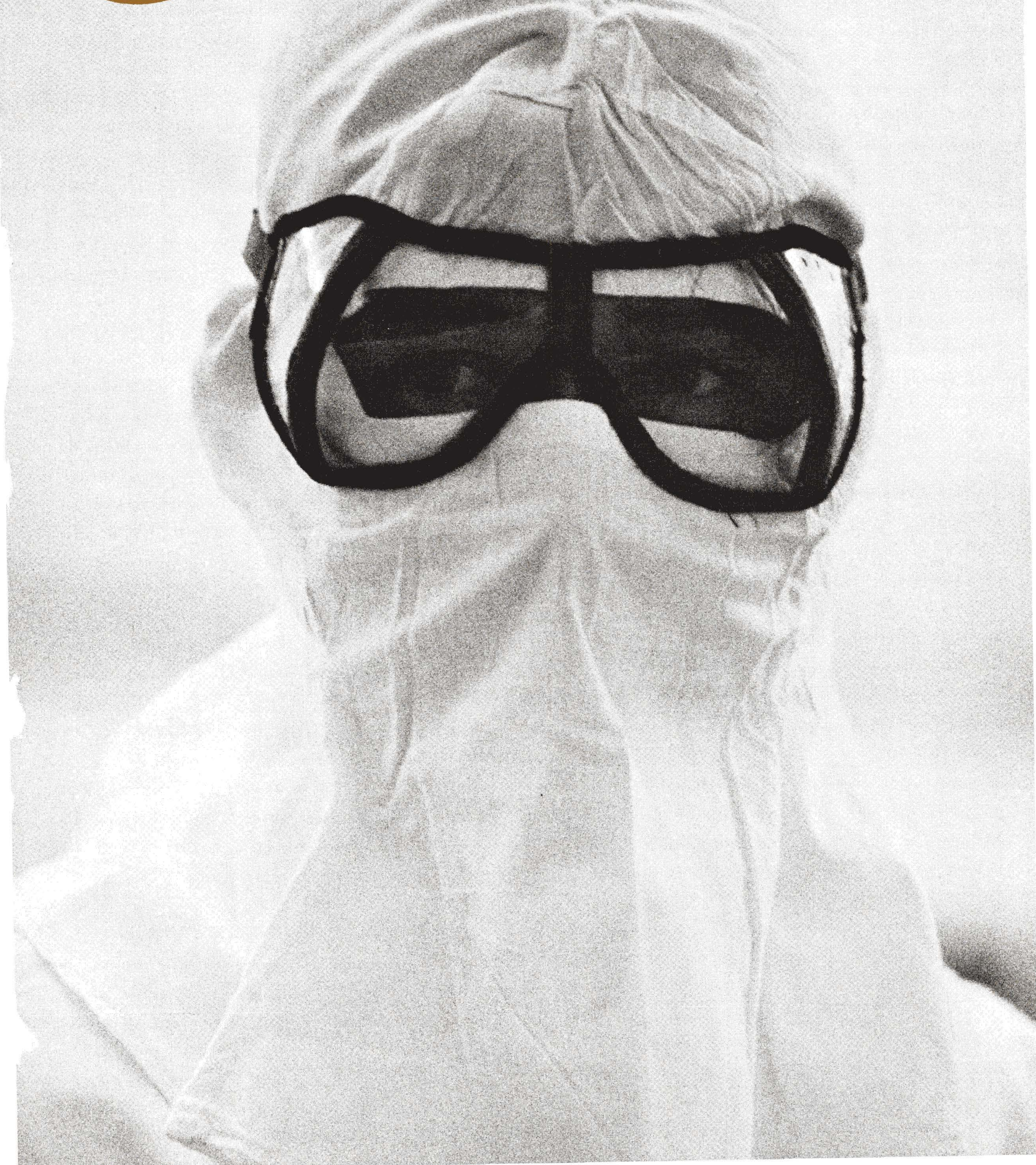
MARCH 1969 NO. 121

european community



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

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New York, N.Y.: 155 East 44th Street, 10017
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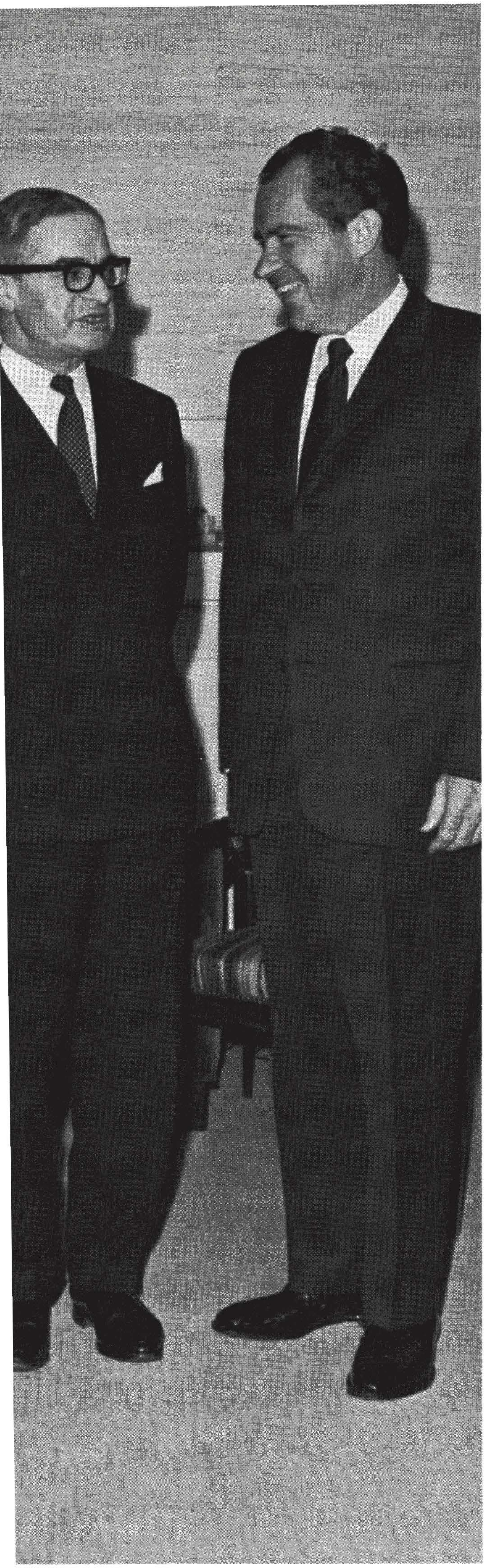
COVER: Laboratory worker employed in the manufacture and packaging of penicillin at *Farbenfabriken Bayer* Leverkusen, Germany. Courtesy of the German Information Center, New York.



Nixon in Search of Europe

Just before his departure from Washington for a week's visit to Europe, President Nixon expressed confidence that his trip would produce "solid news...in the sense that...there will be a new spirit of confidence among our European friends and ourselves."

His visit to five countries and his talks with their chiefs of state and with the President of the Commission of the European Communities were generally viewed by the U.S. and European press as successful. His televised press conference upon his return bolstered his image as a man intent upon ending whatever estrangement between the United States and Europe had been allowed to develop.

In Brussels, where he met with Commission President Jean Rey, their talks were characterized as taking place in an "excellent atmosphere" – dwelling on the common interests and common problems of the United States and the European Communities. Both men agreed to the need for early high-level talks in Brussels or Washington on some of the principal trade issues still confronting the United States and Europe.

Viewing the trip, a number of European press commentators wondered if Mr. Nixon's visit did not mark a change in the post-war U.S. policy toward European integration. They noted that Mr. Nixon's press conference revealed that the new Administration would prefer to disengage itself from any association with internal disputes among European nations. The commentators pointed out that the major European issue in dispute was precisely the question of how Europe should be organized: whether it will eventually become fully integrated under European institutions or whether it will become a divided region of nation-states.

European commentators took note of Mr. Nixon's expressed support for European unity. They asked whether his desire to keep the United States free of European internal disputes concerning questions, such as the form and shape of a united Europe, could be reconciled with the long-term self-interest of the United States in the economic health and political stability of Europe.

European Communities Commission President Jean Rey meets with President Richard M. Nixon in Brussels on February 22.

The Community's Relations with

by CLARA MEIJERS

The European Economic Community had external relations even before it officially came into existence. When the Rome Treaties, establishing the EEC and the European Atomic Energy Community, took effect on January 1, 1958, negotiations had been in progress for some months in Geneva to persuade the other contracting parties to the General Agreement on Tariffs and Trade to accept the new common external tariff of the Six. Talks on the cooperation agreement between Euratom and the United States were also well under way.

Many people in the six member countries were barely aware of the Communities' existence for the first three years, but these new organizations were already an important feature of the international political scene.

From the beginning, the Community had external relations of two types: bilateral, such as the agreements Euratom and the United States concluded in May and November 1958, and multilateral, such as the Geneva talks on customs tariffs wherein the Community negotiated with several countries.

