt-

Commission President Jean Rey welcomed Nigerian Presiden Hamani Diori to Brussels last October.



[T]he new convention, Mr. Diori believes, should increase the importance of European institutions as promoters of African industrial [d]evelopment." ALUCAM *aluminum plant, Cameroon.*

ırrying capacity of the associated states. A large portion of the nds reserved for reimbursable loans ($33 million out of $64 illion from the European Investment Bank and $11 million out $46 million in the special loans section of the European De- ·lopment Fund) has not been used because the terms were ·yond the means of the associated states. Mr. Diori has there- re warned his European partners against the tendency to re- ıce the volume of grants in order to increase the amounts 'ailable for reimbursable loans. He has also said that the Fund ould increasingly favor directly productive sectors, such as ;ricultural modernization and industrialization.

ıdustrialization

ntil now the African states have used only 8.5 per cent of ɔmmunity aid for industrialization. The new Convention, Mr. iori believes, should increase the importance of European stitutions as promoters of African industrial development. frican leaders seem to regard the measures adopted by the ɔmmunity countries in their own under-developed regions— cily, Wallonia, Brittany—as a possible model.

Mr. Diori has suggested the financing of economic and tech- cal research and market prospection so that projects can be lected for submission to potential investors. Community aid ıuld then encourage investors to build factories in Africa. The Eighteen hope the European Development Fund or the European Investment Bank will help finance African companies by granting them equipment bonuses and favorable interest rates and reducing risks to investors. To allay investors' fears, the Community could create a fund to guarantee private investments, which would complement national investment codes and funds that several associated states already have.

Hamani Diori began his European tour both confident and anxious. Although he knew he could count on support from certain member governments and the Commission, he also knew that he would have to convert some governments—those attracted by buying on the world market or those conscious of advantages that an industrialized nation can obtain from its own bilateral aid program.

At the end of his tour, Mr. Diori drew up a provisional balance sheet. He said he had met with "understanding on the part of most European leaders," support from the Germans, the Italians, the Luxemburgers, and the French, and encouragement from the Belgians. In the Hague, Mr. Diori had, in his own words, "the pleasant surprise" of meeting Dutch leaders determined to continue the association. Since the British application began to harm Community relations, the Africans feared they would be the ones to suffer. Today this fear has vanished, partly as a result of Mr. Diori's astute diplomacy.

NEW PLAN TO MODERNIZE AGRICULTURE MINIMIZES PRICE SUPPORTS, FAVORS FARMER EDUCATION

A memorandum concerning the means of modernizing agriculture and proposals to lower prices in the current marketing year were put before the European Communities Council of Ministers on December 10.

If followed through, the modernization plan according to the Commission, would help farmers share in the Common Market's wealth and curtail the spiraling costs of price support. On January 27, the Council planned to have an initial exchange of views on the memorandum as well as on the price proposals.

Sicco L. Mansholt, Commission Vice President and chief architect of the Community's current farm policy, explained to the Council the Commission's reasons for proposing the ten-year agricultural reform program. Agriculture has always been a problem, he said, one on which a great deal of money has already been spent. Farm productivity has risen, but farmers still have not received a fair share of today's rapid increases in prosperity, and the gap between the quality of life on the farm and in urban areas continues to widen. Commenting on tensions in the farming community, Mr. Mansholt said many people see no way of escaping from this situation.

Too many people are still working too many small farms. As many as 80 per cent of farms in the European Community are too small to provide enough work for one man using modern techniques and facilities. A common market and common price policy alone cannot correct this situation. Mr. Mansholt said that production quotas were no solution to keeping production in line with consumption. In addition to causing technical and administrative difficulties, such quotas, Mr. Mansholt said, discourage specialization, one of the main advantages the common market offers. Production cutbacks, unless coupled with other measures, merely lower the producer's income. He can only compensate for this loss by raising prices or expanding production of other products, which again distorts the market.

Price and market policy can neither assure a decent living for the farming population nor guarantee balance in the market unless the pattern of production also changes. For these reasons, the Commission wants to remove economic and legislative obstacles to increases in the size of farms, promote changes in land use, and encourage labor mobility. While the primary burden of adaptation will fall on the farming community, only through the Community at large can the problem be solved.

The Reform Package

The key to the farm reform lies in the concentration of production in well-managed farms that are large enough to allow the use of modern techniques, take advantage of improved investment opportunities, and reduce the farmer's hours of working more nearly to the length of a normal week for other types of workers.

New jobs in manufacturing and services will continue to attract workers from the land, but not quickly enough to improve the rural standard of living. Between 1960 and 1970, 4.7 million people will stop farming. Five million more will give it up between 1970 and 1980, 2.5 million of them retiring because of their age and the others taking industrial jobs. In 1980, 6 per cent of the Community's total working population will still be on the land, as compared with 20.7 per cent in 1960, and 15.7 per cent in 1965.

Economically viable production units, in the Commission's view, should consist of no less than 200 acres of arable land for grain farmers, at least 40 cows for dairy farms, or 10,000 laying hens for poultry farms. "Modern agricultural enterprises," the most highly developed type of farm, could be formed by combining production units. To encourage these developments, the Commission would like to see the

- removal of legal and tax barriers now hampering an increase in the size of farms
- institution of financial assistance or allowances to help production units get started
- granting of investment subsidies and guaranteeing loans
- orientation of the Community member governments' agricultural improvement expenditures towards the achievement of these new objectives.

Modern agricultural enterprises would employ fewer workers than the farms from which they have grown. Older farmers would be offered financial help to retire if they did not want to continue working.

Farmers older than 55 who decided to retire and who made their land available for the structural reform program would receive appropriate financial compensation. Some younger people, too, would have to be induced to leave farming through offers of financial assistance, training for other jobs, or scholarship awards.

To adapt the Community's total agricultural acreage under cultivation to the requirements of domestic and export consumption of farm produce, no new land should be used for agriculture and marginal land would have to be withdrawn from use. These measures would reduce the Community's farm acreage from 173 million in 1970 to 160 million in 1980. The 10 million acres thus made available would be used for recreational facilities and planted with timber.

Prices—1969/70 Marketing Year

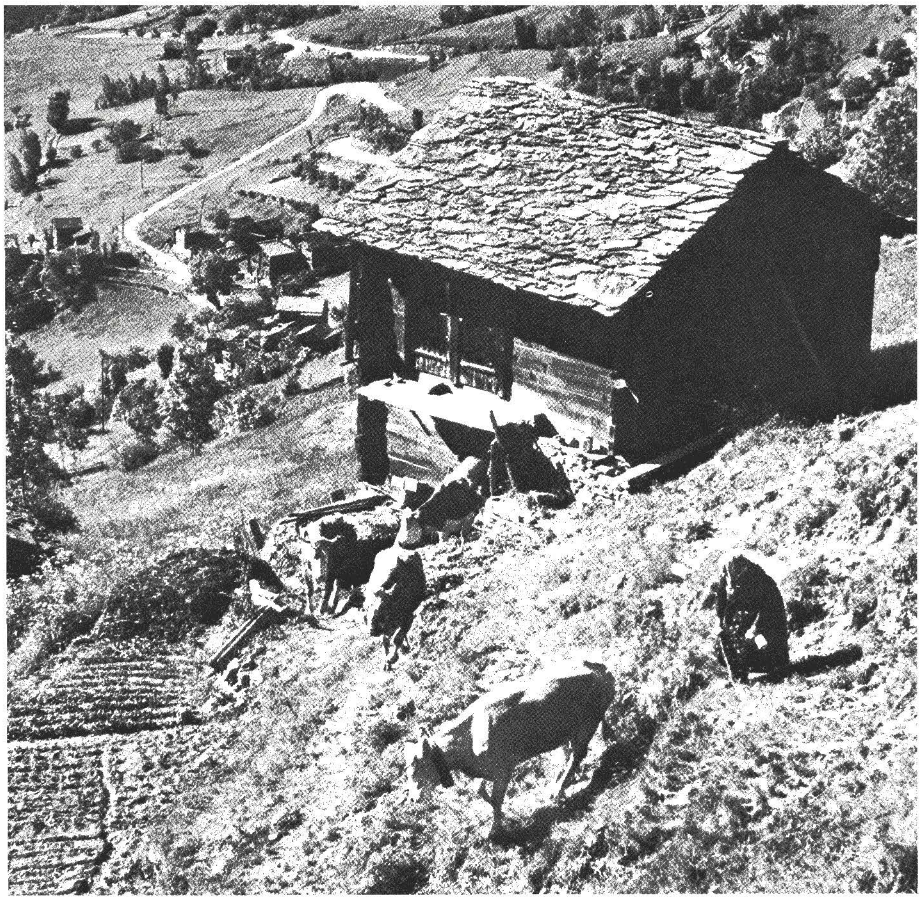
Mr. Mansholt expressed the Commission's alarm about the Community's large surpluses and high prices. Present difficulties arose, he said, from the discrepancy between supply and demand, particularly in dairy, grain, and sugar. The solution lay in structural reform, he emphasized, but action must be taken immediately to restore short-term equilibrium by the use of subsidies and the reduction of prices:

