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european community

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COVER: Tourists, lost in Paris, consult a map at the Place de la Concorde. Courtesy of the French Press and Information Service, New York, N. Y.

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U.S.- Community Trade Issues

JEAN REY, PRESIDENT OF THE EUROPEAN COMMUNITIES commission, on June 9-11 visited Washington, D.C., for talks with top Government officials on current Community-U.S. trade problems. The trip, Mr. Rey's first under the new Nixon Administration, was a continuation of the exchange started by President Richard M. Nixon's visit to the Commission in Brussels during February. Mr. Rey was not able to meet with President Nixon in Washington as initially planned, but had talks with Secretary of State William P. Rogers, Secretary of Commerce Maurice H. Stans, Secretary of the Treasury David M. Kennedy, the President's Special Trade Representative (Designate) Carl J. Gilbert, as well as other Administration officials.

Simmering Problems, Post-Kennedy Round

A number of problems, some more serious than others, have arisen between the two largest world traders, the United States and the Common Market, since the conclusion in May 1967 of the Kennedy Round of tariff negotiations under the General Agreement on Tariffs and Trade. The major areas in which problems have been simmering are textiles, agriculture, and non-tariff obstacles to trade. President Rey, during his visit to Washington, said he felt that frequent contacts—"standing negotiations"—were needed to solve difficulties between the United States and the Community; he expressed concern that the results of the Kennedy Round might be diminished by unilateral measures taken to solve trade and agricultural differences.

The series of contacts began with a general discussion of problems during President Nixon's visit on February 22. They were continued by Commerce Secretary Stans' and Special Trade Representative Gilbert's visit to Brussels on April 14. One of the main purposes of their European trip was to obtain voluntary limitations on textile exports to the United States. Non-tariff barriers and agricultural problems were also on their agenda. On May 20, a Common Market trade team led by Commissioner Jean-François Deniau arrived in Washington for two days of trade talks. At the same time that President Rey was in the States, Secretary of Agriculture Clifford M. Hardin was holding two days of talks with Commission Vice President Sicco L. Mansholt in Brussels. In addition, Mr. Rey indicated that Vice President Raymond Barre, who has special responsibility in the Commission for economic and financial matters, would be coming to Washington later in the year.

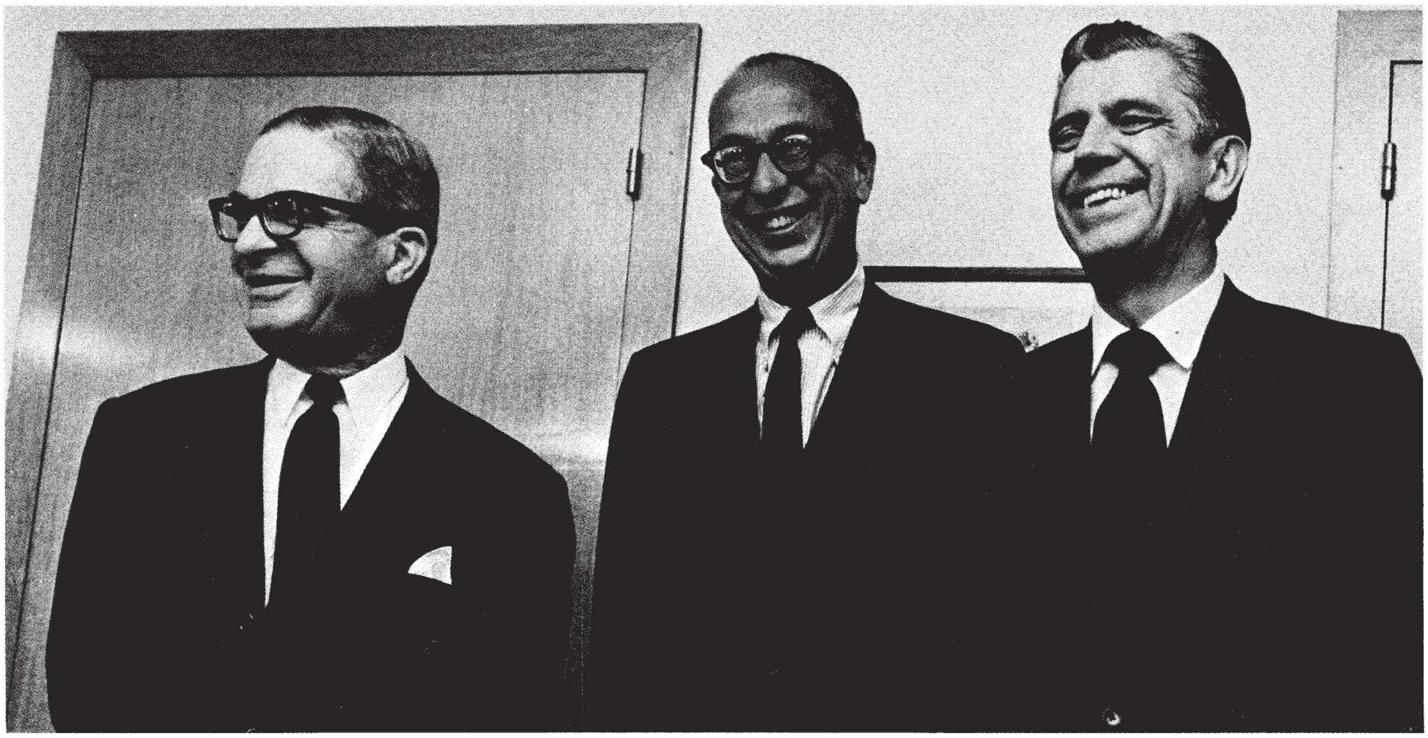
"Avoid Unilateral Measures"

President Rey, in a wide-ranging press conference in Washington on June 11, declared that a "package deal could be made by the end of the year" involving the financing of the Common Market's agricultural policy and the Community's enlargement *(see page 16)*.

When asked about the foremost trade problems between the Community and the United States—textiles and the Community's proposed consumption tax on soya and other oilseeds, Mr. Rey replied that the only way to solve trade and agricultural differences was to avoid unilateral measures: if the United States acted unilaterally on textiles, it would lead to unilateral actions in Europe; if the Community enacted a tax on fats and oils, a similar reaction would occur in the United States. The answer was multilateral decisions.

Textiles. The United States has sought to limit textile imports by asking exporting countries to limit their exports to the

Mr. Hardin's visit to Brussels. Left to right: Mr. Rey, Ambassador Schaetzel, Mr. Hardin.



United States voluntarily. Mr. Rey restated the Community's position that U.S. textile problems should be discussed within the GATT, under Article XIX which permits import restrictions when "serious" damage threatens national producers and only after compulsory consultations with GATT members. He said that the Community did not consider textiles a "special" problem to be negotiated outside the usual framework, as the Nixon Administration did. He noted that the United States had not yet produced any figures showing that the current volume of imports was seriously damaging the U.S. textile industry. The U.S. preoccupation seemed, instead, to focus on "tendencies" toward future disruptions.

During the Deniau visit, Commerce Secretary Stans warned of Congressional action on protectionist textile legislation within 90 days if foreign exporters did not reach an agreement with the United States. The Community team pointed out that the textile industry in Europe had problems too, and that U.S. estimates for the next 20 years were no different from Europe's forecasts of unemployment in its own textile industry, due to normal structural changes. Protectionist measures would only aggravate the situation by insulating the national markets and postponing the inevitable modernization.

The situation of the European coal industry immediately after the war illustrates the dangers of protecting obsolescent industries from competition.

In relation to the coal industry's contribution to the economy, it employed disproportionate amounts of capital and manpower. Thus, from its formation in 1952, the European Coal and Steel Community followed a deliberate policy to reallocate resources to more productive sectors, screening investments planned by companies, retraining miners for jobs in other industries and giving them tiding-over allowances, and offering companies incentives to locate in former mining regions. Between 1954 and 1968, the Community spent $27 million to aid 256,000 unemployed coal miners. Had a deliberate policy to phase-out obsolescent mines been started earlier, less money could have accomplished more and unemployment in coal mining regions could have been limited.

Agricultural Policy. The major exchange of views on agriculture took place during the conversations between Secretary Hardin and Vice President Mansholt. The talks covered both major and minor controversies, principally: the Community's proposed consumption tax on oils and fats which indirectly jeopardizes American soya bean exports; the market in cereals and the International Wheat Agreement; the Community's proposals for a common tobacco policy; poultry; and canned foods, including fruit, tomatoes, tomato paste, and ham. Dairy products, especially certain cheeses, were also covered.