Bilateral Relations: Trade Pacts to Membership

Bilateral relations – between any of the three Communities and another party – vary from occasional talks to negotiations for full membership.

Sporadic discussions have been held, for example, with a number of Communist countries, usually dealing with guarantees that certain agricultural products would not be exported to the Community below a stated price. Agreements of this kind were signed with Poland and Hungary, for instance, on poultry, live pigs, eggs, and pork. The Community, for its part, allows these products to be imported without charging additional levies. Although the East European countries make a point of acting as if the EEC did not exist, their attitude has not prevented a substantial rise in their exports to the Six. Russia adopted a similar attitude towards the Benelux Economic Union until its customs union had been introduced. The USSR then had no further objections to concluding trade agreements with Benelux.

In the case of the Common Market, the situation is rather different. Although the customs union took effect on July 1, 1968, there will be no common trade policy until January 1, 1970. After that, however, trade agreements will have to be concluded by the Community as a unit, and Russia will no longer be able to ignore the EEC's existence.

At the other extreme of the Community's bilateral relations are its unhappy negotiations with countries that have applied for full membership. Article 237 of the EEC Treaty states that "any European state may apply to become a member of the Community" by addressing its application to the Council of Ministers. After obtaining the Commission's opinion, the Council then acts "by means of a unanimous vote." Four such applications are pending at the moment: from the United Kingdom, Ireland, Denmark, and Norway, which first applied in 1961. Negotiations lasted until the French veto in January 1963. In May 1967, these countries applied for the second time, but France imposed the veto before talks had begun. The four applications, however, remain on the Council's agenda.

Clara Meijers, a Dutch freelance journalist, was until recently a member of the Spokesman's Group of the European Communities Commission.

Between occasional contacts and negotiations for full membership, there is a range of other possibilities. The first step towards regular consultation is generally to accredit an ambassador to the Community. The United States was the first country to establish diplomatic relations with the Community, sending a representative to the European Coal and Steel Community (ECSC) in September 1952, a month before the High Authority took office. In February 1956, the United States appointed its first Mission to the Community. The number of diplomatic representatives to the Communities has now reached 81.

Regular contacts can lead to formal agreements, and all three Communities have concluded agreements with non-member countries. There are five Euratom, four ECSC and three EEC commercial agreements. Their content naturally depends on the Community involved and on the other signatory. Some countries have more than one agreement with the Communities. Euratom has cooperation agreements with the United States, the United Kingdom, Canada, Argentina, and Brazil. In 1954, the ECSC concluded a loan agreement with the United States. The ECSC has agreements on railway freight rates with Austria and Switzerland, a general agreement for consultation with Switzerland, and tariff and association agreements with Britain.

The EEC has not concluded many bilateral agreements so far, because most of its attention has been claimed by multilateral trade negotiations in GATT, the Dillon and the Kennedy Rounds. Its three agreements with non-member countries relate mainly to trade. The subject of negotiations with Iran was imports of Persian carpets and caviar. The agreement with Lebanon is important not so much because of the trade concessions, but because of the technical assistance provided by the Community countries. The agreement with Israel, on the other hand, proved so uninteresting that Israel notified the Community that it did not want to renew it when it lapsed; the Six, however, unilaterally decided to extend the tariff reductions in the agreement, although the agreement itself can only be renewed by both parties.

The ECSC signed a tariff agreement with Britain in 1957. The ECSC was involved not only because the EEC did not exist at the time, but also because the agreement concerned iron and steel tariffs. Last October, the EEC opened its first negotiations with a Communist country, Yugoslavia, for a non-discriminatory trade agreement.

Preferences Limited

Preference agreements naturally confer benefits on both parties, but they must not be directly prejudicial to other trade partners. Tariff concessions must apply to all other countries, in accordance with the GATT most-favored-nation rules which have regulated international trade since the end of the war. Thus, there are limits to what the Community can offer under such agreements.

Some problems, such as the Communities' relations with Britain, obviously cannot be solved by such limited means. In these cases, the only answer may be an agreement that *is* discriminatory, but approved by other contracting parties to GATT. Approval would be given only in exceptional circumstances. To date, exceptions to the MFN rule have been allowed only for customs unions, such as the EEC or the Bene-

the World

lux, and for free-trade areas, such as the European Free Trade Association.

Association Agreements – Two Kinds

When the goal is a customs union or a free-trade area, a mere trade agreement is not enough. Association agreements, of two kinds, are used to provide the necessary joint institutions to administer the customs union or free trade area and settle any differences that arise. An association, therefore, is more than a trade agreement, but less than full membership.

Article 238 of the Common Market Treaty authorizes the Community to conclude "with a non-member country, a union of states, or an international organization, agreements creating an association embodying reciprocal rights and obligations, joint action, and special procedures." It is generally applied to European countries which are considered to have reached a certain level of prosperity. Its ultimate aim is usually a customs union for the removal of all import duties.

For the developing countries, the Rome Treaty provides for association in the form of a free-trade area. It was designed to let the developing countries protect their growing industries with import duties and, in general, export to the EEC duty-free. The Treaty refers to the "non-European countries and territories which have special relations" with four of the EEC member states. Most of these countries are former colonies, now independent.

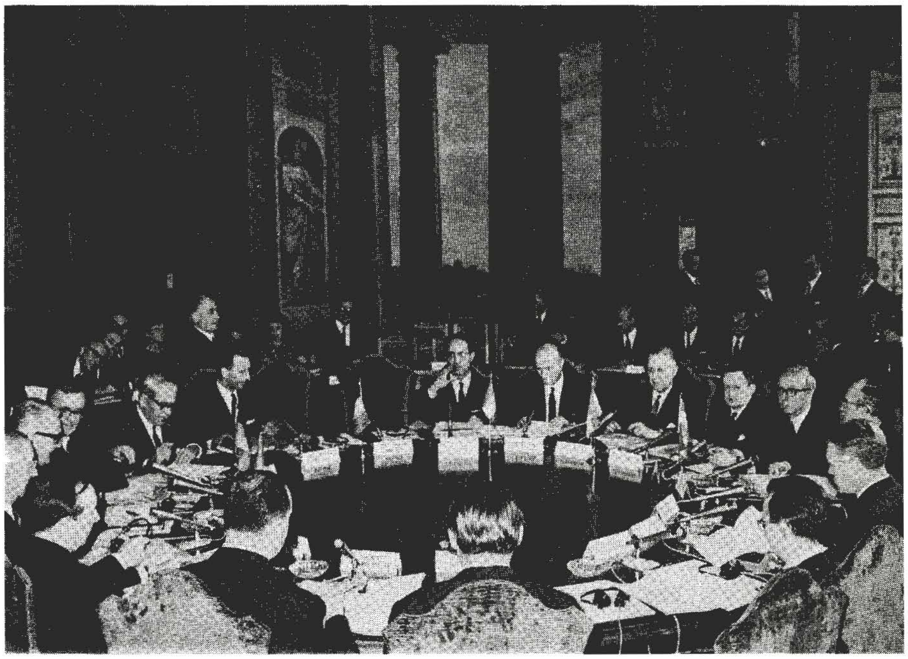
On July 20, 1963, a trade and aid convention was signed at Yaoundé, Cameroon, associating the Community with eighteen African countries formerly dependent on France, Belgium, and Italy. This convention provided for financial and technical assistance through the European Development Fund to which $730 million was allocated for this purpose over a five-year period. During the preceding five years (when the association was covered by the Rome Treaty), the EDF had $581 million at its disposal for this purpose.

The agreement obliged the Community to take account of the associates' interests in formulating and conducting its agricultural policy; most agricultural products do not come under the free-trade area arrangements. Finally, it provided for a number of joint organs – an Association Council at ministerial level, a Committee at ambassadorial level, a Parliamentary Conference, and a Court of Arbitration. Talks for renewal of the agreement, which expires at the end of May, began last December.

Surinam and the Netherlands Antilles have a similar associated status, as do a few French dependencies, such as French Polynesia and New Caledonia. Most of the EEC Treaty also applies to France's overseas departments; the French Antilles, for instance, are covered by the common agricultural policy, which affects their sugar cane crops in particular, though the common financing of this policy does not always apply.

Declaration of Intent

Mainly as a result of Dutch pressure just before the Yaoundé Convention was signed, the Six made a declaration of intent about relations with other countries whose economies and patterns of production were similar to those of the eighteen African associates. The declaration mentions three options: accession to the Yaoundé Convention, separate association agreements, or trade agreements.



The economic and finance ministers of the six member countries of the European Community meeting in Rome on February 26-27, 1968, with the governors of Europe's central banks to concert activities maintaining interest rate stability in their respective countries. The meeting followed President Lyndon B. Johnson's announcement of an action program to meet U.S. balance of payments problems.