- *Dairy.* The Commission considered the butter surplus particularly alarming, since if no action were taken it would grow by 300,000 tons a year. If it continued to accumulate, there would be no storage facilities left, making impossible effective action on market and price policies. To use up the butter surpluses, the Commission proposed to deliver butter to specific food industries and to areas of the Community where butter consumption could be increased, to export dairy produce to developing countries, to add butter to calf feed, and to deliver concentrated butter to consumers. In this way, the Commission hoped to reduce the butter surplus by 20,000 tons a year.

More than half of the Community's farms are small dairy farms, and milk prices constitute a significant part of farm income. The Commission thus suggested that the milk price be left at its current level this year but that the price of butter be cut 30 cents a pound to discourage further production. In addition, the Commission suggested the payment of cheese and skim milk powder subsidies to discourage marketing of liquid milk.

- *Beef and veal.* The Commission recommended a reduction in the number of dairy cows from 22 million to 19 million in four years. For two years, a slaughter subsidy would be paid—$300 per animal to farmers who slaughter all their cows. In the meantime, the Commission urged the Community member governments to terminate any measures to maintain or increase their dairy herds. Fattening subsidies of $5 per 100 pounds liveweight were mentioned as possible means of encouraging production of beef and veal which were still in short supply.

- *Oils and fats.* The Commission recommended the institution of a tax on processors. The proceeds of the levy could be used to offset the ill effects of low world prices on countries associated with the Community.



1 *small family farm in an outlying section of France*

› *Sugar.* The Commission suggested a slight rice reduction together with a 5 per cent near reduction of production quotas from ,480,000 tons in 1968/69 to 6,156,000 tons 1 1969/70.

› *Grain.* The Community has large surluses of barley and rye, so the Commision recommended price reductions to stimlate domestic consumption. No changes 'ere proposed in the prices of durum wheat, orn, or rice.

ong-term Approach Based on egional Policy

.ll of these proposed measures, Mr. Mansolt emphasized, were short-term, stop-gap :tions that do not attack the causes. In adition to reorganizing agricultural producon by reducing farm acreage and farm mployment and by enlarging farms, the 'ommission stressed that market structure nd distribution also need improvements.

In particular, the Commission recomιended the creation of an efficient organizaon to give up-to-the-minute information 1 immediate and future supply, demand, ıd stocks of agricultural products. To su-:rvise the market and prevent distortions, ıe Commission proposed the creation of Community-wide organizations to supervise each commodity or group of commodities. Farming could be reorganized only if the conditions peculiar to each area of the Community are taken into account. The Commission proposed a decentralized regional farm policy, a training policy to prepare the managers that would be needed to run modern farms, and a social policy to provide for the 800,000 farmers who were currently older than 65. In retraining young farmers, the European Social Fund should play a full part.

To Cost Millions

The ten year reform program would cost millions, but the Community members have already been spending millions on agriculture and were spending more each year. In 1967, the member governments spent $1.9 billion to improve agricultural structure, of which $1.3 billion was spent for activities like the ones the Commission has proposed. By 1980, in view of the rising trend, the member Governments' activities could cost them much more than the Commission's proposed program. Only drastic reform could help the Community cope with its financial, economic, and social "agricultural problem."

FARM FUND HAS SPENT $2.2 BILLION SO FAR

The Six together will have paid in to, and drawn from, the European Agricultural Fund a total of $2.24 billion between 1962 and the end of December 1968. Of this sum, $1.8 billion came under the price Guarantee Section, $284 million under the Guidance Section, and $208 million under the Special Section.

Germany was the largest contributor, paying in a total of $683.3 million under all three sections. Next came France ($576.3 million), followed by Italy ($533.3 million), the Netherlands ($243.4 million), Belgium ($195.4 million), and finally Luxembourg ($5.4 million).

The chief recipient was France, drawing out a total of $919 million under all three sections. Italy came second ($522 million), followed by Germany ($359 million), the Netherlands ($320 million), Belgium ($110 million) and Luxembourg ($7 million).

The $2.24 billion total for the 1962-68 period was almost as large as the Fund's estimated receipts and expenditures in the 1968/69 marketing year—$2.5 billion.

$34 MILLION GRANTED FOR FARM IMPROVEMENTS

The Guidance Section of the European Communities farm fund will pay $34,114,667 in grants to help finance 161 projects to improve the structure of agriculture.

This allocation, announced by the European Communities Commission on December 19, is the first installment of aid from the Guidance Section's 1968 budget of $153,500,000.

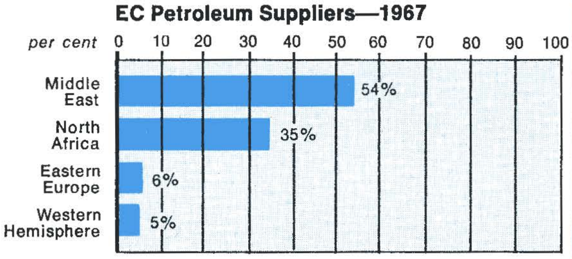
The projects to be financed by these grants are intended to improve production or marketing of agricultural products. They include investments in irrigating land and constructing and modernizing farm buildings.

The Commission has received 725 applications for assistance from the 1968 Guidance Section budget from farmers who have already obtained partial financing from their countries of residence. According to the financial rules governing the use of Guidance Section funds through 1968, the Community can finance up to 30 per cent of the costs of projects partially financed by a Community member government.

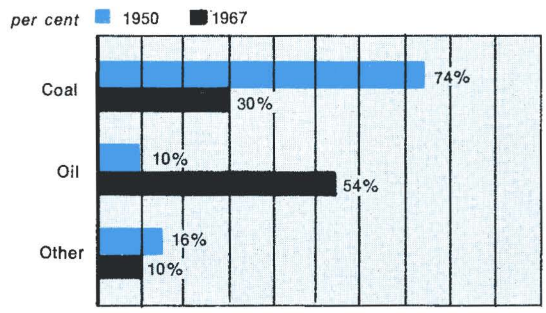
Starting with the 1969 Guidance Section budget, however, the Community will be able to pay up to 45 per cent of project costs in certain sectors, but in sectors now having market difficulties, not more than 25 per cent of the costs. These changes in the amount of Community participation were made by a regulation passed by the Council of Ministers on December 8, 1968.