Soya and Oilseeds. Mr. Mansholt stressed the continuing need for worldwide agreements on agricultural commodities, in particular for fats and oils, along the lines of the Commission's proposals during the Kenndy Round.

The United States, however, appears reluctant to discuss a world agreement in fats and oils. Nonetheless, Secretary Hardin maintained that the United States could not countenance a Community consumption tax which would affect the large U.S. export market of soybean oil and cake and that a reaction would be unavoidable. Mr. Mansholt reiterated that the Communities' Council of Ministers had not yet passed the tax proposal. He said it was possible that the Commission would find other solutions but stressed that the Community had to do something to alleviate the situation in the Six. Community imports of U.S. soya have practically doubled in the last few years, seriously disrupting the European market, as Mr. Rey pointed out during his talks in Washington.

Grains. Mr. Hardin and Dr. Mansholt also discussed the operation of the world wheat arrangements and the general problem that none of the main surplus countries were respecting the minimum price clause. Neither Mr. Mansholt nor Mr. Hardin, however, saw any need at the present time to change or modify the world wheat agreement.

A recent misunderstanding focused on Community wheat sales to Taiwan. The Community explained that officials had made a mistake in calculating its export subsidies. Taiwan had erroneously been assumed to be in the "China Zone" established to set export subsidy rates. These subsidies are particularly high because of the high risk of shipping to Communist China. Placing Taiwan in the same zone was a mistake and measures had been taken to correct the situation.

Tobacco. The United States has expressed strong opposition to any policy that would increase the Common Market's protection of its tobacco market. The Community indicated that the planned common tobacco policy was still being studied. Recently the European Parliament came up with an entirely new approach to the organization of the tobacco market so that the Commission feels it is too early to explore the matter.

Canned Foods. The Europeans have complained about U.S. countervailing duties on canned tomatoes, which the United States has imposed because it believes these exports are being subsidized. The Americans, in turn, are upset about the Community's export rebates for sugar contained in canned fruit. They are also distressed about Commission proposals for the canned goods market that would fix a floor price for imports (while removing all quantitative restrictions) and require an import deposit to ensure compliance with the minimum price.

NTB's. The Community affirmed its willingness to discuss non-tariff trade barriers, provided that the results of the Kennedy Round were applied in the meantime. President Rey expressed the Community's disappointment, for instance, that the American-Selling-Price system of customs evaluation remained intact despite the U.S. commitment, during the Kennedy Round, to eliminate it.

"Border taxes" topped the U.S. list of complaints against the Community, although the United States indicated that it has no clear idea of what should be done about them. The Commission is attempting to explain to the U.S. Administration the mechanisms and significance of the tax on value added (TVA), a fiscal measure, which the Community feels should not be considered a border tax nor be confused with a monetary measure, such as changing the parity of a currency. The Deniau team differentiated between the German adjustments at the border to correct its trade balance, which they called a "real" border tax (*see page* 6), and the regular TVA system.

U.S. — Community Trade: Some Facts and Figures

THE UNITED STATES REMAINS the European Community's best single customer.

Last year, the Community exported $35.5 million-worth of goods; the United States bought 16 per cent of them, $5.8 billion-worth, 30 per cent more than in 1967. Between 1960 and 1968, Community exports to the United States grew by 157 per cent, almost twice as fast as its exports to the rest of the world, which expanded 67 per cent.

U.S. exports to the Community amounted to $6.4 billion in 1968, 20.6 per cent higher than in 1967. Despite the Community's good export record, in 1968 it still ran a deficit of $600 million, on trade with the United States. Since 1960, however, when the Community's deficit amounted to $1.6 billion, the import-export gap with the United States has been slowly shrinking, for U.S. imports from the Community have grown more rapidly than the Community's purchases from U.S. suppliers. In 1960-68, U.S. exports to the Community expanded by 67 per cent, a little more slowly than the 72 per cent growth in the Community's imports from the rest of the world.

Trend by Member Country

Germany and Italy have benefited most of all the Community members from the growth of the U.S. import market *(see table)*. In 1960-68, German and Italian exports to the United States jumped 202 per cent and 183 per cent, respectively. In fact, two-thirds of all Community exports to the United States in 1968 came from Germany and Italy.

There were no major differences between the Community members in their rates of increase in imports from the United States. Of the Six, only Germany and the Belgium-Luxembourg Economic Union (BLEU) sold more to the United States than they bought in 1968. Germany's surplus amounted to $500 million; BLEU's, to $100 million.

The Products Traded

The very rapid growth of Community exports to the United States, especially from Germany, was largely due to increased sales of cars and machines which practically tripled between 1963 and 1968 *(see table)*. In 1968, they accounted for 4 per cent of Community exports to the United States. While the Community's total exports to the United States grew by 125 per cent, car and machine exports rose by 188 per cent in 1963-68. U.S. imports of Community manufactures rose by 99 per cent.

Several important changes have occurred in the types of goods the Community imports from the United States:

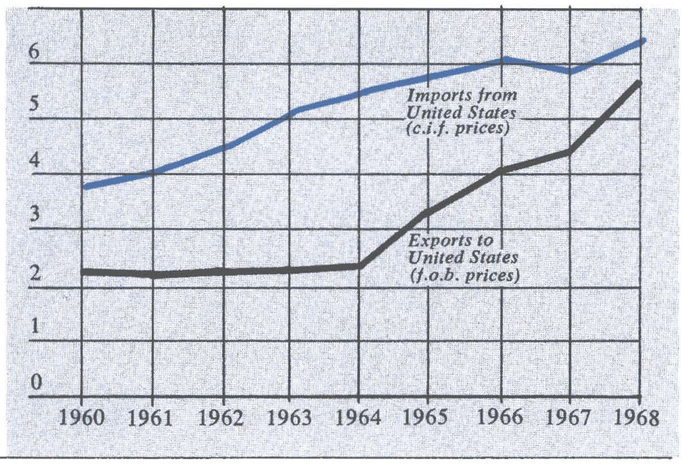
- Imports of energy products, fats and oils, and miscellaneous products have decreased sharply while other types of imports—drinks and tobacco for example—have remained stable. These products represent a relatively small part of the Community's total imports from the United States, 10 per cent in 1968.
- Community imports of cars and machines, manufactures, and chemicals—its main export products—have grown vigorously, but less so than its exports of the same products. In 1963-68, the import growth rates of these products ranged from 50 per cent to 65 per cent, as compared with export growth rates of 96 per cent to 188 per cent. The difference between the import and export expansion rates was smallest in the case of chemicals. The Community's imports of American chemicals rose 65 per cent while U.S. imports of Community chemicals grew 96 per cent.
- The Community's imports of foodstuffs expanded at the same relatively slow rate as its imports in general, 25 per cent. Raw materials were the exception. Soya, cotton, wood, and synthetic rubber imports from the United States rose 46 per cent. The largest increase occurred in soya imports.

The Trade Outlook

Indicators seem to point to a continued decline in the Community's trade deficit with the United States, at least during 1969. There are no signs of any quick improvements in U.S. export prices which have deteriorated due to domestic inflation and Europe's rapid gains in productivity.

U. S.— COMMUNITY TRADE

*(in billions of dollars) Community Total**



THE PRODUCTS TRADED

(in billions of dollars)

	1968		1967		1966		1965		1964		1963	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
Foodstuffs	919	194	872	181	1.126	160	996	128	819	116	737	114
Beverages and tobacco	127	112	161	97	136	83	124	3	117	68	121	66
Raw materials	1.044	122	918	120	922	110	863	114	946	118	714	113
Energy products	219	66	291	33	314	19	343	11	367	6	378	11
Fats and vegetable oils	33	18	41	12	56	11	85	12	73	11	51	9
Chemicals	713	309	590	241	559	236	552	194	502	170	433	158
Manufactured goods	1.079	2.621	926	2.045	946	1.857	861	1.692	826	1.344	671	1.226
Machinery and transport equipment	1.982	2.278	1.707	1.655	1.493	1.503	1.392	1.120	1.401	951	1.292	792
Miscellaneous	273	46	355	39	469	118	474	80	383	65	638	70
Total *	6.389	5.768	5.856	4.423	6.020	4.096	5.687	3.353	5.433	2.849	5.033	2.559

Source: EEC Trade by Commodity Class and Area, Supplement to Monthly Foreign Trade Statistics, No. 2/69, Brussels, 1969

** Because the commodity figures are rounded numbers, they may not add up to the total in every instance.*

"Border Taxes" Five Misconceptions

There is a widespread belief in the United States that the European Community's system (and other European countries' systems) of taxing the value added to goods at each stage of production and distribution gives European firms a competitive advantage over American companies. In some cases the European "border taxes" are misleadingly lumped together with non-tariff barriers to international trade. Sometimes the argument is more sophisticated: that the United States relies more heavily on direct taxes (income tax, property tax) than most European countries and that this fact together with the international rules permitting border adjustments only for indirect taxes is the core of the problem.