Former British dependencies have negotiated with the Community under these arrangements – first Nigeria, and then the East African countries of Kenya, Uganda, and Tanzania. They all chose association agreements. The agreement with Nigeria was signed in Lagos in July 1966, and two years later, the treaty with the three East African countries was signed in Arusha. In both cases, a free-trade area and joint institutions were created, but no financial commitments were made. The Lagos Agreement has been ratified by Nigeria and only four EEC countries (France and Luxembourg are the exceptions), so that it has not yet come into force; nor has the Arusha Agreement. Both expire at the same time as the Yaoundé Convention, and it is expected that they will be renewed in some form.

Negotiations have just been completed with Tunisia and Morocco (see page 15) on the basis of a declaration of intent signed at the same time as the EEC Treaty, in 1957. Both countries enjoyed traditional preferences on the French market and wanted equivalent benefits from the Common Market, especially for products such as oranges, wine, and preserved fish.

The Community's relations with Algeria are particularly complicated. The Rome Treaty states that most of its provisions, including those relating to agriculture, apply to Algeria and the French overseas departments. The situation changed in 1964, after Algeria became independent and intimated that it wanted a comprehensive preferential agreement covering all products. It raised the matter again in January 1968, but earlier negotiations were not continued. Therefore, the Community's current relations with Algeria are not based on any legal instrument. Each EEC country has different rules for importing Algerian agricultural products, which sometimes causes difficulties, particularly in the case of wine.

No Pattern of Association

In its relations with non-African countries, the Community has no clear pattern or policy of association. It has concluded association agreements with two European countries, Greece and Turkey. Negotiations or talks are in progress with Austria, Spain, Israel, and Malta. These four countries want association eventually, but political considerations may militate against it. The Netherlands, for instance, strongly favors association with Israel on political grounds, but other member states oppose it, lest it upset the Arab countries. In the case of Spain, the roles of advocate and opponent are reversed.

Italy constantly protests that the Community's approach to association is too pragmatic, too inconsistent. Italy points out, not without reason, that now that the four applications for full membership are blocked, all emphasis is on the Mediterranean area, on countries whose products compete with Italian specialties, such as oranges and olives. Italy also feels that the association agreements should be concluded only with European countries that show their willingness to become full members as soon as their economies allow. An exception could be made for Austria, however, because the Russians hold that the Austrian peace treaty precludes EEC membership for Austria. In any case, there have been no further talks with Austria since February 1967, and as long as "terrorists" from Austria are active in South Tyrol, Italy opposes the resumption of talks.

On occasion, some applicant countries word their requests rather vaguely. Malta, for instance, is seeking a "relationship...in such form and manner as may be considered appropriate," while Sweden has stated that it wants to take part in the extension of the EEC under some arrangement that will not compromise its neutrality. Vagueness may be a negotiating tactic, the result of internal difficulties, or a lack of resolve.

The European Associates

While political reasons prevent Austria from becoming a full member of the Community, the obstacles are purely economic in the case of Greece and Turkey. The Community's agreements with both countries provide for customs union, development aid, free movement of workers, freedom to supply services, the right of establishment, and common policies for transport and taxation. Eventually, it is hoped, their association will lead to full membership in the Community.

Greece was the first to apply for association, in June 1959, and the Athens Agreement came into force in November 1962. The Six now levy no import duties on Greek manufactures, tobacco, fruit, and vegetables. Greece, on the other hand, has 12-22 years, depending on the product, to eliminate duties on imports from the Community. Since the coup d'état in 1967, the association has been put on ice. Further development, such as the adjustment of agricultural policies, has been interrupted and financial aid, stopped.

Turkey applied for association a month after Greece did, and the Ankara Agreement came into force in December 1964. It took two years longer to conclude than the Athens Agreement because of the change of regime in Turkey. The Ankara Agreement made available $175 million for development loans in the first five years. Customs union was to be introduced in two phases: a preparatory phase of at least five years and a second phase, leading to customs union in 12 years at most. However, at Turkey's request, negotiations for change-over to the second stage have begun.

The ECSC also has an association agreement with the United Kingdom. It has been in force since September 1955 and provides for regular consultations on coal and steel, and for a Council of Association. The ECSC High Authority delegation in London, now run by the single Commission of the European Communities, is the Community's only formal diplomatic mission abroad.

Varied Methods

Not only are the forms of the Community's relations with the outside world highly divergent, but also the methods by which agreement is reached are extremely varied. Matters of procedure should not be underestimated, certainly not in young organizations like the Communities. Hence, a great deal of time and energy is devoted to jurisdictional questions. Procedure often has a decisive influence on results, even to the extent of determining whether there are any.

In purely incidental matters, such as arranging details of agricultural policy, the Commission has jurisdiction, though it may be required to consult a committee of senior civil servants from the member countries. The ECSC's American loan agreement was concluded in 1954 by the High Authority acting alone. Although the Community has treaty-making power, its external jurisdiction is narrower than its internal powers; in other words, the member countries have transferred their powers in certain matters to the Community, but not in others. Most external treaties still have to be concluded by the member states, except in the areas covered by the Euratom Treaty, which gives the Commission general treaty-making power for the whole range of Euratom activities.

The EEC Treaty specifies three different procedures. Where the Community has powers, as with trade, tariff, and association agreements, the Commission negotiates but the Council concludes the agreement. In the case of trade and tariff agreements, the Council can make decisions by qualified majority, but in the case of association, it must decide by unanimous vote after consulting the European Parliament. The Commission makes proposals to the Council and is then given terms of reference for the negotiations. In matters of trade policy, the Commission is assisted by an *ad hoc* committee of senior civil servants from the member countries, commonly known as Committee 111 (after the relevant article of the Treaty).

The procedure is quite different in the case of applicants for membership. Here, an agreement is concluded between the present member states and the new member. The Commission is simply required to advise. For the 1961-62 negotiations with Britain, this point was construed in such a way that the Commission was able to give its advice on a continuing basis throughout the negotiations. The admission of a new member requires a unanimous vote of the Council and ratification of the agreement by all signatories.

In practice, association agreements have also had to be ratified, since they have been concluded with an outside state by the Community and by the member states together (each as a treaty-making power). Practice has not always conformed to the letter of the Treaty. Some negotiations on trade agreements, for instance, have been conducted by mixed delegations from the Commission and the member countries. This may be a consolation for negotiating ministers, but not necessarily for the Community as a whole.

Pills, Tonics, and Sovereignty

by PIERRE COLLET

The prohibitive cost of developing new medicines today makes it desirable to market them on an international scale, thus spreading research expenses and benefits over the largest possible area. However, many countries still combine import licensing procedures for foreign pharmaceuticals with administrative formalities that protect domestic manufacturers under the official guise of "patient health protection."

The wide difference in the attitudes of the six Common Market countries towards the supervisory responsibility of the state over pharmaceuticals explains why it is so difficult to establish a common market for medicines. At one extreme, Germany maintains that manufacturers stake their reputations on their products and trusts the pharmaceutical houses to look after their own interests by testing the safety of a new product before marketing it. New products are simply registered, which enables the German authorities to recall them from the market if necessary.

France stands at the other extreme, requiring both domestic and foreign pharmaceutical companies to show proof that a new drug is both harmless and effective. The French authorities then test the medicine and, if the results are satisfactory, allow the firm to market the product. They can, of course, always revoke an authorization.