COMMON ENERGY POLICY MUST SERVE CONSUMERS COMMISSION ASSERTS IN POLICY PAPER TO COUNCIL OF MINISTERS

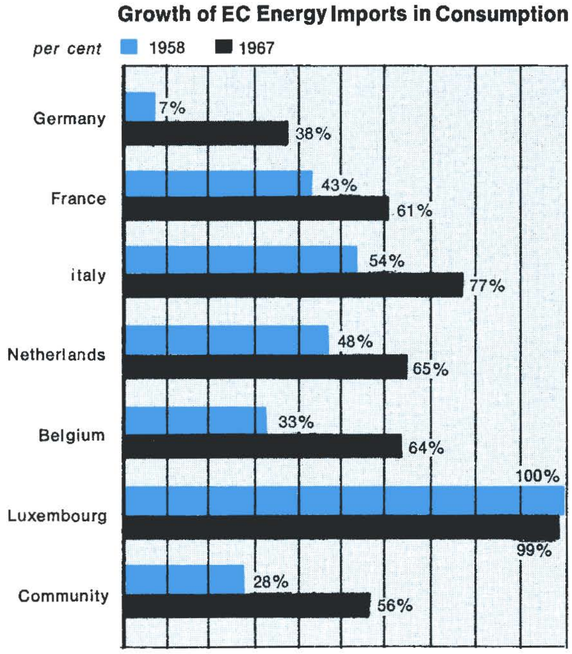
EC Petroleum Suppliers—1967



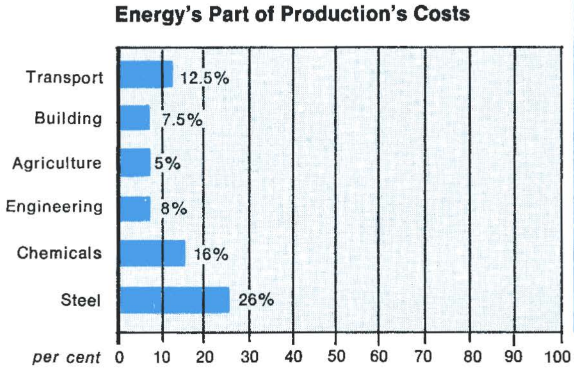
Coal's Decline, Oil's Rise in Consumption



Growth of EC Energy Imports in Consumption



Energy's Part of Production's Costs



The common energy policy must serve consumers. The cost of energy heavily influences both the cost of living and the competitive position of industry, the European Communities Commission stated in its "Guidelines for a Community Energy Policy," submitted to the Council of Ministers on December 18.

The Commission said that the common policy must assure a dependable, abundant, and cheap supply of energy. Competition should continue to be the basic determinant of price; and when intervention cannot be avoided, it should be carried out in such a way as to enable market forces to operate effectively. The Commission's proposals thus gave priority to market supervision, rather than intervention.

Problems of Energy Policy

The Community institutions have been working on a common energy policy since their inception but have faced three major difficulties:

- Responsibility for energy was divided between the European Coal and Steel Community's High Authority and the Commissions of the European Atomic Energy and Economic Communities. This problem was partly overcome with the merger of the three executives in July 1967. However, the three Treaties contain different provisions for different forms of energy. Only when they are replaced by a single treaty will this institutional barrier completely disappear.

- The wide variations in national policies, reflecting the differences in structures and attitudes in the member countries, have made it difficult to find common ground. Italy for instance, lacking indigenous coal deposits, imports coal at world market prices, instead of using higher-priced Community-mined coal of inferior quality. France, through a national petroleum monopoly, has tried to control its petroleum supplies.

- Radical changes in the structure of the energy market, particularly the decline in the use of coal and the increasing demand for oil, have also hindered progress. The social implications have compelled governments of coal-producing member states to introduce state aids for their coal industries.

Energy Costs Distort Competition

In its report, the Commission called for the removal of the present distorting factors in the energy sector. It noted that the Community energy market, unlike those for farm and industrial products, is still seriously hampered by various fiscal and technical obstacles. Unless a common policy is adopted soon, the integration already achieved in th energy sector will be endangered.

The report stressed the need to overcom the risks inherent in the Community's de pendence on imported energy supplies, an to diversify these supplies. Imports now su ply more than half of the Community's er ergy. A common approach would best er able the Community to negotiate fro strength on world markets and provide sure basis for external supplies.

Different national policies lead to varia tions in energy costs which, in turn, distor the competitive position of major industria energy consumers and handicap certain re gions when big investment decisions ar under consideration. National efforts to rem edy this situation—uneconomic subsidies varying rates of taxation, and increasingl nationalistic policies to ensure supply—ar disintegrating a common energy economy.

According to the report, energy produ tion represents 12 per cent of the Commu nity's total industrial production, and b tween 15 per cent and 20 per cent of total i vestments. Energy imports, $5.5 billion i 1967, represented 18 per cent of the Con munity's total imports.

All Forms of Energy Covered

The Commission made proposals for crea ing the general framework of an energy po icy, the establishment of a common mark in energy, and the assurance of cheap su ply.

- General medium-term energy policy for casts and annual evaluation of supply ar demand for energy, the Commission su gested, should be used to assure the cohe ence of the Community members' energ policy actions.

The Paris Treaty creating the Europea Coal and Steel Community and the Ron Treaty creating the European Atomic E ergy Community already contain similar ou lines in their respective sectors—coal ar nuclear energy. The Commission recon mended that medium-term policy decisio also be made on oil, gas, and electrici which are not covered by the Treaties. Po icy should include regular examination supply conditions and the application of stockpile policy to prevent shortages.

- Like the Common Market for goods, common market in energy is needed and r quires free trade of the industry's product freedom of establishment, and common ru on competition and indirect taxation.

Technical obstacles will have to be r moved to achieve free trade in energy pro ıcts and equipment for their production, ransport, and use. To facilitate national pol- ːy adjustments, the Commission proposed Community action in the areas of commercial ınd structural policy.

Freedom of establishment in the energy ector assumes the abolition of discrimina- ion between the Community members' na- ionals in the issuance of prospecting licenses nd concessions and permits for operating re- ineries or service stations and for transport- ng oil and gas and transmitting electricity. In contract awards for the supply of equipment, ıationality may not be a consideraiton.

In the area of competition, the Commission aw four main Community concerns: assur- ng non-discriminatory access to sources of upply, providing surveillance of large and powerful companies, establishing a reporting ystem of prices obtained on the market, and ıarmonizing price policies in the different Communist countries.

In the area of indirect taxation, the Com- nission proposed to harmonize the applica- ion of the tax on the value added, to har- nonize duties on hydrocarbon fuels, and gradually to reduce specific duties that are ntended to protect certain forms of energy.

Supply Policy

To assure a cheap and reliable supply of en- ergy, the Commission recommended action on commercial policy and industrial structure, guidance of investments, and steps to facilitate nvestment financing. In view of the economic mportance of energy, the Community must ıave the means of regulating supplies in ac- cordance with circumstances. For this reason, he Commission proposed the establishment of a coordinated import policy for coal. For ıydrocarbons and nuclear fuels, it suggested he establishment of a Community supply program combining the supply programs of enterprises.

To prevent over-investment, the Commis- ion proposed an annual synchronization of he Community members' investment policies and projects.

The structural improvements recommended vary from one industry to another.

• *Coal.* The quantity mined should be de- ermined by the demand for coal. To lower its cost, only the most productive mines should be worked. The coordination of aid systems now in existence and the introduction of new aid would allow Community mines to con- inue furnishing adequate supplies of coal, the Commission suggested.

• *Hydrocarbon fuels.* Competitive dispar- ties between enterprises established in the Community and those outside should be elim- nated, primarily by fiscal provisions. Steps to facilitate crude oil purchases for enterprises should then be taken. To encourage and facil- itate prospecting and production in the com- mon interest, the Commission suggested the use of the "joint enterprise status" which has worked well in the nuclear sector. Joint enter- prises receive tax and customs concessions.

• *Nuclear fuels.* An isotope separation plant to serve Community needs should be built and Chapter VI of the Euratom Treaty amended so that nuclear fuels can be supplied according to market conditions.

In addition to the facilities now available for financing investments under all three Treaties, the Commission suggested that con- sideration be given to providing additional guarantees or Community financing possibil- ities for investments benefiting the Com- munity.

COUNCIL ADOPTS INTERIM EURATOM BUDGET AND PROGRAM POSTPONES DECISION ON FUTURE UNTIL JULY

The European Communities Council of Ministers will decide the future of the Euro- pean Atomic Energy Community in July. In the meantime, it has passed an interim pro- gram and an operating research budget for 1969 to allow work to continue at the Com- munity's Joint Research Center.

At a meeting that lasted long into the night of December 20, the Council managed to reach unanimous agreement, as required by the Euratom Treaty, on the 1969 re- search budget and program. It also decided that before July 1, 1969, it would:

• pass a new multiannual program

• examine the means of achieving a coordi- nated policy in the nuclear field

• select non-nuclear research activities that could be conducted at the Joint Research Center.