"Border tax" discussions involve highly complicated and technical issues on which not even experts always agree. Some basic misconceptions should, however, be clarified. The following answers to some questions often asked about border taxes should help.

How do you reconcile "border taxes" with the international rules?

Under existing international rules in the General Agreement on Tariffs and Trade (GATT) no country is allowed to impose any taxes on the import of goods unless similar domestic goods are taxed in the same way. As a matter of fact, there would be no point in negotiating tariff reductions, if afterwards each party were free to introduce taxes on the same imports on which duties had been reduced.

Wrongly called "border taxes" are tax adjustments at the border that take place with regard to certain types of internal consumption taxes when goods are exported or imported. These tax adjustments are permitted by the rules of the GATT.

Why are border tax adjustments necessary only for certain consumption taxes?

Most countries impose general consumption (indirect) taxes, but not all of them make border tax adjustments. This difference is explained by the fact that there are essentially two different ways of collecting general consumption taxes:

- either when goods are sold to the customer, which is the American method of collection (sales tax at the retail level)
- or whenever goods pass from one stage of the production and distribution process to the next (producer to assembly plant, assembly plant to wholesaler, wholesaler to retailer, retailer to consumer) which is the European method of collection under TVA.

As an example, let us assume that there is a 10 per cent U.S. sales tax (federal, state, or local) while the Community countries impose a 10 per cent TVA. To demonstrate the basic principles of the two systems, identical tax rates are assumed. These rates actually vary considerably: in the United States, from state to state and in the Community, from country to country. In general, they are much lower in the United States than in Europe. These differences do not, however, invalidate the argument.

The box shows how plastic toys will be taxed by the Community and the United States. In both cases, the consumer pays 70 cents plus the same amount of tax, 7 cents. However, whereas in the United States the total amount due is collected from the retailer, in the Community every business unit involved in the production and distribution of the toys has to pay the tax collector that fraction of the final tax that results from the value added to the product by its activities.

These differences in the collection method necessitate different treatment when goods are imported or exported.

Suppose that both the Community and the U.S. producer exported some of their toys. The U.S. producer doesn't need a tax adjustment, because neither he nor any of his suppliers have paid any consumption tax which is imposed only on the retail consumer.

For the toy manufacturer in the Community, the situation is quite different. When he exports toys to another Community country or to any other country, he must be exempt from paying his normal share of the TVA, 1.5 cents in our example. (Contrary to a widespread belief in the United States, border tax adjustments are also made on trade between Community members. There is absolutely no difference in the Community members' tax treatment of each other and their tax treatment of non-member countries.) In addition, the Community exporter must be allowed to deduct the amount of tax already paid on materials he has purchased to produce the toy (2 cents).

COMPARISON OF TAXES ON A PLASTIC TOY

Product Taxed		*Tax Collected (in cents)* *Community*	*U.S.*
1. PRODUCTION STAGE			
Unit cost of material to producer	20	2.0[1]	—
Unit value of toy sold by producer	35	1.5[2]	—
2. WHOLESALE-DISTRIBUTION			
Unit cost of toy to wholesaler	35		
Unit value of sale by wholesaler	45	1.0	—
3. RETAIL			
Unit cost of toy to retailer	45		
Sales price to consumer	70	2.5	7.0
TOTAL TAX PAID		7.0	7.0

1. This 2-cent TVA tax was collected from the suppliers of the material so that the toy manufacturers paid 22 cents for this material.

2. This amount is equal to 10 per cent of the tax on sales (3.5 cents) less 2 cents' tax paid on the purchase of raw material etc. from other business units (10 per cent of 20 cents). The net amount is equal to a 10 per cent tax on the value added by the producer (10 per cent of 15 cents).

If the exported toys were not exempt from TVA, it would mean that consumers in the country importing the toys paid part of the exporting country's tax in addition to their own government's consumption taxes. This situation would contravene one of the basic internationally accepted principles of taxation. In addition it would impose an unfair competitive disadvantage on imported toys in relation to the domestic toys.

The same type of border tax adjustments are made when one of the Community members imports goods from another Community country. When a French importer buys a German toy for 35 cents, he pays 3.5 cents TVA which is the amount paid by any French wholesaler buying French toys for 35 cents. For purposes of comparison, this example assumes that both countries apply the same tax rate. But what is really important is that the German toys leave Germany without tax and that the importing country (France, in this case) imposes the same tax on the import as has been paid on domestic toys.

In the case of the United States, the German toys would be taxed exactly the same as American toys when both were sold at the retail level. If the same toy were imported into the United States, there would be no need for any tax adjustment at the border, as the same total amount of sales tax is collected, both on U.S. and German toys at the retail level when the product is finally sold to the consumer.

This border tax adjustment is similar to the U.S. Federal Excise Tax exemption on exports of automobiles, liquor or cigarettes, for example. The U.S. Federal Excise Tax is levied on imports of these products. Depending on whether or not the excise tax is collected at the producers' level there may or may not be any necessity for a tax refund on exports. Also in the case of imports, the border adjustment may not take place at the border but at a later stage (e.g. wholesale).

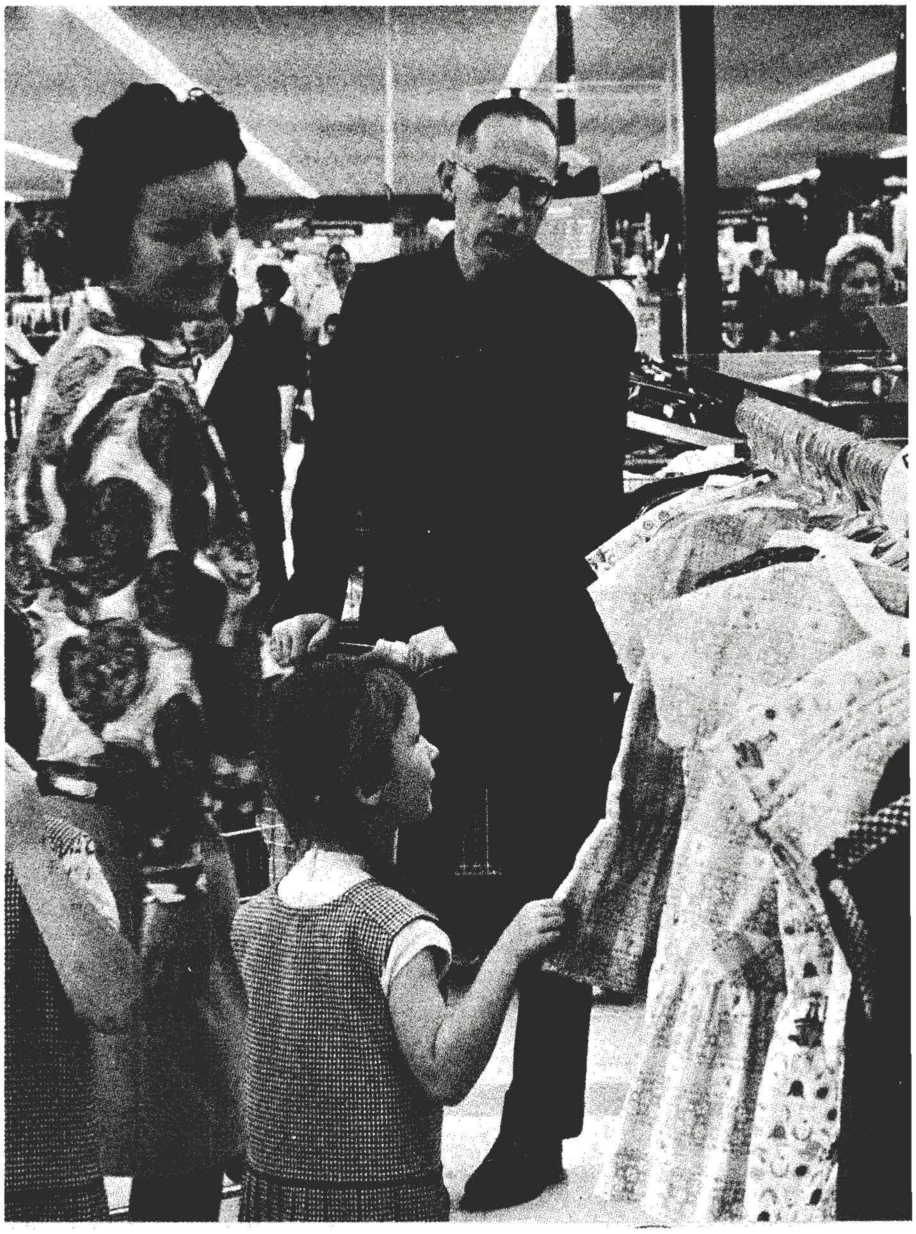
The Community members' border tax adjustments under the TVA system are the logical consequence of its particular form of multi-stage tax collection. Superficially, they may look like export subsidies or import levies, but examination shows that their effect on competitiveness is neutral.