A Good Beginning

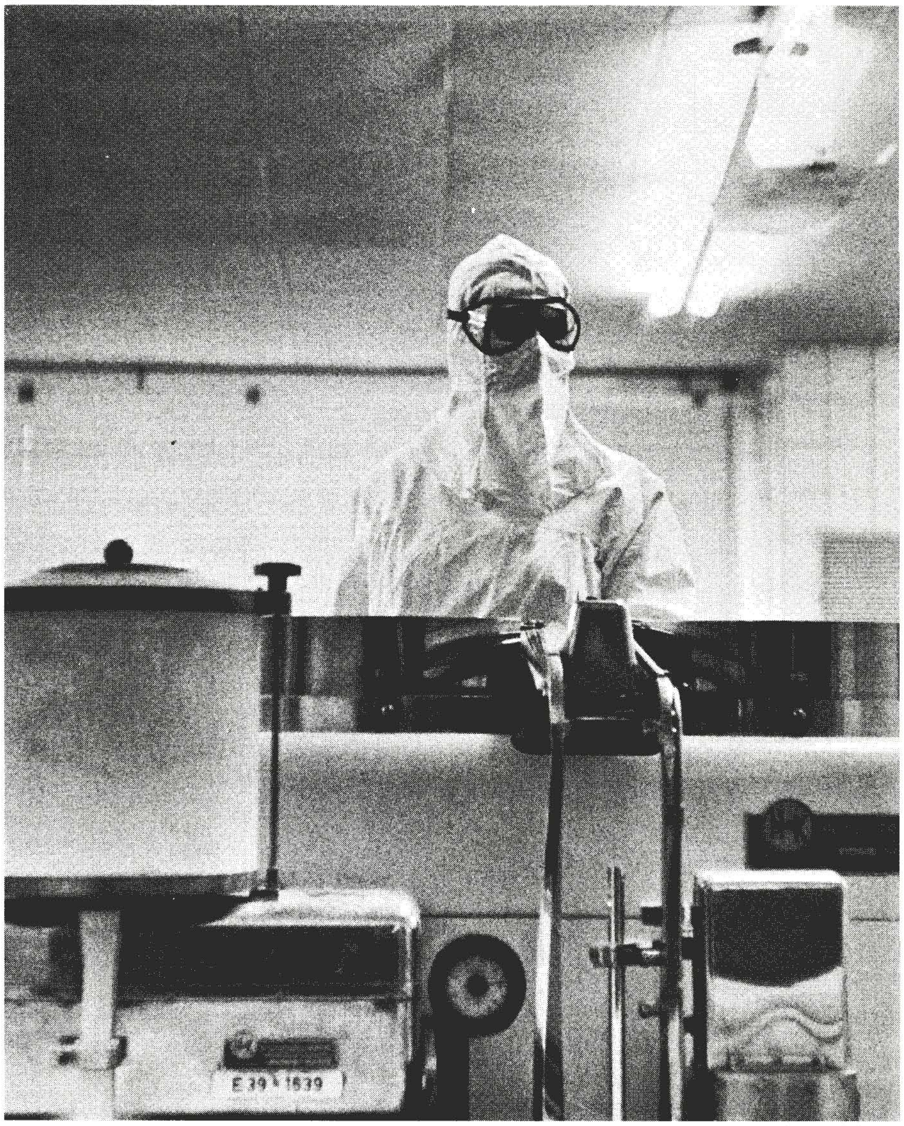
On January 26, 1965, the Community's Council of Ministers adopted a directive for harmonizing laws and regulations on medicines that the Commission had submitted in 1962. Optimists predicted that the new directive would be the first in a series that would lead member states to recognize each other's authorizations to market medicines. Free trade in pharmaceuticals was to follow.

The directive listed the requirements a medicine had to meet, such as being non-poisonous and therapeutic, before a firm could market it and reasons for revoking or suspending an authorization. The directive also prescribed labeling standards for branded pharmaceuticals and specified the information that had to appear on the package.

By passing the directive, the member countries agreed to comply with its provisions within eighteen months after its publication. In addition to applying it to new medicines, they agreed to apply the rules gradually during a five-year transitional period to branded pharmaceuticals for which market authorizations had previously been granted.

In February 1964, the Commission submitted to the Council a proposal for a second directive on pharmaceuticals which is still before the Council. It stipulated that all Community manufacturers should be subject to the same quality controls and standards during manufacturing and marketing and that medicines should meet the requirements of the first directive. The second directive also provided for enforcement and inspection by the national authorities during manufacturing and marketing.

Germany unconditionally accepted the first directive but said it would accept the second directive only if the Six decided immediately on the date when pharmaceuticals could circulate freely. The other five member countries replied that free trade in pharmaceuticals was certainly the objective, but that it required mutual recognition of marketing authorizations and assurance that they would be authorizing the sale of medicine on identical terms.



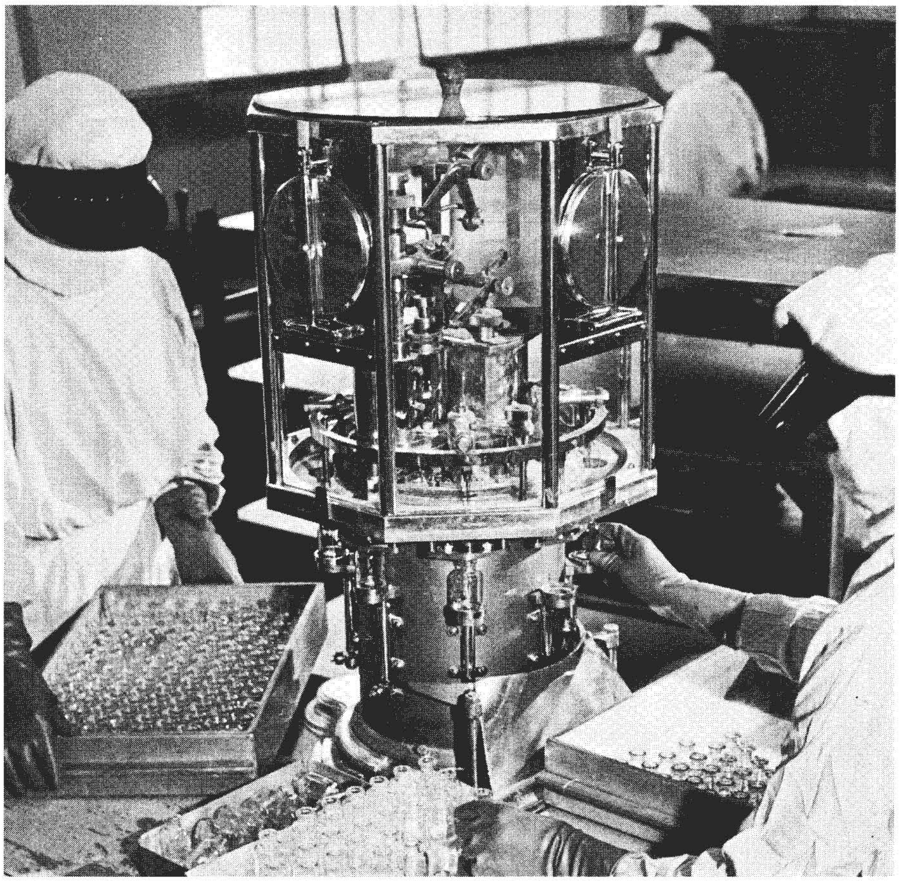
Packaging penicillin at the Bayer *pharmaceutical works at Leverkusen, Germany. State responsibility for pharmaceuticals varies widely among the Six. In Germany, manufacturers stake their reputations on their products and the pharmaceutical houses look after their own interests by testing the safety of a new product.*

A Dead Letter

In the ensuing stalemate, the Commission tried to reconcile the parties by combining the second directive with a draft amendment to the first directive, as advocated by the member states. Hoping that the Council would reach a settlement, the Commission agreed that the Council should postpone the first directive's entry into force by six months. But when the deadline was reached in January 1967, it became clear that the first directive was virtually a dead letter.

Belgium alone had acted to bring its pharmaceutical legislation into line with the directive. France had accepted the Com-

Pierre Collet is Brussels correspondent of the Journal de Genève.



Small doses of antibiotic powder automatically dispensed into sterilized flasks at the Roussel-Uclaf *laboratories in France. Unlike Germany, France requires both foreign and domestic pharmaceutical companies to show proof that a new drug is both harmless and effective. PHOTO: Courtesy French Embassy Press and Information Division, New York.*

munity text in principal but had not passed laws to put it into effect. Italy had taken a timorous step forward by issuing a few administrative memoranda. Germany, the Netherlands, and Luxembourg had done nothing.

As several member countries had failed to comply with a Community law, the Commission could have instigated legal action against them. Realizing that taking the matter to court would in the circumstances be pointless, the Commission instead took political action in a new bid to bring about agreement. Early in 1967 it put before the Council a draft resolution for endorsement of the second directive. In accordance with Germany's wishes, it contained a timetable. It also provided that member states would test medicines in the same way and that senior government officials responsible for granting authorizations in each member state should meet regularly. The system of reciprocal recognition was to become operative at the end of the transition period on January 1, 1970.

Third Directive

In December 1967, the Commission submitted to the Council a proposal for a third directive prescribing a procedure by which member states would recognize each other's marketing authorizations. A member country issuing an authorization to market a new medicine would send any other member country named by the pharmaceutical company a copy of the authorization and a translation of the supporting documents attached to the authorization application, in accordance with the Council directive of January 26, 1965. A member state receiving a copy of an authorization granted by another member state would check the supporting documents for completeness and publish the name of the product in its official gazette within 30 days of receiving the information, and make reference to the authorization. Publication in the official gazette would signify recognition of the issuing country's authorization. However, each member country involved would retain full power to revoke authorizations.

The Commission also listed the coloring agents firms should be allowed to add to pharmaceuticals and suggested measures to protect the public against misleading pharmaceutical advertising and to eliminate trade restraints.

"Through Sovereignty, Health"

There the matter rests. One possible explanation for the difficulties encountered in establishing a common market in pharmaceuticals can be found in the national governments' desire to retain full sovereign powers over public health. This attitude is strange, as it seems to imply that patients in other member countries receive inferior medical treatment and are helpless victims of rapacious laboratories or of antiquated legislation depriving them of the benefits of modern research.

It goes against the grain for the member states to give automatic recognition to authorizations granted by another sovereign state. That is why the Commission suggested that, during a transitional phase, member states could retain certain formal prerogatives. The European Parliament severely criticized this aspect of the Community's internal diplomacy.