Euratom's 1969 program will consist of:

• a joint program, in which all six Commu- nity members participate. The $24.43-mil- lion budget for the year covers 11 research areas: nuclear fission, biology, nuclear meas- ures and standards, dissemination of re- search knowledge, teaching and training, and reactor research (fast reactors, heavy water reactors, and high-temperature gas- cooled reactors).

• a complementary program, financed by the countries interested in participating (in general, the Six except France). The 1969 budget amounts to $24.20 million and covers primarily basic research done mainly at Joint Research Center facilities.

This budget covers research costs and monies to assure the optimal utilization of the Joint Research Center, and also provides salaries for 415 researchers now employed by the Community but who cannot be used in the narrow scope of research activities planned for 1969.

Neither the Commission, nor the Council, believed it would be wise to reduce person- nel on the basis of a program covering only one year. The Commission, therefore, pro- posed to make these highly specialized re- searchers available temporarily for work under contract for third countries, for as- signments related to the Commission's over- all activities, for research by public or pri- vate organizations in the Community, or for retraining so that they can be used more easily in other jobs at a later date.

The Council has also provided for using the Joint Research Center for research and technology projects outside the nuclear field. It has not yet selected these projects, and the Scientific and Technological Research Policy Committee ("the Maréchal Group") was reactivated to advise the Council on this matter.

The Maréchal Group has resumed work in an excellent atmosphere, and on a tight schedule set by the Council. It will submit a written report to the Council at the begin- ning of March 1969 on research areas where cooperation is possible, both from the na- tional and the European points of view, in the priority sectors designated by the Coun- cil in December 1967. These areas were: data processing, telecommunications, new kinds of transport, oceanography, metal- lurgy, air and water pollution, and meteor- ology. The scientific, industrial, and eco- nomic interest of projects proposed would be considered in assigning priorities. The financial, juridical, and procedural means of executing the projects selected would be specified. On the basis of this report, the Commission was expected to propose coop- erative ventures with interested non-mem- ber countries, particularly the United King- dom, Ireland, Denmark, and Norway, which have applied for membership.

In Brussels, the results of the Council meeting were considered a serious beginning of European cooperation in science and technology, after a slow beginning.

EC TRADE TRENDS

Trade among European Community mem- bers amounted to $13.2 billion in the first half of 1968—an increase of 10 per cent com- pared with the corresponding period in 1967.

EC imports from non-member countries in the first half of 1968 came to $16.2 billion, while EC exports reached $16.8 billion.

VIGOROUS ECONOMIC EXPANSION FORECAST FOR 1969
CAPITAL INVESTMENT, PRIVATE CONSUMPTION TO GROW

Nineteen sixty-nine will be another year of vigorous growth, according to the European Communities Commission. Real gross Community product should expand by 5-5.5 per cent, about the same rate as in 1968.

In its last Quarterly Economic Survey of 1968, the Commission said that the Community's exports may grow more slowly this year if the expected slowdown in business activity in the United States materializes. However, internal demand, from both capital investment and private consumer spending, show signs of increasing.

Consumer spending, in particular, will gain momentum as employment improves and wages rise. Pressures on some member countries' labor markets may reemerge this year. Industrial production will expand by 8 per cent, while agricultural production will show a relatively small increase.

As a result of the speculation in Deutsche marks against the French franc at the end of November 1968, however, the Commission noted that some of its forecasts may need revision. The report went to press on November 14.

1968: Economic Recovery

Summarizing economic developments during 1968, the Commission reported that despite French production losses in the May and June strikes, real gross Community product had risen by 5 per cent, as compared with a 3 per cent increase the year before. This gain brought the Community's total growth rate since 1957 to 69 per cent, as compared with 58 per cent in the United States and 38 per cent in the United Kingdom.

The determining factor in the Community's 1968 economic recovery, the Commission said, was the rapid growth of demand, at first chiefly from exports, stockbuilding, and capital investment and, later in the year, from private consumer spending.

The Community's visible exports expanded by an estimated 8.5 per cent, though special factors, especially in the case of sales to the United States and the United Kingdom, accounted for much of the increase. Although export demand slackened as the year wore on, internal demand displayed an increasingly steep upward trend. Consumer spending rose by 7.5 per cent, an increase that the Commission attributed largely to the increase in disposable income, which was especially pronounced in France as a result of massive wage increases following the strikes in May and June.

Companies spent more on stockbuilding during 1968 than at any time in the ten years since the Common Market came into force. Capital investment also expanded, by 8.5 per cent.

Demand Boosted Imports and Production

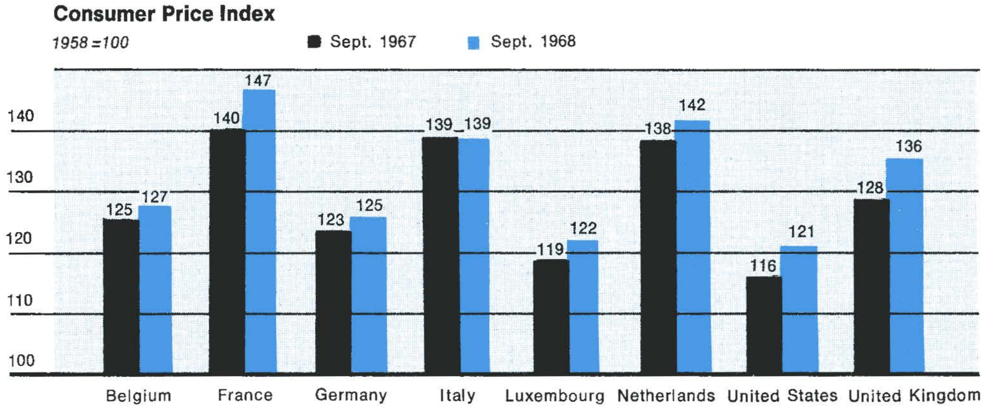
Responding to the rise in demand, supply expanded vigorously and proved highly elastic throughout the year. Agricultural production rose little beyond the high level reached last year, but industrial production rose 7.5 per cent, as compared with 1.7 per cent in 1967.

Labor productivity improved and employment began to move upward during the year. In France, however, the strikes of May and June were followed by a temporary steep increase in unemployment.

Imports also grew as a result of strong internal demand. After stagnating in 1967, imports increased by about 8.5 per cent. The Community's balance of visible trade with non-member countries was expected to show almost as large a surplus in 1968 as in 1967. However, since the deficit on capital account was considerably larger in 1968 than in the preceding year, the balance of payments deteriorated sharply. The Community's official net gold and foreign exchange reserves fell by $2.8 billion during the first ten months of the year, compared with a rise of more than $1 billion during the same period of 1967.

Consumer Price Index

1958=100



Source: *General Statistical Bulletin*, No. 12, European Communities Statistical Office, Luxembourg, December 1968.

ECSC PRODUCTION TAX SET AT .3% FOR 1969

The European Coal and Steel Communit production tax was set at 0.3 per cent by European Communities Commission decisio made on December 18.

The levy on coal and steel productio should yield about $37 million in 1969. Thes and other revenues, mainly $5 million fror interest on investments and $9 million fror ECSC reserves, will be used to finance ECS expenditures:

- $18 million in administrative expenses
- $25 million for retraining and reemploy ing former coal and iron ore miners
- $8 million for technical and economic re research on coal and steel production, safet in the coal and steel industries, and promo tion of coal and steel consumption.

BARRE EXPLAINS COMMUNITY VIEW OF CURRENCY CRISIS

The European Communities Commission participating as an observer, was able to exer a "Community influence" during the inter national currency-crisis talks in Bonn in No vember, according to Commission Vice Presi dent Raymond Barre.

When Mr. Barre addressed the Europea Parliament in Strasbourg on November 27 he denied reports that ministers at the Grou of Ten meeting had ignored the Commission The German Government invited the Com mission to send representatives to Bonn, h said. It was the first time the Commission ha had observers at a Group of Ten meeting.