Suppose TVA is not completely passed on in prices?

Some people think that TVA border adjustments confer slight competitive advantages on exporters (and supplementary protection to domestic producers) of the countries using the system. Their argument runs as follows: suppose the toy producer selling in the domestic market does not pass on in his quoted prices the total amount of tax he has paid, whereas in the case of exports, he is tax-exempt for the whole amount, thus getting a benefit (subsidy) by exporting. It has therefore been suggested that tax adjustments on exports should be limited to the actual amount of tax passed on in the domestic market.

There are two things wrong with this argument:

- In the first place, the method of collecting the TVA should normally guarantee a complete passing on of the tax right to the final stage at which goods are delivered to the ultimate consumer. As the amount of tax is shown separately on the invoice and as any purchaser except the final consumer may deduct this amount from his own TVA liability, no commercial purchaser would have any interest in picking out, from among all supplier cost factors, only TVA and passing on all cost factors except that one.
- Even if it were theoretically feasible to identify TVA as the cost factor that was not passed on in prices, it would be practically impossible to devise a non-discriminatory method of tax adjustment. Indeed, a company's chances of covering expenses vary not only in any given period but also between different branches of industry and even between competing businesses within the same branch. Unless the responsible tax agencies resorted to some method of averaging, which would have to be highly arbitrary, they would have to treat different companies within the same branch differently according to their competivity. Competitive companies, which could make profits and therefore recover the TVA paid by them under unfavorable business conditions, would get the full tax refund when exporting. Less-competitive companies would get only partial refunds, since they would theoretically be losing money on the domestic market and thus not covering all their expenses, in particular, the TVA.



TVA paid by manufacturers and distributors is passed on to consumers in the retail price, in this case, of the dress.

Didn't some Community countries obtain trade advantages when they switched from the cascade system to the TVA system?

Some people think that the cascade system countries derived, at least momentary benefits when they switched from their cumulative, multi-stage tax systems to TVA. Germany is the country most frequently mentioned to prove the point: under the cascade system Germany prior to 1968 allowed a tax refund of 6 per cent on exports while under the new system it was first 10 per cent and was raised to 11 per cent. Under the cascade system there was a 4 per cent tax on gross turnover at every stage except wholesale, where the rate was 1 per cent.

There are two things wrong with this line of reasoning:

• First, the 10 per cent TVA border adjustment cannot be compared to the 6 per cent adjustment under the cascade system. Under the cascade system, any producer of raw materials, semi-manufactures, etc., paid 4 per cent tax on the gross turnover at every stage, while under the TVA system the rate of 10 per cent is applied to the net turnover, in other words, the value added at that stage. As a result of this difference, the amount of tax paid on a particular product when it is exported or imported represents normally a higher share of the total amount of tax imposed upon the consumer under the TVA system than under the cascade method of collection.

Thus, once the importer has paid TVA on an imported product, there is relatively little tax left to be paid at the following stages (usually wholesale or retail distribution), as only the value added to the product is taxed. Under the cascade system, on the contrary, the amount of tax that is always levied on the gross price of a product will be highest at the distribution level, after border tax adjustment has taken place. Considering these fundamental differences in the two methods of tax assessment, the two rates of border tax adjustment are simply not comparable.

However, under the cascade turnover tax system, it had been impossible to calculate the exact amount of consumption tax borne by a particular product. In the case of Germany, border tax adjustment under the cascade system seems to have been slightly lower (at the most one or two percentage points) than warranted by the domestic taxation. Thus, the introduction of TVA, by making it possible to calculate the amounts of consumption taxes paid, merely eliminated the competitive handicap of underadjustment.

• Secondly, the higher rates of border tax adjustments only reflect an increase in the level of consumption taxes since the introduction of TVA, for example, when Germany increased its rate from 10 per cent to 11 per cent. Thus, there are no competitive advantages involved, especially when the increase in consumption taxes leads to substantial price increases. This was the case in the Netherlands, and the same thing is expected to happen in Belgium with the introduction of TVA in 1970.

Shouldn't there be some border adjustment for direct taxes?

Some people maintain that the different border adjustment rules applicable to consumption taxes and profits taxes put U.S. business at a competitive disadvantage with European companies because they pay more profits taxes than their European competitors. Proponents of this argument point out that in the United States profits taxes bring in about 16 per cent of total tax revenue, as compared with 12 per cent in Germany, and half or less than half that percentage in Italy, France, and Belgium. As the existing international rules do not authorize any border adjustment for profits taxes, it has been suggested that they be changed.

There is a major fallacy in this argument. Whether profits taxes yield relatively more or less of a country's total tax revenue is completely irrelevant to an individual company's competitive position. As the systems of taxation vary from one country to another, such differences are quite natural. The individual company's position is compromised only if it has to pay more taxes than its competitor on the same profit.

Any comparison of after-tax profits raises many questions of methodology. However, there is strong evidence that American companies do not pay higher taxes on the same profits than comparable businesses in most Community countries. As a matter of fact, the Community members' corporate income tax rates are of roughly the same magnitude as the U.S. rate (49 per cent). Germany levies a profits tax of 51 per cent; France, 50 per cent; the Netherlands, 43-46 per cent; Belgium, 35 per cent of profits exceeding $26,000, and Luxembourg, 40 per cent of profits exceeding $100,000.

It should be noted that, if net profits are, for instance, 5 per cent of selling prices, a difference in profits tax rates of even 15 per cent amounts to a competitive advantage (or disadvantage) of only 0.75 per cent.

Furthermore, European companies carry substantially higher social security charges than their U.S. competitors. Taken together, profits taxes and social security payments put a heavier overall burden on European companies than on American business.

Whatever might be the outcome of an international comparison of profits and social security tax burdens on companies involved in international trade, it would be unrealistic to consider making border adjustment for direct business charges. Every consumption tax equals a certain percentage of a product's price, so that defining the exact amount of tax refund or levy poses no technical problems. In the case of profits taxes however, there is no direct relation between the product's price and the amount of tax paid. In fact, it is generally assumed that taxes on profits are not usually passed on in prices. In any case, when a company fails to make a profit, it pays no profits tax at all, but does continue to pay TVA. Any border adjustment for profits taxes would, therefore, have to be highly arbitrary. Treatment of all the companies involved in international trade could hardly be differentiated in such a way as to guarantee the competitive neutrality of the system. Averaging could lead to an uncontrollable "tax refund race" among the leading trading countries. For these reasons the thesis that there should be some kind of border adjustment for direct taxes is not acceptable.

In summary, these considerations show that:

• Border adjustments in the value-added tax made by Community countries on trade among themselves and with nonmember countries are in accordance with the rules of the GATT. These adjustments are justified by the method used to collect TVA, just as the United States is justified in making border adjustments for certain consumption taxes that are not collected at the retail level. For most U.S. consumption taxes, the adjustment simply takes place at a different stage of the distribution process than in the Community—generally at the retail level.

• Border adjustments for profits, capital, or social security taxes do not seem technically feasible. Any attempt to make such adjustments would distort international competition and trade much more than any minor differences there might be in the major trading nations' profits tax and social security burdens on business firms.