Creating a common market in pharmaceutical products raises the same political problems as does the elimination of technical obstacles to trade. Once the member states have achieved progress in this field, everything should be much simpler in the pharmaceutical sector, too. Meanwhile, the Commission continues to hold regular meetings of government experts and manufacturers' representatives in order to make progress on purely technical questions.

Packaging at the Bayer *plant. One explanation for the difficulties in establishing a common market in pharmaceuticals is the national governments' desire to retain full sovereign powers over public health. PHOTO: Courtesy German Information Center, New York.*

Eurocontrol: Air Safety in the Seventies

The United States and 11 European governments are working to prevent air jams in Europe of the kind New York experienced last fall. To coordinate their airspace control systems, in 1963 they formed Eurocontrol, the European Organization for the Safety of Air Navigation, with headquarters in Brussels near those of the European Community

Rapid increases in the numbers, size, and speed of aircraft since the last war has created air traffic problems. The crowded sky is rapidly growing more congested. Trans-Atlantic traffic forecasts suggest that passenger traffic will increase four times by 1975, and cargo traffic is likely to increase even more quickly. Within Europe, too, the trend will be the same.

Massive increases in passenger and freight traffic will not mean a proportionate increase in the number of aircraft used, because bigger aircraft will be in service. Long-haul "jumbo jets," seating 400 or 500 passengers, will become common in the early 1970's. Over shor er distances, airbuses will carry 250 passengers. Nevertheless, experts forecast that in 1975 air-traffic control services will handle twice as many planes as they do today. Control problems will multiply because much of the new traffic will be assigned altitudes above 20,000 feet, the upper airspace that has long been reserved for military aircraft. The coordination of civilian and military aircraft movements will therefore have to be intensified.

Eurocontrol Formed on European Initiative

Because the nature and scale of modern air traffic problems make it impossible for any single country to solve them alone, the ministers responsible for civil and military aviation in the Benelux countries, France, Britain, and Italy began in 1960 to prepare what was to become the Eurocontrol Convention.

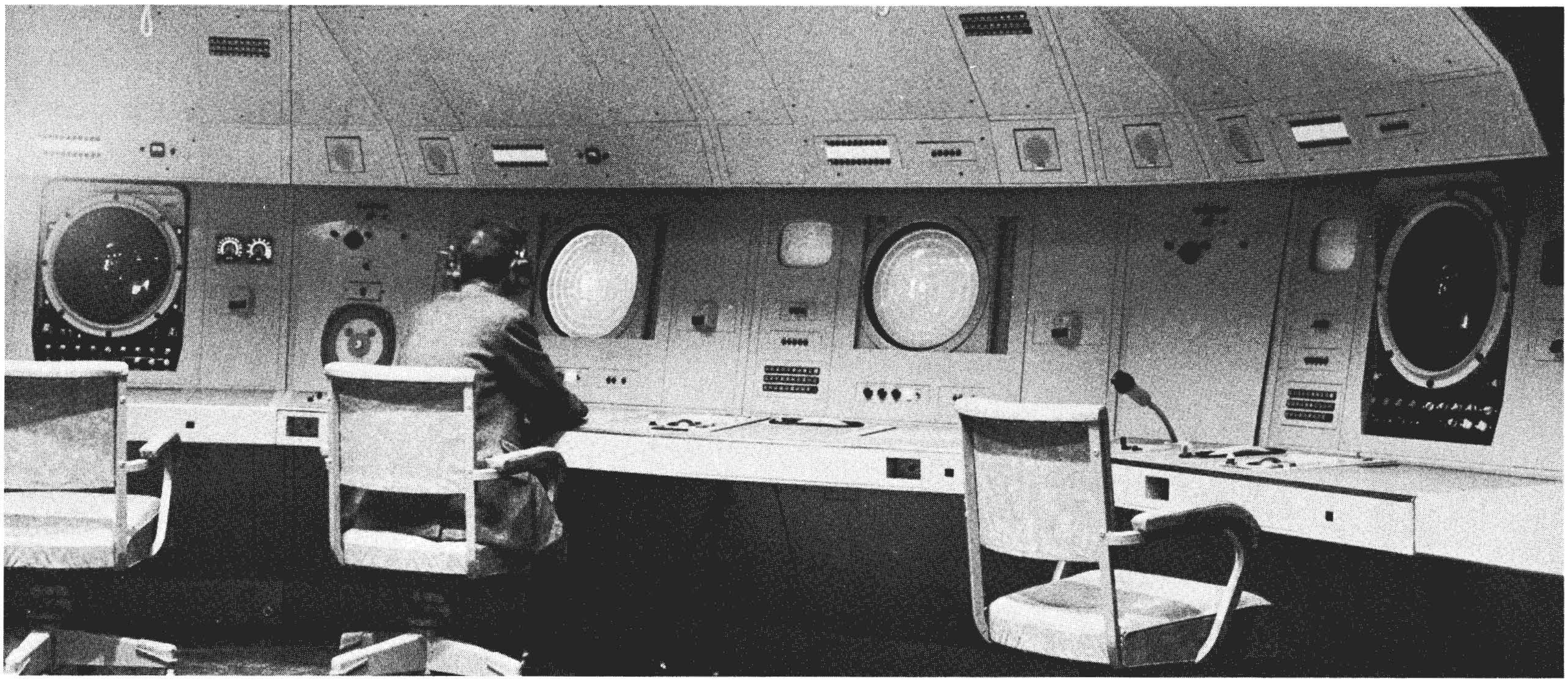
They decided to form an organization under the guidance of a Permanent Commission and the administration of an executive body, the Air Traffic Services Agency. Eurocontrol came into existence on March 1, 1963. A year later, the safety of air navigation in the upper airspace of Western Europe was entrusted to it. After participating in preparatory studies for the Convention, Italy withdrew from the group of founders, but later signed a cooperation agreement. Ireland joined the Organization in 1965; and the United States, the Scandinavian countries, Switzerland, and Portugal have also signed individual agreements.

The Agency's task is to coordinate upper airspace traffic control systems for the member countries and to install the facilities required to operate these services satisfactorily. To discharge this task, it works closely with the military authorities and can, with the Eurocontrol Commission's approval, open research and experimental centers and schools for advanced and specialized personnel training. The Agency is financed directly by the member states, whose contributions are calculated on the basis of their gross national product.

First Achievements

The Eurocontrol Commission has so far decided to install control centers in Luxembourg and near Maastricht in the Netherlands, and to open an experimental center at Brétigny, near Paris.

The new control tower at Orly airport outside of Paris, France. This tower was built to replace the existing one because of the rapid increase in airport traffic. Eurocontrol centers will further facilitate international flights. PHOTO: Courtesy French Embassy Press and Information Division, New York.



View of the new interior of the control tower at Orly. PHOTO: Courtesy French Embassy Press and Information Division, New York.

The first international control center, Maastricht, will control flights in the Benelux-North Germany area of 80,000 square miles. With computers and other modern equipment, 180 controllers will be responsible for the safety of 23,000 miles of air routes. Building began in October 1966, and the center is scheduled to become operative in 1972. Each control team will be able to handle 16 aircraft, instead of six as is customary today.

Eurocontrol is preparing the equipment, personnel, and procedures it will need at the Brétigny experimental center. The installation includes one of the most powerful high-capacity control simulators in the world, which will enable technicians to monitor 300 flights in a region covered by six radar stations, equivalent to what would be found in a dense traffic area of about 20,000 square miles. The simulator is an ideal tool for planning supersonic aircraft arrivals in crowded airlanes and calculating their holding patterns.

Safety and economy justify the international public service performed by Eurocontrol. In a few years, one error in navigation could cause the crash of an aircraft with five hundred persons on board. By functioning around the clock, Eurocontrol will enable airlines to operate at any time instead of only in daylight and favorable weather conditions.

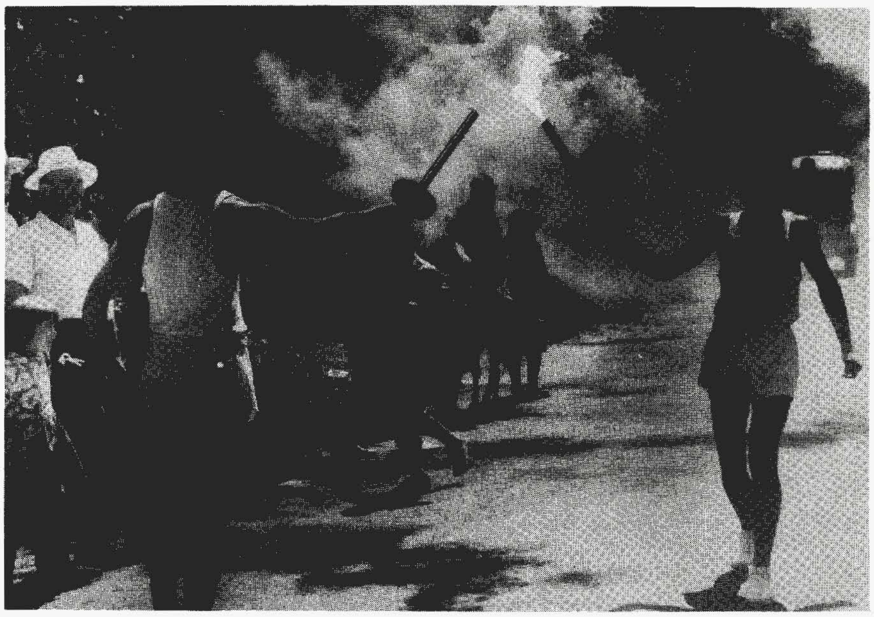
Eurocontrol should help ensure the smoothest flow of traffic at each aircraft's optimum altitude and lowest operating costs. If not, detours, delays, increased fuel consumption, and unforeseen stops will result, all of which mean greatly increased costs. It costs between $3,000 and $3,600 an hour to keep a Boeing 707 in the air, and over $1,200 an hour for a *Caravelle.*

The terminal buildings at the National Airport, Zaventem, Belgium. Airports are facing enormous problems in planning for supersonic aircraft arrivals in crowded airlanes and holding patterns. PHOTO: Courtesy Belgian Information Service, New York.