Replying to an oral question on the Com mission's role during the Bonn meeting, Mr Barre stated that the Six had held joint con sultations and that even before the Bon meeting the Commission had conveyed it view that the parity of both the mark and th franc should remain unchanged.

He said the Commission was studying th measures taken by France and Germany fol lowing the crisis. No definite judgment coul yet be made, at that stage, about their com patibility with the Community rules. H noted that the French measures dealt wit production, the German ones with trade France, under Article 109 of the Rom Treaty, imposed stricter and wider exchang controls in November than in May 1968, bu the French Government could not have le speculation against the franc continue. Mr Barre made no accusations or excuses, bu said that there were "masses of vagabon capital" not subject to control, such a Eurodollars.

The Bretton Woods system, Mr. Barre con

inued, covered principally the international ale of goods and services, but it was now ecessary to consider long- and short-term apital movements. Since 1965, Vice President Barre recalled, the Commission had ried to prescribe Community rules for novements of long-term capital (direct investments), but that some member states had rustrated this attempt.

Act of Political Wisdom

Mr. Barre reminded Parliament of the Commission's view that revaluation of the mark would not have been "a desirable step." He called the decision of the French President not to devalue the franc an act of economic eason and political wisdom but added that he French Government could have avoided ome difficulties if it had acted earlier to restrict credit, as the Commission had recommended in July. Germany could have adopted an expansionary policy at an earlier date, he aid.

In the future, it would be essential to improve coordination between the member countries' economic policies. In 1969, growth n France would probably be slower than expected, but there would be no deflation. Germany and Italy would experience rapid growth which could contribute to an overall Community equilibrium, but in that case it was essential to specify Community objectives.

The state of monetary-policy coordination was not satisfactory; but, Mr. Barre stressed, t was impossible to set out Community objectives without considering international policy objectives. As for Community mutual-aid procedures—which have never been clearly defined—it seemed difficult to have common reserves without unified management. A better interim system would be medium-term reciprocal credits between Community members.

World Conference

Mr. Barre said a gradual consensus was emerging about reforming the international monetary system. The first step should, in any case, be the achievement of economic stability in each country, without which the system would not be soundly based. He doubted whether a great international monetary conference was the best solution, particularly in a situation of speculative pressures.

In the nineteenth century, he concluded, he Bank of England had managed the international monetary system. From 1944 until 1958, it had been done by the United States. The current crisis then began to develop because the United States could no longer manage the system by itself. In the new system of management which must be found, the Community could play an essential role; but t first had to establish its own economic solidarity.

SCHOLARSHIPS AWARDED TO ECSC ORPHANS

The Paul Finet Foundation awarded 81 scholarships in 1968 to orphan children of workers in the coal mining, iron-ore mining, and steel industries of the European Community. These awards brought the total number of scholarships awarded to 209.

The Paul Finet Foundation was created by the High Authority of the European Coal and Steel Community and named after the High Authority's former president. It grants scholarships to children of coal and steel workers who have died since 1965 as a result of an industrial accident or an industrial disease.

The Council of the Foundation, which selects the scholars, is presided over by Albert Coppé, member of the Commission of the European Communities and formerly Vice President of the ECSC High Authority.

EUROPEAN PARLIAMENT QUIZZES EC EXECUTIVES

The future development of the European Community, internally and externally, was the main topic at the annual meeting between the European Parliament, the Council, and the Commission on November 26.

The financial instability in Europe was cited as proof of the need for intensifying cooperation among member states in the monetary field. Discussion focused on the closely connected issues of Community enlargement and further efforts to achieve economic union.

Then the current Council President, Italy's Foreign Minister Giuseppe Medici, outlined a series of problems which "require solution in the near future," including enlarging the Community. Speaking then as a representative of his country, he said it was essential for Britain to become a member if Europe were to play an effective world role.

In the debate that followed, Members of Parliament from all Community states but France strongly supported British, Irish, Danish, and Norwegian membership in the Community. Members of Parliament also urged "democratization" and strengthening of Community institutions and called for the direct election of the European Parliament by voters in the Six.

Rey on Need for Compromise

Commission President Jean Rey reemphasized the need to find a compromise solution to the enlargement problem. He said further internal development of the Community depended on solving this issue. He pointed out that if the Community had become paralyzed following the first breakdown of negotiations in early 1963, "all that has been painstakingly constructed since would have been lost. Instead, the stronger the Community has become, the stronger the desire of others to enter," he said. Referring to France's nine-point work program to hasten the Community's internal development, Mr. Rey said he welcomed this compilation but added that similar proposals had already been tabled by the Commission "for many months."

On the Community's world role, the Commission President said it was essential for the Community to take up early contact with the Nixon Administration in an effort to deflect protectionist pressures.

NEW REGULATIONS ADVANCE COMMON COMMERCIAL POLICY

The European Community has established a common liberalization list covering two-thirds of the items imported into the Community, decided on the gradual establishment of a common procedure for administering quantitative import quotas, and outlined a special procedure for importing certain products from certain non-member countries.

These new features of the common commercial policy are contained in three regulations passed by the Council of Ministers on December 10. They came into force January 1, 1969.

- *Common liberalization list.* The regulation establishing the list also specifies the non-member countries to which it applies. It forbids the unilateral revocation of liberalization measures but provides for their joint withdrawal in the event of market disturbances.

The list established covers two-thirds of the items mentioned in the common customs tariff. The remaining third of the items mentioned are still at different stages of liberalization in the member states.

- *Import quota administration.* This regulation establishes common rules and procedures for administering and allocating quotas for the products covered by the first regulation. It thus enables the Council of Ministers to establish quantitative quotas either autonomously or in negotiations with the member states.

A Committee for the Administration of Quotas will be created and will consist of representatives of the member states with a representative of the Commission in the chair.

- *Special procedure.* This regulation gives a procedure to enable the Community to deal with special problems that might arise in connection with imports which at first can neither be liberalized nor given quotas and which originate in certain countries, mainly state-trading countries. It provides two alternatives: on the basis of close observation of these imports, an attempt will be made to liberalize the products or assign quotas, or special arrangements will be made with the non-member countries involved, especially concerning prices and volume of the items traded. The Community institutions will have to decide on the products and countries to be included in this procedure and a Consultative Committee will be created.

Export Policy Needed

The three new regulations, together with the common tariff policy, and the anti-dumping regulation passed last April cover almost every aspect of the Community's import system. They enable the Community to pursue a liberal commercial policy, while providing the necessary assurances of effective protection in the event of market disturbances. However, they must be completed by other measures in the coming year. In particular, decisions must be made on the Community's general export policy, including harmonization of the members' policies on export aid and credit insurance. Also to be worked out is the question of "active commercial policy" concerning action to be taken in the event of discrimination by non-member countries against Community products.

THE COMMUNITY AND THE AFRICAN ASSOCIATES PREPARE TO NEGOTIATE A NEW YAOUNDE CONVENTION

Preparations for negotiating a new Yaoundé Convention associating 18 African countries with the European Community continued during December.

In accordance with the decision made by the Association Council last July in Kinshasa, the ambassadors of the Eighteen and the Six met in Brussels, on December 11, to prepare for a meeting of their ministers, on December 19.

Among the procedural details arranged at the ministerial meeting of December 19 was a decision to hold negotiations at three levels: ministers, ambassadors, and experts. The next ministerial meeting may be held at the end of March, but in the meantime an effort will be made to settle outstanding points of disagreement. Those still unsettled will then be put on the minister's agenda.

The Six, under the Yaoundé Convention, have given free access to their domestic markets to exports from the associated states but permitted the African states to impose tariffs or other restrictions on Community exports to protect their infant industries. In addition, the Six agreed to give financial and technical assistance to the African associates and made $730 million available for use by the Eighteen in the initial five-year period covered by the agreement (June 1, 1964-May 31, 1969). (For an African view of the changes that should be made in the association, see page 12.)

The Community has already made a preliminary examination of improvements that could be made in the common customs tariff for certain tropical products. In so doing, the Community has carefully considered the interests of the non-associated developing countries and the interests of the associated states to avoid the danger of disturbing their exports to the Community. The experts' work has also provided a basis for discussing agricultural products competitive with European products and processed agricultural products. The current Convention does not deal with agriculture, since at the time it was written, the Community had not completed its agricultural policy.