"Time to Enjoy Life"

FACTORY AND OFFICE WORKERS HAVE LONGER VACATIONS AND MORE HOLIDAYS THAN THEIR AMERICAN COUNTERPARTS

AMERICAN VACATIONS HAVE LENGTHENED in the past decade, but most U.S. white- and blue-collar workers still receive less paid vacation time than European workers. In the United States, three weeks are generally awarded only after 15 years of service, whereas in Europe, three weeks are regarded as "normal."

Holidays, rooted in history and tradition, vary more than vacations in different Community countries. Each country—and locality within the country—has its own ideas about holidays. From industry to industry, too, vacations differ, as they do in the United States, where their length usually reflects the strength of the labor union.

France Has Oldest Holiday Laws Of the Six

France has the oldest legislation on holidays. In April 1799, the revolutionary authorities declared Ascension Day and All Saints' Day national holidays. In Belgium, some industrial regions take an extra day off to commemorate the local patron saint. The Netherlands has only seven holidays, while Italy has the most with 17. In Germany, the number of public holidays varies; in some Lander there are ten a year, but Protestants living in predominantly Catholic Bavaria get 13. Most workers in the Community receive financial compensation if a public holiday falls on Sunday and is not postponed to Monday.

Vacations to Vacation Bonuses

Laws and collective agreements regulate annual leave in the Community countries, but despite wide variations in formal provisions, the end result is remarkably similar.

Even though Italian workers have no legal right to paid vacations, in 1966 they received between 29 and 47 days of paid annual leave. In other member countries, the law prescribes between 12 and 24 working days of vacation, depending on the worker's age and status. The average French worker received 32 days of paid annual leave in 1966, though collective agreements stipulate three days of vacation for French shoemakers and 10 days for chemical workers. Paid annual leave amounted to 28 to 34 days in Luxembourg, 25 to 37 days in Germany and 29 to 47 days in the Netherlands. The Belgians, with 22 to 28 days of vacation were the most "underprivileged" segment of the Community's labor force.

What Next?

Now that the principle of paid vacation is accepted in practice, unions in the Community, as in the United States, are campaigning to extend the minimum length. Many medical authorities support them, maintaining that workers should take a three-week vacation twice a year.

Another union objective, in the United States as well as in the Community, is an idea pioneered in the Netherlands, the vacation bonus. It provides workers with extra money just before they leave for vacations. In 1966, Dutch collective agreements gave workers bonuses of two weeks' salary. In addition, unions in the Community are demanding a recognized form of "sabbatical leave" so that workers can brush up their skills. Belgium introduced such a law in 1963.

Now that the Community has finished laying the legal foundation for labor mobility, employers may find that competition for skilled laborers will bring with it some harmonization of vacation practices. The Common Market Treaty, however, only requires Community members to "maintain the existing equivalence of paid holiday schemes."

A driving school in Westerwald village, one of nine German resorts where vacationers can take their driving tests. Courtesy of the German Information Center, New York, N.Y.

Needed: Staggered School Vacati

by CHARLES SCHIFFMANN

OVERCROWDED RESORTS, TRAFFIC NIGHTMARES on coastal roads and, once again, Europe's parents and hoteliers will make their annual plea for staggering schools' summer vacations.

In France, a spectacular increase in the popularity of winter sports has caused widespread public demand that the education authorities shorten the ten-week summer vacation and introduce a long, winter-sports holiday in February. Some people, however, maintain that winter sports are only for the rich and that shortening the summer vacation would harm France's less-privileged families. Many teachers support this argument, much as they would welcome a long break in the winter, the most trying period of the school year.

Supporters of a February holiday reply that a general winter vacation, by promoting the development of skiing holidays, would make them cheaper. They point out that in the 1930's compulsory paid holidays for workers forced the tourist industry to switch from luxury catering for an élite to providing economical holidays for the masses.

Winter vs. Summer Vacations

Italians, on the other hand, are virtually reconciled to retaining their three-month-long summer school vacations, though many admit that it is too long a break. When schools reopen pupils find it hard to settle back into the routine of work, and there are more forgotten ideas to brush up. The long vacation leaves little margin for short breaks during the rest of the year. Nonetheless, under the hot Italian sun a three-month vacation may be a necessity, rather than a luxury.

Italy's long summer vacation follows a complicated and costly final examination period. Each year the teachers who act as examiners travel throughout the country at the State's expense, and authorities are now considering whether they can change this system.

One suggestion by educational experts would resolve vacation and examination problems in one swoop, by making the school and the calendar years coincide. During the shortened summer vacation, children who have fallen behind could make up for lost time before final examinations. A month's winter holiday, between the two school years, would give pupils a chance to recover from the strain of exams.

Back to School in August

With five weeks between school years, children in the Netherlands have the shortest summer vacation in the European Community: they go back to school the first week of August. Neither parents nor the tourist industry are enthusiastic about such a short season and its inevitable overcrowding of peak holiday traffic at resorts. But with its relatively long Easter, fall, and Christmas breaks, the system is probably better for school children.

German schools, too, have short summer vacations—primary school children get only 35 days. However, the Lander have at least managed to spare hoteliers and parents a mass holiday exodus by operating a well-organized rotation system so that school ends on different dates in each state. Young

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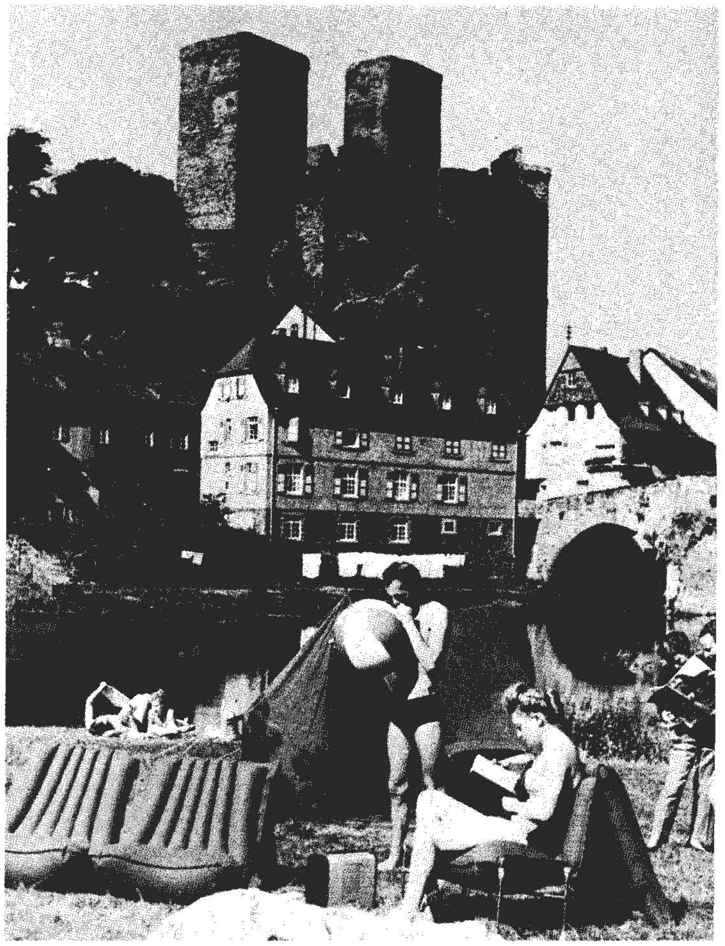


One of Germany's 664 camping sites, this one opposite the Hessian town of Runkel an der Lahn. With the rise of car ownership throughout Europe, camping has grown increasingly popular with vacationers in the past ten years. Courtesy of the German Information Center, New York, N.Y.

German skiers would like to see their Christmas and Pentecost breaks replaced by a February vacation, when ski-runs are at their best.

Without tampering with the traditional school holiday system, the Belgian authorities have succeeded in persuading many adults to stagger their main vacations. After ten years, a "Go in June" campaign is now paying off and June is becoming a summer vacation month like any other, especially for those Belgians (one in three) who have no children and who do not work in industry. Factories still tend to close in August.