European Photo-Ciné Contest:

"EUROPE YESTERDAY AND TOMORROW"

Five of the more than 20,000 entries in the third photographic contest for young people. The competition was organized by the European Community in conjunction with the European Photographic and Film Committee. It was open to youth in the six member states and the two associated European states, Greece and Turkey. The 100 prize-winning photos were displayed at the Photokina exhibition in Cologne. The fourth contest will be open to adults as well as youth.



COMMUNITY NEWS

EUROPEAN COMMUNITY'S ACHIEVEMENTS AND SHORTCOMINGS REVIEWED IN COMMISSION'S 2ND GENERAL REPORT

Delays and disagreements, alternating with major advances, made 1968 a year of "astonishing contrasts," the European Communities Commission said in the introduction to its annual report released February 18 in Brussels.

The report is the second one the Commission has made to the European Parliament since the merger in July 1967 of the executive branches of the European Economic Community, Coal and Steel Community, and Atomic Energy Community. It contains a review of Community activities in calendar year 1968 and a commentary on the political state of the Community at the beginning of 1969.

Customs Union Completed

Foremost among the Community's achievements during the year was the completion of the customs union on July 1, the introduction of the common external tariff, and the first tariff reductions of the Kennedy Round trade negotiations concluded at Geneva in May 1967.

The Community began the single market stage for all its main agricultural products, and the pre-fixed common prices came into effect. Since July 1, 1968, most agricultural products have been able to move freely from country to country. In addition, the Commission outlined in a memorandum the problems of agricultural structure in the Community and launched a ten-year program of agricultural reform. Among other things, the reform plan calls for increases in the number of large and efficient farms, stabilization of farm production, reduction in the number of people on farms, and increases in farm incomes.

Free Movement of Labor Achieved

In 1968, one of the basic objectives of the Rome Treaty, the free movement of labor in the Community, was also achieved. No discrimination based on nationality remains in employment, pay, and working conditions; and the process that began when the Treaty came into force has been completed.

During the year, several member states adapted their internal legislation to the decisions made by the Council in 1967 preparatory to adopting the value-added tax. This tax, levied at each stage of production and distribution up to the retail level, is one of the corner stones of the Community's fiscal policy. The Commission completed studies of common fiscal arrangements to be applied when an enterprise domiciled in one member state merges with or acquires holdings in another member state. It also worked out and submitted to the Council the main lines of a common fiscal system for use in all member states. By removing fiscal handicaps, these arrangements are intended to enable firms in the Community to adapt to the common market and to competition within the Community or elsewhere.

The Community's work included several important decisions advancing the common transport and commercial policies. The Commission also submitted memoranda on industrial policy, the problems of research and technology in the nuclear energy field, and the first guidelines for a Community policy for all types of energy.

COMMUNITY MUST MAKE BASIC ECONOMIC DECISIONS WHILE OPTIONS ARE STILL OPEN, COMMISSION SAYS

If the European Community wants to retain control over its economy, it will have to make some basic decisions soon, before serious disequilibria force undesirable solutions upon it.

The European Communities Commission expressed this view in a memorandum, sent to the Council of Ministers on February 12, on increasing coordination of economic policy and intensifying monetary cooperation in the Community. The policy paper contained reflections on the nature of the "Community phenomenon" and suggestions for Community action. It asked the Council of Ministers to

– hold a debate in early fall on the member countries' growth prospects and trends in production, employment, prices, and balance of payments over the next few years

– make a decision on prior consultations concerning short-term economic policy

– make a decision by the end of the transitional period on the establishment of machinery for monetary cooperation in the Community.

The Commission urged the Council, in considering the memorandum, to keep in mind recent experiences in the field of monetary affairs and the increasingly urgent need to keep the Community running smoothly.

"Community Phenomenom" Requires New Approaches

In the Commission's view, the Community is an original and complex economic entity composed of both national and Community elements. Though different sectors have integrated at different rates, there is a "Community phenomenon" which the member states must recognize in formulating economic policy.

A Community of several nations cannot be organized solely on the basis of a tariff union for industrial products, a common agricultural policy, and a few projects for harmonization. The customs union has rendered some traditional instruments of economic policy ineffectual. Others have become ineffective because a growing number of enterprises, particularly those doing business in several Common Market countries, can often avoid purely national controls as a result of the development of financial management techniques and modern means of communication. To be effective, measures taken solely on the national level must be more severe today than previously. The national economy, therefore, pays a higher social cost and partner economies feel more severe repercussions than in the days before the Common Market. Only by acting together can the member states avoid these pitfalls and take advantage of the Community's full economic scope.

If the Community stops at customs union, severe differences of opinion that are already evident will weaken its unity. It must therefore consolidate and augment its achievements by harmonizing national economic policies within the framework of existing institutions, the Commission said. A fundamental choice now confronts the Community and it must make this choice without delay.

Medium-Term Policy Synchronization

The first requirement is to synchronize the national medium-term policy, the Commission said. The main medium-term objectives involve the growth rates of production and employment, price trends, the current balance of payments, and the overall balance of payments. These basic objectives are closely interrelated and must be defined simultaneously.

The first two medium-term economic policy programs, the Commission said, set the broad lines of economic policy for the member countries and the Community institutions. Nevertheless, much still has to be done to assure policy coordination. For this reason, the Commission planned to send a separate memorandum to the Council on the problems posed by each member country's growth prospects in relation to production and employment, prices, and current and overall balance of payments. An immediate difficulty which the Commission mentioned was the difference in the member countries' reference periods for forecasts and programs.

In the area of short-term policy coordination, the Commission said procedures for the member countries to consult each other before putting new economic measures into effect should be strengthened and applied more effectively. In particular, the Commission mentioned the Council's decision of March 4, 1960, by which the member states agreed to inform the Commission of projects likely to affect other member states' short-term positions.

Machinery for Monetary Cooperation

Despite consultation, coordination, and joint action, unforeseen accidents could still happen. The Commission considered it essential for a member state in difficulties to be able to obtain from its Community partners financial help without jeopardizing the smooth functioning of the Common Market. The Commission therefore advocated the establishment of machinery for monetary cooperation.

To illustrate the need for such machinery, the Commission cited the member states' experience in giving "mutual monetary assistance" to France last July. It was activated by means of a "cumbersome and complicated procedure," was not principally of a monetary or financial nature, and did not forestall recourse to safeguard measures.

The machinery for monetary cooperation would operate in the context of medium- and short-term economic policy objectives defined jointly by the Community members and would be designed to prevent crises rather than to correct their effects once they have arisen. The arrangements should

– be available for prompt use so that a member state could make appropriate changes in economic policy without restricting trade inside the Community

– be able to operate at any and all times when required

– discourage policies of expedience.

This machinery would fit into the existing arrangements for international monetary cooperation and not be a substitute for them or affect the member countries' obligations towards international monetary institutions. The Commission said the proposed machinery could also prove useful in integrating new members' economies into the Community and would, in any case, be even more necessary in an expanded Community than in a Community of six.

The Commission recommended that the machinery include provisions:

– setting a ceiling on the amounts of help each member state may give

– allowing automatic activation of short-term monetary support

– assuring that consultation among appropriate Community authorities follow use of the system as soon as possible.

In the absence of an agreement on the action to be taken by the deficit country, the period of that country's indebtedness to the system should not exceed three months. Depending on the situation of the deficit country, the others could agree to renew short-term aid for a specified period. Medium-term financial aid could be granted on recommendation by the Commission to the Council after consultation with the Monetary Committee.

LAWS PASSED FOR APPLICATION OF COMMON CUSTOMS TARIFF

Last year, 65,000 customs officials in the Community checked more than 600 million cross-frontier movements by travelers and inspected merchandise worth $110 billion, involving 35 million declarations. These inspectors will soon be able to apply the Community's common customs tariff uniformly in each of the Community's six countries.