Concerning preferences for finished and semi-finished products, the Community has affirmed its desire to cooperate within the United Nations Conference on Trade and Development (UNCTAD) in establishing a generalized system of non-reciprocal preferences. When such a system is established, the Community does not intend to reopen the issue of the duty free arrangements applied to the associated states.

After signing the original Yaoundé Convention, the Community invited other African states with economies comparable to those of the Eighteen to apply for association. It considers that invitation, the "1963 Declaration of Intent," still valid.

LINKS WITH UK: ANOTHER REPORT

Britain and five of the seven members of the Western European Union—Belgium, Germany, Italy, Luxembourg and the Netherlands—have asked Italy's Foreign Minister Giuseppe Medici to draw up proposals to improve coordination, especially in defense and foreign affairs, between the Community and the four countries applying for EC membership.

This decision was made on November 15 at the time of the ministerial meeting of the North Atlantic Treaty Alliance in Brussels. France, which did not take part, will be invited to the Western European Union Council meeting in Luxembourg next February at which Mr. Medici's proposals will be discussed. Mr. Medici will be aided by an international committee of experts. He was chosen because he was at the time chairman of both the Community's and the WEU Councils of Ministers.

TURKEY TO RECEIVE FIRST EC FOOD AID

Turkey, an associate of the European Community, will receive the first food aid given by the Community under the Food Aid Convention of 1967.

In view of Turkey's urgent need for assistance, the European Communities Council of Ministers, meeting on January 16, said it planned to donate 50,000 metric tons of soft wheat to Turkey as quickly as possible under the Community's 1968/69 Food Aid Program.

The Food Aid Convention

The European Community and eleven other participants in the Kennedy Round negotiations in the General Agreement on Tariffs and Trade agreed to supply developing countries with 4.5 million tons of grain a year as food aid or the equivalent value in cash. The Community's share of this aid amounts to 23 per cent—1,035,000 long tons of grain a year or $66 million at the agreed international reference price of $63.56 a ton.

The Food Aid Convention which is part of the 1967 International Grains Arrangement runs for three years, from July 1, 1968, to June 30, 1971. It covers wheat and secondary grains intended for human consumption, such as corn, sorghum, and barley. It allows the developed countries to supply the food aid on soft terms, either by grants or for local currency.

Community Administration of Food Aid

The Commission, in defining the Community program, tried both to satisfy the needs expressed by the developing countries and to fulfill its food aid commitment with Community grain.

Rather than sell the grain for local currency, the Commission said it preferred the donation method of administering food aid, since it offered political and administrative advantages without causing any major inconveniences. In the case of donations, the recipient country would establish a counterpart fund equivalent to the value of the gift and would commit itself to using the money only for development projects approved by the Community. Appropriate projects, in the Commission's view, would improve the recipient country's production and marketing of foodstuffs, processing of agricultural products, or manufacture of the means of agricultural production.

In the case of sales of grain for local currency, the Community would hold counterpart funds generated by the sale but would accept the obligation of using them within the recipient country and for its benefit.

At its meeting on December 9-10, the

ouncil of Ministers agreed on rules for ıobilizing its members' contributions and llocating aid to countries requesting it:

The grain will either be purchased on the ɔmmunity market or taken from stocks ːld by the pric support authorities. In shipng the grain, the Commission will see to it at ports in different member states benefit ɪually.

The Council of Ministers will each year rite a Community food aid program, alloıting the 1,035,000 tons between the ırious countries requesting assistance. Of e total amount, 15 per cent will be held in reserve to handle emergency requests.

The annual program can include both Community aid and aid by individual member states. Belgium, for instance, has already informed the Council that it will deliver 15,000 tons of grain to the international Red Cross for Nigeria, and the United Arab Republic has asked France for 175,000 tons.

India, Indonesia, Pakistan, Tunisia, and Turkey have asked the Community for a total of 1.9 million long tons of grain since the Food Aid Convention came into force on July 1, 1968, an amount which exceeds the Communities' commitments.

ABOR COSTS DIFFER MORE BY SECTOR THAN COUNTRY

:anpower costs between industries in any ıgle Common Market country differ more .arply than those between countries for a ven industry.

This finding was published by the Euroːan Communities' Statistical Office in its ›68 Supplement to the Statistical Studies ıd Surveys series in November. The study ›vered all industries for a single reference ːriod and included all wages, salaries, and :cessory charges borne by industrial emoyers in the Community. Similar studies previous years dealt with a selected numːr of industries during several years.

The preliminary results of the new survey ːre broken down into fifty industrial anches, with the total cost of manpower r hour given for manual laborers and per onth for employees. To aid interpretation, e tables were accompanied by supplemenry data on manual and white collar man›wer covered by the survey and by inforation on the average number of hours ɔrked in 1966 per worker and per industry.

lanual Workers

he study covered more than 13 million manɪl workers and 3.7 million office workers.

In 1966, hourly manpower costs for work·s (all industries) were highest in Luxemɔurg ($1.76). After Luxembourg came Ger.any ($1.60), Belgium ($1.52), the Neth·lands ($1.48), France ($1.38), and Italy $1.26).

In the manufacturing industry as a whole e order was the same, but the order anged in the mining and quarrying inıstry. Luxembourg, at a $2.40 per hour, d. Next came the Netherlands ($2.16), ·ance ($2.08), Germany ($1.96), Belgium ;1.94), and Italy ($1.64).

In construction, Germany ($1.76) carried e heaviest manpower costs, followed by e Netherlands ($1.70), Belgium ($1.64), ·ance ($1.36), Italy ($1.28) and Luxem›urg ($1.24).

Office Workers

For office workers, the order of countries was different from that of manual workers for industry as a whole. Luxembourg paid the highest average monthly salary to office workers ($495.32), followed closely by France ($464.58). Belgium ranked third ($427.78); Italy, fourth ($414.70); the Netherlands, fifth ($381.04), and Germany, last ($374.12).

This order was repeated in the manufacturing industries; but in mining and quarrying, Belgium ranked sixth, after Germany. In construction, manpower costs, for employees were highest in France and Belgium. After them came the Netherlands, Germany, Italy, and Luxembourg in a group.

The survey showed that the annual time worked by manual workers in industry as a whole was longest in France (2,078 hours). The other countries followed in this order: Luxembourg (2,019), the Netherlands (1,983), Belgium (1,908), Italy (1,877) and lastly Germany (1,860).

This first publication of the total results will be supplemented later by a detailed analysis of manpower costs.

UNIONS SEEK WAGE TALKS AT COMMUNITY LEVEL

The Executive Committee of labor unions in the European Community affiliated with the International Confederation of Free Trade Unions, has urged the establishment of Community-level machinery for collective bargaining and for guaranteeing full employment.

The Committee has also stipulated certain conditions before agreeing to take part in a conference on employment proposed by the Commission. It demands that it should not be an inter-governmental conference, and that the conference be organized in cooperation with the Community's labor unions and employers' organizations.

SCOTT PAPER TO ALTER LICENSING AGREEMENTS

The Commission has approved two license agreements after the firms involved agreed to alter provisions which tended to impair competition within the Community. The agreements between Scott Paper Company of Philadelphia and its subsidiaries, Scott Continental of Brussels and Burgo Scott of Turin, were trademark and know-how licenses covering the production and sale within the Common Market of absorbent paper products, such as paper towels, facial tissues, and waxed paper.

Scott Continental, a fully-owned subsidiary of Scott Paper Company, manufactures the parent company's products and markets them under the parent company's trademarks in all Community countries except Italy. Burgo Scott, in which the American parent company and an Italian company each have a 50 per cent interest, holds a license for Italy, France, Germany, Austria, Switzerland, and Liechtenstein. Although the parent company granted non-exclusive licenses, it refused to let any other company in the licensing areas use its trademarks. The companies had stated, however, that they did not impede the sale of Scott products imported by wholesalers from the other licensee, either by invoking their trademark rights or in any other way.

After the Commission challenged certain restrictive aspects of the agreements, the firms agreed to delete them.