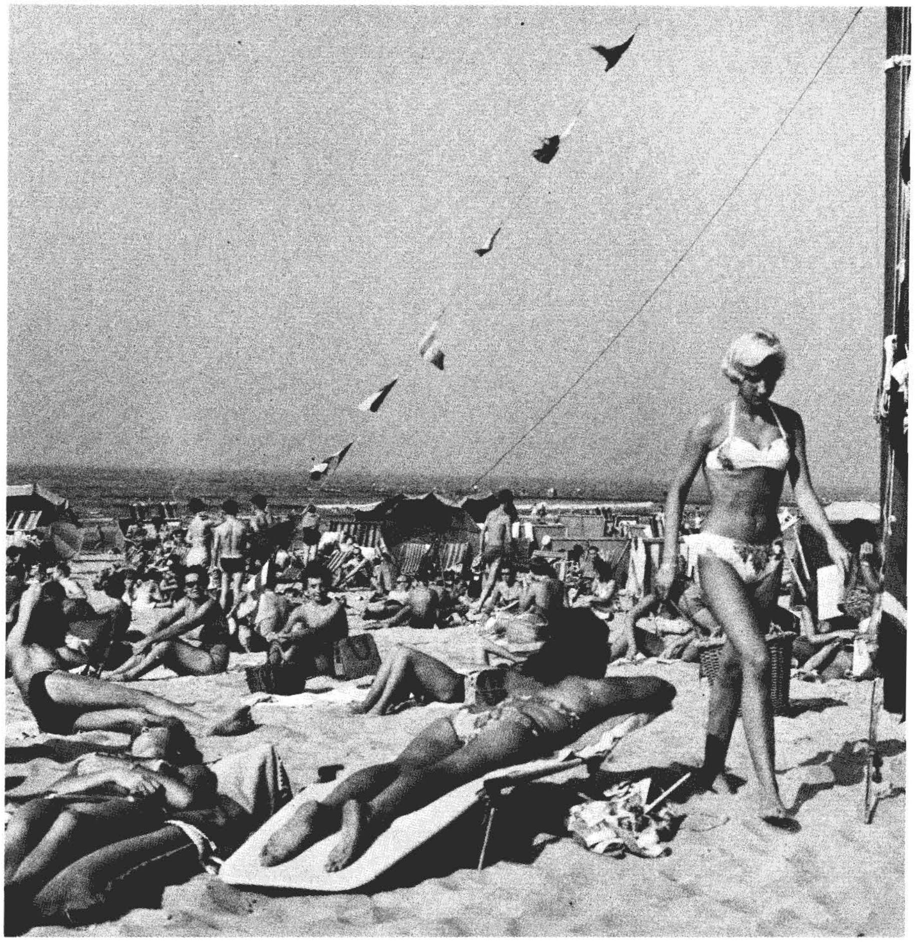
The Belgians have also been resourceful in tackling the problem of winter holidays. Every year thousands of Belgian school children who have contributed to a special savings fund go off for winter sports with their teachers without taking any vacation. Children and teachers travel together to Switzerland or Austria for "classes de neige". Results—both athletic and academic—are reported to be highly satisfactory.

The European Schools Have Special Problems

In the European Schools established by the European Community the vacation problem is especially acute. Community

n Schedules

Saint Peter's Basilica, Rome, is a place of pilgrimage and tourism throughout the year, although most people prefer the summer for travel. Courtesy of the Italian State Tourist Office, New York, N.Y.



Beach at Scheveningen, part of The Hague, the Netherlands. On warm summer weekends, city-dwellers everywhere head for the beach. Courtesy of the Netherlands Embassy

officials stationed in Brussels and Luxembourg who come from northern France, the Rhineland, or the Netherlands prefer several short school holidays a year so that the family can make trips back home. However, these arrangements would displease parents from Bavaria, southern France, or Italy who need long vacations to make the trek south worthwhile.

At the European Schools the syllabus has been so arranged that children of Community officials can obtain a *baccalauréat* valid in all six member countries. To make this possible, experts had to hammer out a curriculum that would meet every member country's minimum requirements. Teachers and children alike admit that the result is an overloaded program, particularly as the schools have a five-day week instead of the normal five and a half days.

Pupils at the European Schools thus need vacations long enough to let them relax so that they can return to school in a mood to get back to intensive study. From this point of view, the current holiday pattern is anything but satisfactory. Two months in summer and two weeks at Christmas and Easter have no relation to educational needs, but only to national traditions.

To counteract the drawbacks of the present system, the European Schools give pupils up to three extra, free days at All Saints (November 1), which means a full week off from school in the first term of the scholastic year. Many teachers think a mid-term break between September and December, should be compulsory. The Easter vacation is long enough, the only problem here is that the date of Easter varies.

Proper Pacing Hoped For

Many teachers would prefer week-long oases of rest in lengthy school terms because they would be easier to arrange than an overhaul of the entire vacation pattern. The calendar year is peppered with public holidays which completely disorganize the work of the schools. In May alone the European Schools have four holidays: May 1 (Labor Day), May 9 (to mark the declaration made in 1950 by Robert Schuman), Ascension Day, and Pentecost Monday. To counteract the scholastic "harm" done by these short breaks, the European Schools organize educational excursions during these holidays; but this does not alter the fact that they disrupt normal classwork at the worst possible time of the year, just when final examinations are around the corner.

The European Social Fund

Today...

THE EUROPEAN SOCIAL FUND was created by Article 123 of the Common Market Treaty to promote employment and geographical and occupational mobility throughout the Community.

Only member governments or public agencies can receive Fund aid—and then only as reimbursement for helping workers who had lost their jobs (or who had become underemployed) as a result of the Common Market's establishment. The Fund reimburses up to half of the costs of resettling and retraining such workers.

From September 1960 to the end of 1968 the Fund granted more than $80 million, helping nearly 960,000 workers (see table). To be eligible for Fund aid, workers retrained by their governments have to find new jobs within a year of retraining or relocation and hold them for at least six months; then the Fund can partially reimburse the governments' expenses. The concepts of unemployment, retraining, and relocation are broadly defined.

Fund action is indirect. Requests for aid come from the Community member countries; and, if approved, the fund makes payment to the member country or public agency involved, not directly to the workers. Private retraining and resettlement plans are not eligible for grants.

Fund action is automatic and retroactive. The Fund has no right of initiative or power to assess the urgency of a request. Provided that the conditions are fulfilled, it must reimburse all member states' requests.

Each member country contributes a fixed percentage of the Social Fund's estimated annual expenses: France and Germany, each 32 per cent; Italy, 20 per cent; Belgium, 8.8 per cent; the Netherlands, 7 per cent; and Luxembourg, 0.2 per cent. The Commission administers the Fund with the assistance of an advisory committee on which governments, labor unions, and employers are equally represented.

EUROPEAN SOCIAL FUND'S AID 1960-68

(in millions of dollars)

EXPENDITURES				CONTRIBUTIONS
	Retraining	*Resettlement*	*Total*	
Belgium	3.95	.002	3.95	7.07
France	19.94	.57	20.51	25.68
Germany	20.19	1.71	21.90	25.68
Italy	23.22	4.00	27.22	16.05
Luxembourg	0.01	—	0.01	0.16
Netherlands	6.65	.02	6.67	5.62
Community	73.96	6.30	80.26	80.26

NUMBER OF WORKERS

	Retraining	*Resettlement*	*Total*
Belgium	7,836	13	7,849
France	30,972	78,118	109,090
Germany	57,303	230,101	287,404
Italy	203,310	340,037	543,347
Luxembourg	96	—	96
Netherlands	11,243	229	11,472
Community	310,760	648,498	959,258

Tomorrow...

ONE WORKER IN TEN WILL CHANGE JOBS in the next ten years as a result of technological progress and increasingly stiff competition brought about by economic integration. By 1975 between 200,000 and 400,000 jobs will disappear in the Community's textile industry alone, and 200,000 more in the coal industry. Two million farmworkers will leave the land by 1980.

To prepare the European Social Fund to help workers caught in such massive shifts in employment patterns, the European Communities Commission on June 12 put before the Council of Ministers a radical plan to widen the Fund's scope, enlarge its budget, and make its rules more flexible. If enacted, the plan would transform the Fund from a relatively passive and inflexible clearing house into a dynamic instrument for retraining the Community's labor force for employment in the technologically advanced industries of the future.

The renovated Social Fund would then be able to:

- help retrain workers for new industries before they lost their jobs, instead of reimbursing governments partially after they have retrained and resettled unemployed workers.