The day of uniform customs procedures throughout the Six moved closer when the European Communities Council of Ministers at its March 3-4 meeting passed four directives for harmonization of customs legislation. The new directives cover:

– Common customs warehousing procedure: allows firms to store imports in warehouses for five years without paying customs duties or equivalent charges. During that period, they may handle the goods to keep them in good shape or to improve their market value.

– Deferred payment: allows importers to defer payment of customs duties and agricultural levies for 30 days if they deposit guarantees. Until December 31, 1970, member countries that allowed importers more than 30 days may gradually reduce the deferral period but may not exceed the maximum deferral period of 45 days.

– Inward processing traffic: specifies the condition under which a firm may process imports without paying customs duties. The products resulting from the processing operation must be exported.

– Free zone procedure: specifies rules for allowing duty-free imports into those territorial enclaves that member states do not consider part of the Community's territory (the free ports of Hamburg and Trieste, for example).

Some Loose Ends

The Six still have to agree to unify other aspects of customs legislation, including the settlement disputes arising from customs procedures, penalties, and the application of various customs conventions.

An important customs proposal before the Council is one the Commission submitted last December at the Council's request to settle the question of "diversion of customs revenue." Products imported from outside the Community often enter Community customs territory in one member state, for trans-shipment to the importer who resides in another member state. Customs charges are normally collected at the port of entry.

To provide a formula for determining which member state keeps the customs revenue, the Commission suggested that a member country receiving a product from a non-member country should verify that the product has been cleared in and shipped from another member state. It should then calculate the amount of customs revenue that has been diverted and inform the Commission's customs department. The Commission would then make proposals for compensation.

COMMISSION ASKS ITALY TO LOWER BORDER ADJUSTMENTS FOR SEED OILS

Italy has been "invited" to reduce its level of border taxes and rebates on oilseeds.

On February 11, 1969, the European Communities Commission decided that an Italian law increasing to 7 per cent the average rate of countervailing charge on imports and the refund on exports of oleaginous seed oils infringed fiscal provisions of the Common Market Treaty. Article 95 of the Treaty forbids member countries to tax imports from other Community members more heavily than comparable domestic products. According to Article 96, tax refunds on exports to other member countries may not exceed the taxes imposed in the exporting member country. The Italian law in question was Decree-Law No. 1050 of November 21, 1967.

The Commission's main objection to the law was that the average rate of compensation was based on calculations that did not reflect vertically integrated enterprises' share of national production. This was an important omission, the Commission reasoned, because Italy still applies a cascade system of taxation. Under such a system, since taxes are collected at each change of ownership, a vertically integrated company pays less taxes than other companies.

The tax advantages of vertical integration will be eliminated when Italy begins to apply the Community system of taxing the value added at each stage of production and distribution. By January 1, 1970, this sytem is to be in effect throughout the Six.

EURATOM'S 1969 BUDGET MAY MEAN STAFF REDUCTIONS

The European Communities Council of Ministers on March 4 formally adopted the 1969 research program and budget for the European Atomic Energy Community. Totaling $48.9 million, it consists of $26.1 million for the joint program (financed jointly by the six member states) and $28.9 million for the complementary national programs (financed individually by the countries concerned). The Commission had proposed a total of $69 million.

The budget reduction means that there is no immediate employment for 382 of Euratom's present staff. They will be retained as auxiliaries – some of them being gradually reabsorbed as other members retire or move to jobs elsewhere – until July 1, when the Council expects to adopt a multi-year research program.

Commission President Jean Rey told the Council that the Commission remains convinced that no staff reductions should be made until the long-term program has been adopted.

In protest against the Council's decision, workers at Ispra, Euratom's largest joint research establishment, went on strike during March.

SIX AGREE TO ESTABLISH EUROPEAN PATENT SYSTEM

The Six have agreed to establish a European system for granting patents and will ask other European countries to participate in negotiations for a European patent convention.

They reached this decision at a meeting of the European Communities Council of Ministers on March 3-4.

The United Kingdom, Austria, Denmark, Ireland, Norway, Sweden, and Switzerland will be invited to participate in negotiations. The convention would give patent applicants in any of the participating states the same protection as nationals of the state where the patent is exercised. (Protection would still vary from state to state.) Applications would be channeled through a European patents office, thus eliminating the need for a prospective patent holder to make expensive and time-consuming separate requests in each of the countries adhering to the convention. Munich has been unofficially mentioned as a possible site of the office.

Other European countries will be informed of the Community's initiative and will be able to express their views and adhere to the convention. Non-European countries will also be able to apply for a European patent, if they grant Europeans the same protection as their own patent-holders.

In addition, the Six agreed to negotiate a separate convention among themselves harmonizing their patent laws and establishing a single Community-wide patent. Patent-holders would as a result enjoy the same protection throughout the Community.

The agreement to go ahead with patent harmonization results from several years of study by the member states on strengthening international cooperation in the field of patent law and devising an international system for granting patents in which other European countries could also participate. The Community experts based their work on the draft European patent law convention of 1962 and on the Council of Europe's 1963 patent law convention.

COMMUNITY FULFILLS FOOD AID OBLIGATION, ACTS ON PROJECTS

India, Pakistan, Indonesia, Tunisia, and Sudan will receive a total of 226,000 tons of grain as a result of agreements reached by the European Communities Council of Ministers at its March 3-4 meeting.

This aid will be given as part of the Community's commitment under the international Food Aid Convention. India will receive 80,000 tons; Pakistan, 50,000 tons; Indonesia, 56,000 tons; Tunisia, 20,000 tons, and Sudan, 20,000 tons.

The Council also agreed on an urgent plan to send 25,000 tons of grain to Biafra. Most of this aid is for people in the "Biafran heartland," where the population density is higher and the food shortage more critical than elsewhere in the war-torn country.

In addition to food aid given by the Community as such, the member countries individually help countries needing food aid. The national food aid programs cover a total of 734,000 tons. Apart from about 130,000 tons, part of which is reserved for emergency needs, the Community and the member states have now fulfilled their obligation under the Convention to contribute 1,035,000 tons of food aid this year.

GATT BEGINS TO STUDY NON-TARIFF TRADE BARRIERS

The Industrial Products Committee of the General Agreement on Tariffs and Trade (GATT) completed its first examination of non-tariff trade barriers on February 7. A GATT spokesman in Geneva said the Committee would probably meet again this month.

The GATT Secretariat listed six types of non-tariff barriers: government participation in trade, customs and administrative procedures, standards involving imports and domestic goods, specific limitation of imports and exports, restraint on imports and exports by price mechanisms, and "other" restraints on imports. The Committee spent a week discussing the first category, which includes government aids to traders, government procurement policies, state trading, and state monopoly practices.

Reasons for Concern

The Community had its share of worries in 1968.

The first matter of concern was the political controversy that arose in December 1967 over the issue of enlarging the Community by admitting the United Kingdom, Ireland, Denmark, and Norway. It was not resolved during the year. One member country's negative attitude in this field elicited negative reactions from its partners in other spheres.

As these disagreements spread, the Commission said it had noticed a general deterioration of the atmosphere within the Community which made conciliatory solutions more difficult to work out. It said it regretted this development and noted that the advocacy of purely national interests had now become overt. As a case in point, the Commission observed that from May 1967, when the Community agreed to provide food aid to the developing countries, it had taken a year and a half to establish procedures.

The third cause for concern was the Euratom crisis. The Commission said it was deeply disquieting that the member countries had managed to agree only on a provisional research program of one year, that only five of the six members were paying for half the projects, and that the 1969 research budget still had not been passed. "If the member states get into the habit of financing only those projects that interest them directly, Community action will deteriorate rapidly and seriously," the Commission warned.

Finally, the Commission mentioned the economic and monetary anxieties of the year and said that the machinery established in 1964 for prior consultation among Community members had not functioned satisfactorily during the monetary crisis last November. The Commission said that these difficulties had accentuated divergences in the member countries' economic development, making more economic and monetary policy coordination necessary.

Drive to Integrate Stronger than Obstacles

The Commission said that despite the Community's difficulties, which "get a little too much of the limelight," the patient and unremitting work of construction was still being performed. The 500-page report, reflecting the scale and scope of this work, explores the application of regulations in force, new proposals, and day-to-day reports of Community life.

DIRECTIVE ISSUED ON TRUCKING RATE PUBLICITY

A directive adopted by the European Communities Commission on February 26 specifies the conditions and procedures for publishing special contract trucking rates.

Last July the Council of Ministers passed a regulation introducing a system of upper and lower bracket rates for trucking between the member states. In addition, the regulation permitted truckers to conclude special contracts for carriage under certain circumstances, provided that the rates and terms of such contracts were made public. The Council regulation specified basic principles but left details of application and procedure to the Commission.

The Commission regulation provides for two types of publicity:

– immediate publication of special contracts in the country of departure, including rates, conditions, and name of trucking company

– monthly publication in the country of origin and in the country of destination of general information and data on market trends in trucking.