BENELUX REMOVING NTB'S

Belgium, the Netherlands, and Luxembourg have set January 1, 1971, as the deadline for the removal of all non-tariff barriers to trade in their economic union.

The Benelux countries will hold an intergovernmental conference—attended by prime ministers and foreign ministers—in the Hague next March to draw up plans for removal of the barriers. They will also study plans for cooperation in foreign policy, technology, justice, and culture.

RECORD GRAIN HARVEST

The Community's 1968 grain harvest reached a record of 69.4 million long tons, compared with 68.7 million tons in 1967.

Since the creation of the Common Market in 1958, France has increased its share of the Community's grain harvest from 37 per cent to 46 per cent. Germany's share has risen from 26 per cent to 27 per cent, while Italy's has declined from 30 per cent to 21 per cent.

EIB MAKES FOURTH BOND ISSUE IN BELGIUM

The European Investment Bank has made its fourth public bond issue in Belgium and has granted six new loans.

The total value of the 14-year bond issue is BF 750 million ($16 million). The EIB will use the proceeds of the issue to finance its general lending activities.

The following loans were granted:

- *Belgium:* a 20-year loan of $10 million at 6.87 per cent yearly interest to *Fond des Routes,* a public institution.

The loan will help finance the construction of a superhighway between Antwerp and the Dutch border near Meer. The road, which will open in 1971, belongs to the international E-10 route connecting the Netherlands with France via Brussels.

- *Gabon:* a 9-year loan of $405,000 at 6.5 per cent yearly interest to the *Société Industrielle Textile du Gabon.* The proceeds of the loan will be used to construct a textile printing factory in Libreville at a total cost of $1.9 million.

The loan, the EIB's first in Gabon, will assist the diversification of the Gabonese economy by the creation of a new industry. The EIB is making the loan under the Yaoundé Agreement associating 18 African countries with the Community.

- *Italy:* a 10-year loan of $4 million at 6.5 per cent yearly interest to the *Instituto Mobiliare Italiano—IMI* which will re-lend the money to *ATES—Componenti elettronici,* an electronic company with headquarters in Catane. ATES will use the loan to improve its production and laboratory facilities, at a total cost of $8.5 million.
- *Italy:* a 20-year loan of $24 million at 6.87 per cent yearly interest to the *Societá Autostrade Romane e Abruzzesi.*

The loan will help finance the *Gran Sasso,* the first transverse road in the Italian superhighway network in central Italy. The road and tunnel through the *Gran Sasso* mountains, costing $99 million, will connect Rome and the Tyrrhenian Sea with the Adriatic.

- *Ivory Coast:* a $1-million 9.5-year loan at 6.5 per cent yearly interest to the *Société des Ananas de la Côte d'Ivoire.* SALCI, a pineapple processor, will use the proceeds of the loan to expand capacity, at a total cost of $3.2 million.
- *Turkey:* a loan of $1.35 million to the Turkish Industrial Development Bank. These loans are usually made for 30 years at 4.5 per cent yearly interest. The Turkish Industrial Development Bank will re-lend the money to *Karon Sanayii ve Ticaret AS,* "Kartonsan", for the construction of Turkey's first plant for making chromoboard (a type of cardboard) at a total cost of $3.72 million. The EIB is making the loan under the financial clause appended to the Association Agreement between the Community and Turkey.

DISTRIBUTION OF TOXINS TREATED BY COMMISSION

Proposals to secure the right of establishmer and freedom to supply services in the distribu tion of toxic products are now before th European Communities Council of Minister

One proposal, in the form of a directive covers the distribution and professional us of all toxic products except pharmaceuticals ionizing substances, and morbific agents. Th other deals with transitional arrangements They complement directives passed by th Council on July 7, 1964, regulating activitie connected with the manufacture of chemical other than drugs and pharmaceuticals.

When the Council passes these directive nationals of the six Community countries ar companies incorporated under the law of member state having registered offices, hea offices, or principal places of business with the Community will enjoy the same rights the distribution and professional use of tox products in another member state as nationa or companies of that state. Under transition arrangements, a person may perform such a tivities in countries where there are rules c the distribution and professional use of tox products, provided that he has performed tl same services, either in a self-employed c pacity or as head of an enterprise, for fi consecutive years in a Community count other than the host country.

MANSHOLT URGES SUMMIT CONFERENCE ON NEW POLITICAL COMMUNITY IF EC MEMBERSHIP STALEMATE IS NOT BROKEN

Vice President Sicco L. Mansholt of the European Communities Commission has urged European nations willing to form a new, supranational political community to meet at the summit to discuss its foundation if the Community's current impasse continues.

He attributed the European Communities' stalemate to the political opposition that has developed over the enlargment of the European Communtiy. Mr. Mansholt made these remarks, which amplified earlier proposals (see *European Community* No. 118, page 23), in Eindhoven, the Netherlands, on November 15.

He rejected the argument that the European Community was free to choose between enlargement or reinforcement; and it was misleading to suggest that if the Six could not achieve one, then they must go ahead with the other. In a situation as frustrating as the present one, Mr. Mansholt said, it was "unrealistic" to think "ordinary work could go on as if nothing were wrong."

Questioned about his pessimistic tone, Mr. Mansholt replied that while the European Community was becoming an integrated economic entity, no corresponding political integration had occurred. "A political initiative is necessary," he said, "if we want to reestablish balanced economic and political development not only in Europe's own interest but also in the interests of the developing countries and Eastern Europe."

Although he believed a summit conference should be held, he was not optimistic about the prospects of its success since the Hague Congress of the European Movement on November 8-9. Mr. Mansholt said that a strong minority of delegates to the Congress, many of them conservative Britons, still were resisting the supranational objectives set twenty years ago.

The Hague Congress was organized by the European Movement to commemorate the twentieth anniversary of the Hague Congres of May 1948 which marked the beginning c the postwar campaign for the political inte gration of western Europe. The commemora tive conference in November was attende by 500 members of parliament from 15 Eur pean countries.

The European Declaration adopted by th 1968 Congress stated that the best way t build a United Europe would be to enlarg the Community by admitting the four appl cant countries (Britain, Ireland, Denmar and Norway) and to increase its politica power. The resolution stated that as long a Europe remained divided, its position as world political power would continue t decline.

If disagreement continued to prevent p litical unification, all governments that re ognized the pressing need for European uni should seek to integrate policies outside tl Community's competence. In particular, tl proposed conference of heads of governme should examine cooperation in foreign affair defense, arms procurement, and moneta questions.

RUCKERS GET FIRST COMMUNITY LICENSES

ıe first quota of European Community :enses for truckers came into force on Janıry 1, 1969. The license amounts to a "Comunity passport" for international trucking, ıce it allows a trucker to deliver goods in l six member countries with one license. ·eviously he would have needed six licenses.

The Commission places Community li-ınses at the disposal of the member states' ıthorities to issue in accordance with their vn procedures.

Community license holders may transport ›ods for profit with any kind of vehicle anyhere in the Six. A French trucker, for inance, can begin a trip from Bordeaux, his ıse, with a load of wine for Antwerp, Belum; unload the wine in Antwerp and take load of bananas for Cologne, Germany; then unload the bananas in Cologne and travel empty to Coblenz, where he can pick up textiles for Luxembourg. After unloading in Luxembourg, he can go to Liège, Belgium, take on a load for Limoges, France, and from there return empty to Bordeaux. For all these trips, the trucker needs only one license: a Community license. Under a bilateral system of licenses, he would need a license for each country.

The regulation adopted by the Council allows the system of bilateral licenses to continue side by side with that of Community licenses until all international trucking is finally placed under a system of Community rules. In the meantime, the Commission has submitted a proposal to set up a Community procedure for adapting bilateral quotas.

URKEY-EC ASSN. COUNCIL AGREES NEGOTIATIONS HOULD BEGIN IMMEDIATELY FOR "SECOND STAGE"

ıe Turkey-European Community Associa›n Council met in Brussels on December 9 consider questions connected with Tury's request to begin the second stage of e association.