- decide, with the Council's approval, where, when, and whom to help—instead of compensating governments automatically for a multitude of uncoordinated, completed projects. The Fund would be allowed to aid private as well as public undertakings and would relate its activities to the Community's regional and medium-term economic policies.

- spend up to $250 million a year, eventually, from the Community's own resources, instead of being limited to about $9 million a year (the average so far, though Fund expenditures in 1968 alone amounted to $25 million) from funds contributed by the member countries.

When Commission Vice President Lionello Levi Sandri explained the Commission's proposals to the press on June 12, he stressed the need for the Six to coordinate their labor policies. He explained that endowing the Community with its own resources was the only effective way of preventing member countries from practicing the "fair return" policy, whereby each tries to get back in grants from the Fund roughly the same amount it has contributed to finance the Fund's operations.

Commission studies indicate that between 120,000 and 150,000 workers a year would need the Fund's help. If the Fund had an annual budget of $250 million, this would mean about $2,000 for each worker helped. Mr. Levi Sandri said the European Parliament would exercise overall budgetary control and examine an annual report by the Commission on the Fund's activities. If the Six accepted the Commission's proposals, the reformed Social Fund could come into operation by July 1, 1970.

In addition to the changes of employment in agriculture, textiles, and coal, workers will also have to leave the leather, newsprint, lead and zinc, rolling-stock, and bolt-making industries. Disturbances could be severe for producers of laminates, domestic appliances, shoes, gloves, carded wool, electrodes, enameled tiles, and ceramics.

Latent Unemployment

The Commission placed its proposals in the context of the Community's general socio-economic development.

Within the Community, competition is intensifying as the six national markets grow more interdependent. As world trade is liberalized, many sectors are also experiencing stronger competition from industries outside the Community, especially new industries in developing countries. As competition grows, manufacturers have to market new products and adapt new techniques to improve productivity. Only the most efficient producers will remain in the market. Mergers and other attempts to improve companies' competitive positions could seriously disturb employment, even if they do not reduce the total work force. Workers in the Community's depressed regions as well as in its key sectors will need special help.

The chief social problem facing the Six is no longer, as in 1958, the large number of unemployed in some member countries. The problem today is the threat that too many workers will become jobless for lack of training for the technologically-advanced jobs that are being created. Serious unemployment could develop even while many jobs remain unfilled.

As common policies gradually reshape the Community's economy, the Community should have at its disposal a common tool to lessen the impact of these changes on workers in a coordinated, Community-wide manner. Acknowledging that the Social Fund's activities to date have not fulfilled expectations, the Commission cited these reasons:

- When the Rome Treaty was drawn up, the need to encourage geographical and professional mobility was less apparent than today, but the Fund's role has not been widened accordingly.
- The Social Fund's rigid rules have often prevented it from supporting national projects, though its aid has been requested.
- Member countries can seek the Fund's aid for retraining only after the unemployed workers have been re-employed for six months. This tardy intervention makes the Fund a passive mechanism.
- Because the Fund automatically must partially reimburse any public retraining or resettlement project that meets its requirements, it is forced to waste its resources on a hodgepodge of uncoordinated projects, without fitting them into an overall Community social strategy.

New Tasks: Council Unanimity Needed

Now, the Six must agree unanimously on any new tasks given the Fund. In urging a more flexible and dynamic institution, the Commission says the Fund should avoid scattered operations and concentrate on agreed objectives in well-defined spheres. The volume and type of aid should correspond to the problem in question. Private as well as public retraining projects should be eligible for aid, as long as the governments provide the financial guarantees. The Fund's participation, now fixed at 50 per cent, should vary according to the urgency of the project. Costs not borne by the Fund could be met by public authorities alone or shared by them with private interests. Minimum participation of a single government should be 20 per cent of total costs of the project.

Unemployed Belgian mineworkers. The proposed reform of the Social Fund would enable it to help retrain workers for new jobs before technological developments wiped out their old ones.

If the Fund is to play a bigger role in carrying out the social aspects of common policies, it will need a larger budget. It would be logical for some of the money to come from the Community's own resources. (The Commission is currently drawing up new proposals for creating them.)

Protection of Workers' Incomes

In the Commission's view, the Fund should be allowed to help workers in difficulty in any sector, region, or type of employment irrespective of whether they are already out of work. The Commission would draw up proposals in each case for the Council's decision. The Fund would have the power to finance and carry out research projects and pilot projects to improve retraining and resettlement procedures.

When authorized to aid workers in various ways, the Fund's immediate aim would be "to protect the job and income of the worker undergoing occupational difficulties." In the interest of the worker and of the community at large, the Fund would also help to reschool and relocate the worker. The Commission suggests different types of grants the Fund could make, for example, to cover costs of occupational training and to make up any decrease in workers' salaries during readaptation periods.

Initially, member governments would present their requests for Social Fund aid. In each instance, the Commission would make appropriate proposals and the Council would determine the scope, type, and financial scale of the Fund's action. Efforts would be made to keep administrative procedures as simple and flexible as possible.

The Commission stresses the need to make the Fund's financial aspects more "Community-like." It should be able to advance financial aid, instead of being limited to compensating national authorities for money already spent. As far as possible, the Fund's revenue should not depend on contributions paid in directly by member states. Above all, the Fund's resources should be increased considerably, initially to $50 million a year and ultimately to $250 million a year.

The Council would determine the Social Fund's annual budget, including the percentage reserved for emergency action. The Fund's expenses would form part of the Community's general budget, and would therefore be covered by its general revenue.

Europe's Migrant Workers

by STEPHEN CASTLES

EIGHT MILLION IMMIGRANTS now live in various West European countries. More than two million of them are in Britain and nearly one million in Switzerland, but most—nearly five million—live in the six European Community countries.

Some come to stay permanently; others for only a few years. Their cultural and educational backgrounds vary widely, and they belong to many different nationalities and races. The majority of them, however, have one thing in common: they leave their own countries to escape poverty and unemployment in the hope of gaining prosperity for themselves and their families in the highly industrialized nations. In recent years, the cultural, social, and economic integration of non-national workers and their dependents has become an important problem for several Community countries and for the supranational body itself.

An Important Part of the Labor Force

Foreign workers make a vital contribution to the economies of all EC countries except Italy (which is still a major emigration country) and the Netherlands (where foreigners made up only 2.1 percent of employed persons in 1966). In Germany, there are a million foreign workers—nearly 6 per cent of the active population. In France, an estimated 1.8 million foreigners are employed—about 9.6 per cent of the labor force. Belgium has more than 250,000 foreign workers—7 per cent of the total number of employed persons. In Luxembourg, more than a quarter of all employed persons are foreigners, mainly Italians working in the steel industry.

The economic importance of foreign workers lies not just in their numbers but in the fact that they are so often willing to take jobs rejected by nationals of the host country, because of poor wages, unpleasant working conditions, or low social status. Foreigners are, therefore, concentrated in certain jobs in building, public services, textiles and clothing, for instance, or heavy engineering and metallurgy, mining (in France and Belgium), catering, and domestic service. In France many foreign seasonal workers are employed in agriculture, usually Spaniards, who are only employed for 6-9 months of the year.

Most of these foreign employees are unskilled or semi-skilled manual workers. Due to their concentration in certain sectors and regions, they have become indispensable to the economies of the countries in which they work. Their sudden removal could lead to economic chaos.

Community's Innovations for Migrant Workers

The free movement of labor within the Community was a basic part of the program for European integration in the Common Market Treaty. It has been achieved in three stages, concluding with the regulation and directive adopted by the Council of Ministers for Social Affairs on July 29, 1968—18 months ahead of schedule. EC countries may no longer discriminate against other members' citizens by giving priority in employment or placement to workers of their own nationality. Workers in the Six have the right to accept jobs in any member state and even to go there for three months to look for work. Moreover, they enjoy "Community-priority" over the nationals of non-EC countries. A Community worker no longer needs a work permit, though he still needs a residence permit which is issued for five years and is automatically renewable. It may be refused only for reasons of public order, public security, or public health.

Community workers now receive equality of treatment in every important field related to employment, including taxation, social insurance, the right to send for family members and dependents, the right to own and rent housing, and the right to be elected to workers' representative bodies at the place of employment. However, the right to be elected to public office is still reserved for nationals.