The member states are to handle both types of publicity through existing or new agencies whose territorial jurisdictions they will define.

COMPUTER TO TRANSLATE RUSSIAN TO ENGLISH

A program developed at the European Scientific Data Processing Center (CETIS) will enable a digital computer to translate scientific texts from Russian into English. CETIS is part of the Ispra Establishment of the European Atomic Energy Community's Joint Research Center.

FARM PRICES AND SURPLUSES DOMINATE AGRICULTURAL DEBATE

Farm prices and surpluses have dominated recent agricultural discussions in the European Communities Council of Ministers.

On February 18-19 and again on March 10-11, the Council continued to discuss agricultural prices for the current marketing year and the Commission's proposals for bringing supply into line with demand, for milk, sugar, oils, and fats. The Council agreed to continue discussion at the next agricultural Council, scheduled for March 24-25.

At its session of March 10-11, the Council examined the basic problems posed by the proposed regulation for additional provisions in the common organization of the wine market. Discussion concerned the definition of wine, control of the development of vineyards, and import policy. The Special Committee on Agriculture was instructed to prepare for the Council's next discussion of the wine market on the basis of a planned Commission document on outstanding problems.

Among decisions made by the Council were:

– authorization for Italy to apply temporary special measures to prevent a serious crisis on its orange market, resulting from bad weather and competition from cheaper, Spanish oranges.

– authorization for the European Agricultural Guidance and Guarantee Fund to repay 50 per cent of the member countries' aid to encourage the formation of fruit and vegetable producers organizations and to facilitate their operation. A 1966 Council regulation put a ceiling on the amounts of such aid that would be eligible for Community assistance. The ceiling was 1 per cent of the value of products marketed by the organization in the first year of the regulation, 2 per cent in the second, and 3 per cent in the third year.

A CARTEL CAN BE TRIED UNDER NATIONAL LAW WHILE COMMUNITY INVESTIGATES

A cartel can be prosecuted under national law for the same acts being investigated under Community law, according to the European Court of Justice decision in Case 14/68.

Case 14/68 was referred to the Court for an opinion by the Berlin Court of Appeals. The German Federal Cartel Office had fined seven German companies for violating German law by fixing aniline prices on three occasions. The companies appealed the fine to the Berlin Court of Appeals on the grounds that since the European Communities Commission was investigating the same acts under Community law, they could not be prosecuted under national law for the same acts.

On February 13, 1969, the Court ruled that as long as no Community regulation provided anything to the contrary, national authorities applying national law could prosecute a cartel. The same principle would apply, the Court held, even when the legality of the cartel was being investigated by the European Communities Commission. However, the application of national law cannot prejudice the full and uniform application of Community law or the effects of the actions in applying it.

EC TO GIVE TURKEY 50,000 TONS OF WHEAT

The European Community and Turkey concluded negotiations on February 17 for a food aid agreement by which the Community will donate to Turkey 50,000 long tons of soft wheat this year.

The gift is the first one the Community is making under the world food aid plan arranged during the Kennedy Round trade talks in Geneva. Of the 50,000 tons, Belgium and the Netherlands will each be responsible for supplying 4,000 tons; Germany, France, and Italy, for 14,000 tons each.

By a Commission regulation passed on February 17, it was decided that 25,000 tons of wheat would be taken from both Italian and German stockpiles. Ten thousand tons will be shipped from Bremen, Germany; 15,000 tons from Antwerp, Belgium, and Rotterdam, the Netherlands; 15,000 tons from La Spezia, Italy, and 10,000 tons from Ancona, Italy. Turkey agreed to make the necessary arrangements for shipping the wheat from these Community ports and to use the wheat for human consumption.

Proceeds of sales of this wheat in Turkey (after deducting the costs of ocean transport and marketing costs) will be deposited in a special fund to finance Turkish development projects.

UNIONS DEMAND COMMUNITY SIGN ISRAEL AGREEMENT SIMILAR TO THOSE TO BE SIGNED WITH MOROCCO AND TUNISIA

The Executive Committee of the International Confederation of Free Trade Unions in the European Community "insisted," in a statement made February 21, that the Community sign an agreement with Israel similar to those being signed at the end of March with Morocco and Tunisia.

The ICFTU Executive Committee, which maintains in Brussels a lobby to the Community, also said it was disturbed about the trend of economic and social relations between the Community and the Mediterranean countries. Though delighted about the new agreements with Tunisia and Morocco, the Committee said it regretted the constant postponement of negotiations with Israel for a similar agreement.

At a meeting on March 4, the Council of Ministers discussed relations between Israel and the Community and asked the Committee of Permanent Representatives to make a report in the near future. Some delegations, in particular the Dutch, indicated their desires for the Commission to draft a negotiating mandate and submit it to the Council.

Morocco and Tunisia – "Partial Association"

The five-year agreements with Morocco and Tunisia are scheduled for signature, respectively, on March 31-April 1 in Rabat and March 28-29 in Tunis. Both provide for only "partial association" because they contain no provisions for Community development aid, free movement of workers, free movement of capital, a common agricultural policy, or other common policies necessary for full association.

As a result of the agreements, most Moroccan and Tunisian industrial exports will enter the Community duty-free, and quotas will be

Marcel Mart, Luxembourg's new Finance and Transport Minister, presides as Council president for the first time at a Council of Ministers meeting on transport problems, Brussels, March 17. Mr. A. Borschette, Permanent Representative of Luxembourg, is seated on left, Mr. Mart on right.

established for refined petroleum products. Both countries will receive tariff preferences for a few processed agricultural products and for a list of agricultural products which includes citrus fruits, olive oil, and wheat. The Community will receive new or enlarged quotas and certain tariff preferences for industrial exports.

Three years after the agreements come into force, negotiations for full association must begin. Since the treaties will be concluded or ratified by the Council of Ministers, not by the governments of the member states, they will come into force soon after signature and after the European Parliament gives its opinion.

EURATOM RESEARCH HEALS CHILDREN, COLORS ROSES

Cutting the mortality rate of seriously undernourished children, increasing barley and pea productivity by nearly a third, and giving roses new colors are among the results of Euratom's research.

In a new report on the European Atomic Energy Community's biology program between 1964 and 1967, the European Communities Commission reviewed research projects conducted to counter the harmful effects of radiation and to apply nuclear science to agriculture, biology, and medicine. Among the projects reviewed were Euratom's studies of the effects of radiation on blood cells and bone marrow and on chromosomes, and organ transplant rejection. Other activities involved the sterilization of harmful insects and the production of new varieties of apples and potatoes.

WESTERN POWERS INSIST BONN BELONGS IN UN AID PLANNING COMMITTEE

The United States, Britain, and France informed United Nations Secretary General U Thant on February 7 that unless Germany is included in a UN committee to plan the second development decade, they will not participate in the committee.

They emphasized that the West European group in the United Nations had nominated the Federal Republic in accordance with the regional representation formula approved by the most recent General Assembly and was not willing to have that decision negated by East European objections. They also pointed out that Bonn is the fourth largest contributor to UN development aid programs – after the United States, Britain, and France – and contributes more than all the East European nations combined.

The Soviet Union and other East European countries have thus far blocked Bonn's candidature for committee membership. Initial Soviet objections were based on the point that the Bonn Government is not a member of the United Nations. The General Assembly, however, had qualified for committee membership all members of United Nations specialized agencies as well as all members of the United Nations itself. Germany, like Switzerland, belongs to several such agencies. No similar objection was raised to Switzerland.

East Germany has no status with the United Nations and does not participate in any of the specialized agencies.

EIB FINANCES LIGHT BULB PLANT IN TURKEY

The European Investment Bank has decided to lend the Turkish Development Bank the equivalent of $844,000 for the construction of a light bulb plant in Izmit at a total cost of $2.7 million. The project will be executed by *Birlesik Aydinlatma Sanayii A.S.*, a company jointly owned by the Philips group and the Tekfen Limited Company, a Turkish producer of incandescent light bulbs.

This loan will be made under the basic agreement signed with Turkey last October 15 allocating, until June 30, 1969, $7.5 million to finance private industrial projects. Under the same agreement, the Bank decided on February 21 to grant a loan of $3 million to the Turkish Development Bank to finance small and medium-sized industrial ventures. This financing will enable private industry to carry out investments amounting to between $6 million and $9 million.

EIB PLANS NEW BOND ISSUE

The European Investment Bank announced on February 25 that it planned to issue $30 million in bonds denominated in German marks. Proceeds of the sale are to be used to finance the Bank's general lending operations.

The DM 500, DM 1,000, and DM 5,000 bonds were to be quoted on the Frankfurt, Berlin, Dusseldorf, Hamburg, and Munich exchanges. The 15-year bonds will be offered at 98 per cent, will pay 6 per cent interest a year, and will be redeemable at par in ten equal annual installments after a 5-year grace period.

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