After detailed discussion, the Association ›uncil noted its agreement that negotia›ns should be started immediately for the ange-over to the transitional stage and for reement on a new financial protocol. The ısociation Council noted with satisfaction e positive results achieved in the first four ars of the association and under Turkey's st five-year development plan.

The Ankara Agreement associating Turkey th the Community provides for three stages:

a preparatory stage of at least five years allow Turkey, with the Community's as-tance, to strengthen its economy so that it n assume the obligations of the transi›nal stage.

The Community gives assistance in the rm of development loans, of up to a total amount of $175 million during the first five years of the agreement, and preferences for Turkey's principal exports: raisins, tobacco, dried fruits, and figs. Since 1967, the Community has also granted tariff quotas on some cotton textiles.

- a transitional stage during which the Community and Turkey establish a customs union. This stage will last at least 12 years, longer if Turkey needs more time to align its tariffs and policies with the Community's. In this respect, the resolution issued by the Association Council on December 9 stated that the principle of reciprocal and balanced obligations of the transitional stage of the association would be adapted to the evolution of the Turkish economy, so that it would not be damaged by "sudden confrontation" with the Community members' economies.

- a final stage for strengthening coordination of economic policies.

MARGARINE, PESTICIDE STANDARDS PROPOSED

A proposal for uniform purity and packaging standards for margarine marketed in the Community was published by the European Communities Commission on December 2, 1968. They would not apply to margarine exports.

The proposed regulation defines margarine as "the product obtained by emulsification of edible fats, particularly water-in-oil emulsification." The proposal specifies the required composition of, and lists all permissable additives to, ordinary margarine as well as confectioners' margarine. Among the packaging standards proposed is the requirement that the word "margarine" and the date of manufacture appear on the label. The date can be coded.

In another proposal made on December 2, the Commission specified the permissable chemical pesticide residues on fruits and vegetables marketed in the Community. Certain chemical residues are completely forbidden.

A Plant Health Committee would assist the Commission in supervising the application of the proposed regulation, which would not apply to fruit and vegetable exports.

EDF ANNOUNCES SIX FINANCING DECISIONS

Total commitments of the second European Development Fund were raised to $567,761,000 by six financing decisions of the European Communities Commission on November 7. The new decisions involve a total amount of $8,254,000:

- *Central African Republic:* a grant of $393,000 to eliminate the tsetse fly through sterilization of the male fly by irradiation.
- *Somalia:* a grant of $3,275,000 to provide a modern telecommunications network.
- *Mauritania:* a loan, on special terms, of $2,754,000 to extend the wharf at Nouakchott and to equip it to handle copper ore exports and future increases in commercial traffic.
- *Niger:* a grant of $732,000 for structural improvements in groundnut and cotton farming and $10,000 in cotton price support.
- *Congo (Kinshasa):* a grant of $980,000 to train 220 middle-management officials for the Congo Transport Office and provide further instruction for 332 senior officials trained under a prior EC-financed project.

The sixth decision made available $120,000 to provide information on the European Development Fund's activities and achievements and extended the first information program financed by the EDF in 1964.

PUBLICATIONS AVAILABLE

LES PROBLEMES DE MAIN-D'OEUVRE DANS LA COMMUNAUTE EN 1968. Commission of the European Communities, Brussels, May 1968, 152 pages $1.40

Annual report on the manpower situation in the Community.

CRITERES A LA BASE DE LA FIXATION DES SALAIRES ET PROBLEMES QUI Y SONT LIES POUR UNE POLITIQUE DES SALAIRES ET DES REVENUS. *Série Politique Sociale,* No. 19, Commission of the European Communities, Brussels, 1967, 98 pages $1.60

Describes the basic incomes policy in the Community member states, includes incomes statistics for 1955-1965, and treats the problems of establishing an incomes policy in the Common Market.

RESTRICTIVE AGREEMENTS AND DOMINANT POSITIONS. *Information Memo* P-56/68, Commission of the European Communities, Brussels, November 1968, 15 pages . . . . free

A list of measures implementing Articles 85 and 86 of the EEC Treaty. This is the fourth revision and makes the list current to November 1, 1968.

ETUDES ET ENQUETES STATISTIQUES, 1968, No. 4, Statistical Office of the European Communities, Brussels, 149 pages $2.00

Contains harmonized statistics of gross hourly wages and length of work week for October 1967. Some earlier statistics included. (French/German/Dutch/Italian)

ETUDES ET ENQUETES STATISTIQUES, 1968, No. 5, Statistical Office of the European Communities, Brussels, 211 pages $2.00

Contains statistics on the cost of manpower and wages of workers in the coal, iron, and steel industries for 1966, with statistical summaries of 1955-1966. (French/German)

INTRODUCTION A QUELQUES PROBLEMES POSES PAR L'AUTOMATISATION DES BLOOMINGS. By Robert Petitjean, High Authority of the European Coal and Steel Community, Luxembourg, June 1967, 136 pages $2.00

A technical study on certain problems of automation in the steel industry, especially in laminating.

ETUDES ET ENQUETES STATISTIQUES, 1968, No. 3. Statistical Office of the European Communities, Brussels, 297 pages $2.00

This issue contains the following articles in French/German/Dutch/Italian.

- SOCIAL STATISTICS: THEIR DEGREE OF COMPARABILITY AND THE DIFFICULTIES ENCOUNTERED IN THEIR HARMONIZATION
- ACCIDENTS IN THE IRON AND STEEL INDUSTRY 1960-1966
- THE NUMBER OF STUDENTS IN THE COMMUNITY COUNTRIES.

COLLECTION OBJECTIFS GENERAUX "ACIER", NO. 3, MEMORANDUM SUR LES OBJECTIFS DE 1970: METHODES DE PREVISION ET RESULTATS DETAILLES: DEBOUCHES, MATIERES PREMIERES, MAIN-D'OEUVRE. High Authority of the European Coal and Steel Community, Luxembourg, 1967, 342 pages $5.00

Reproduces the memorandum on the general objectives for steel for 1970 already published in the OFFICIAL JOURNAL of December 30, 1966. Part II analyzes the market, raw material, and manpower situation for steel in the future. Also available in German.

RAPPORT SUR LE CHOIX DES METHODES DE COMPARAISON DE LA CHARGE FISCALE EFFECTIVE QUE SUPPORTENT LES ENTREPRISES DANS LES DIVERS ETATS MEMBRES DE LA CEE. *Série Concurrence,* No. 7, Commission of the European Communities, Brussels, 1967, 37 pages . $2.00

A study by Professor Gerhard Zeitel on different methods of comparing taxes on companies in the EEC member states.

FIRST GENERAL REPORT ON THE ACTIVITIES (THE COMMUNITIES 1967. Commission of tl European Communities, Brussels, Februa1 1968, 480 pages . . . . $3.(

English edition of the new Commission's a1 nual report. This report replaces the annu reports of the EEC Commission, the Eurato1 Commission, and the High Authority whic were merged to form the Commission of tl European Communities.

SELECTED FIGURES, THE COMMON MARKE' TEN YEARS ON: TABLES 1958-1967. Statistic Office of the European Communities, Bru sels, May 1968, 109 pages . . . . $1.(

A statisical compilation which includes da on population, labor, national accounts, agi culture, industrial production, trade, financ balance of payments, incomes and standa1 of living.

SURVEY OF THE NUCLEAR POLICY OF TE EUROPEAN COMMUNITIES. Commission of tl European Communities, Brussels, Octob 1968, 64 pages . . . . $ .3

The Commission's "white paper" on nucle development within the Community. Part discusses the Commission's general aims an proposals for this sector.

LA CONJONCTURE ENERGETIQUE DANS LA COM MUNAUTE: SITUATION 1967, PERSPECTIVI 1968. Commission of the European Commu nities, Brussels, 1968, 120 pages $2.0

Report on the energy situation in 1967 wit perspectives for 1968. Also available in Ge man.

TENDANCES ENERGETIQUES MONDIALES. *Séri Energie,* No. 1, Commission of the Europea Communities, Brussels, 1968, 153 pages $3.0

Discusses the long term perspectives of pro duction and consumption of energy in th world and the availability of imports to th Community of the principal forms of energ Also available in German.

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