Low Interest in Unskilled Jobs

Apart from the temporary economic setback of 1966-67, the demand for unskilled and semi-skilled workers in industry has continued to grow, while Community nationals who have been able to benefit from vocational training and promotion plans have been less and less willing to take jobs. Labor-market authorities and employers have had to go farther and farther afield to find workers.

Of the 1,023,747 foreign employees in Germany at the end of June 1967, only 349,717 came from other Community countries. Germany has labor recruitment agreements with Spain, Greece, Turkey, Morocco, Portugal, Yugoslavia, Tunisia, and South Korea. Most new foreign workers are in fact recruited through German Placement Offices in Spain, Greece, Turkey, and—most recently—Yugoslavia.

In France, too, most foreign workers come from European countries outside the Community: Spain, Portugal, Poland, Yugoslavia. In addition, there are 760,000 North Africans—mainly Algerians—and 40,000 workers from elsewhere in Africa.

Belgium is also having difficulties in recruiting semi-skilled workers and is turning to such countries as Turkey.

Legal Right to Mobility Secured

Freedom of movement for workers within the Six has thus become a reality. However, movement of workers has not increased. On the contrary, it has tended to decrease.

In 1961, 292,494 first work permits were issued to workers moving from one Community country to another. In 1967 the figure was only 129,138. Even discounting that year, which was a period of recession in some Community countries, and taking the 1966 figure, fewer workers than previously moved from country to country within the Community—only 260,619.

The reason for this apparently paradoxical development is that the developmentof backward regions, partly financed with Community funds, has made it less necessary for workers to seek employment elsewhere. The huge reserves of unemployed which existed in Italy only ten years ago have been largely absorbed by that country's rapid pace of industrial development. Some Italian companies have even sent recruiting teams to Germany to persuade their compatriots to return to jobs in Milan or Turin.

The movement of labor now developing between EC countries is no longer a South-North migration of impoverished, unskilled men. It is that of highly skilled technicians and ex-

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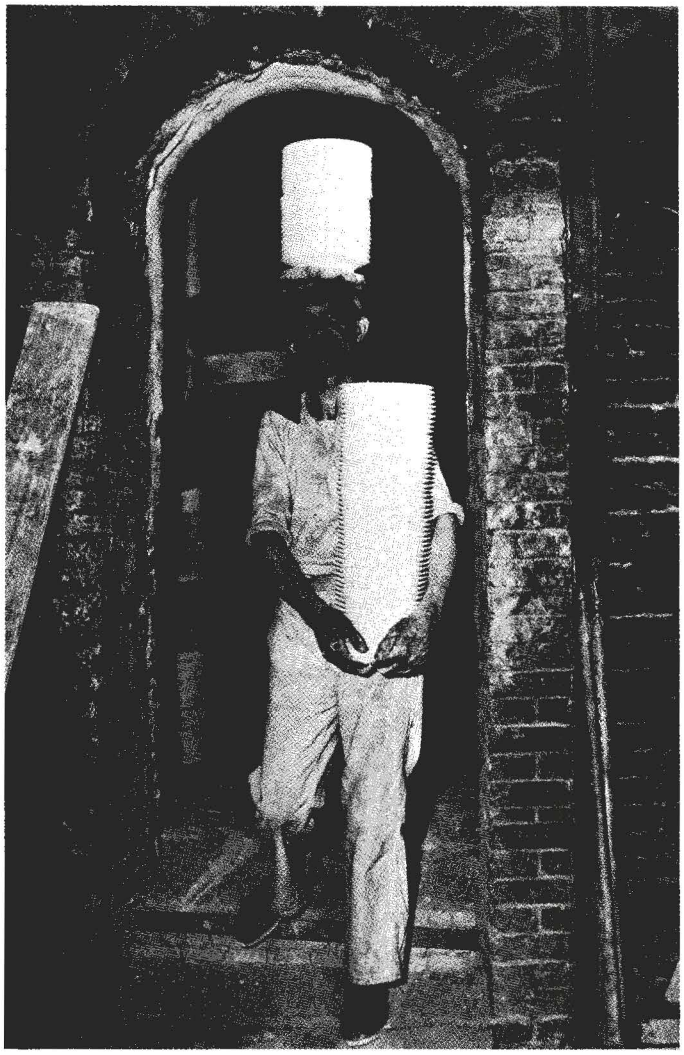


A North African worker at a French porcelain factory carries new plates from the kiln. Few migrant workers learn new skills during their employment in Common Market industries. Courtesy of the French Government Tourist Office, New York, N.Y.

perts of various kinds, whose services are required throughout the Community. For such employees and their families, temporary migration does not mean involuntary separation and hardship.

Problems of Non-EC Foreign Workers

Clearly, the immigration of such large numbers of people from outside the Six with a completely different cultural, educational, and social background leads to difficulties of adaptation and integration. The language barrier is hard to overcome, particularly as many of these workers have had little basic education and some are illiterate.

Most workers from outside the Community come with the intention of staying only a few years—long enough to save money to buy a house or to set up a small business in their home country. Learning the language and customs of a new country for such a short time does not seem worthwhile to them. They remain isolated from the host community and try to do as much overtime work as possible to reduce their stay abroad. Ignorance of industrial work practices often leads to conflicts with the workers of the host countries, and labor unions have to make great efforts to avoid misunderstandings and to settle disputes.

The Community has no common policy towards workers from non-member countries, and regulations and practices governing their legal, economic, and social status differ widely. In most countries of the Six, their freedom to change jobs is restricted, for some years at least, which helps to ensure that they do not compete for the more desirable positions. Workers from non-Community countries often find themselves at a disadvantage with regard to social security if they become ill or unemployed.

Housing is perhaps the greatest single problem. Germany holds employers responsible for providing accommodations for newly arrived single men, but men who want to bring their families find it extremely difficult to find adequate housing, without which the police will not grant an entry permit. The situation is far worse in France where most workers, with or without families, have to find their own accommodations.

Prejudice of the host population and unfamiliarity with the market also close many doors, allowing foreigners to be exploited by unscrupulous profiteers. The worst product of this state of affairs is the "bidonvilles," the shanty towns occupied mainly by foreigners, on the outskirts of some French cities. The authorities cannot control the situation, partly because the immigration is often clandestine. Portuguese workers, for instance, move into the Community to avoid military service in Angola or Mozambique.

Benefits to Foreign Workers' Native Countries

Foreign workers' native countries hope that labor migration will help their own domestic economic development. As workers return home, their countries hope to obtain a core of highly trained industrial manpower. Savings sent home by workers are expected to provide their countries with an additional source of foreign currency for the purchase of capital goods abroad. At present, such potential benefits are often merely wishful thinking. Most foreign workers in the Community do not receive vocational training that would be useful to them when they return home, and their savings are often spent on consumer goods or on unproductive small businesses.

A common Community policy could be helpful. Centers could be opened in the home country to give basic language and vocational training before the workers' departure, thus helping the integraton of foreign workers and making it easier for them to learn a useful trade while abroad. Such centers have been set up within the Community, in Italy, with the assistance of the European Social Fund. Now that most immigrants come from outside the Community, a good case could be made for extending similar plans to other countries.

Other Community policies could ensure that foreign workers obtain the jobs for which they are best suited. Provisions could also be made for reasonable housing and equal treatment in social security. The creation of a better-trained and a more stable foreign labor force would, in the long run, be to the advantage both of the Community and the foreign workers' home countries.

COMMUNITY NEWS

EUROPEAN LEADERS OPPOSE PIECEMEAL ENLARGEMENT OF COMMUNITIES

More than 60 leading European statesmen, politicians and "European militants" met at Dublin on 20-21 June for a European Movement study conference on "Institutional problems of the enlargement of the European Communities."

Among those attending were Walter Hallstein, President of the Common Market Commission from 1958-67, Andreas M. Donner, Judge at the Communities' Court of Justice, Irish Senator Garret Fitzgerald, Hans Nord, Secretary-General of the European Parliament, Karl Mommer, Vice-President of the German Bundestag and Etienne Hirsch, President of the European Atomic Energy Community Commission from 1959-62.

Ireland's Prime Minister Jack Lynch told the meeting that his Government opposed Britain's admittance before the other three applicants. He said that "such an approach would militate against the early achievement of greater European cooperation and unity . . . The acceptance of additional smaller countries, far from posing great problems for the Community, would contribute significantly to stability in the new and enlarged Europe."

The conference's concluding statement also endorsed the simultaneous entry of the four applicant countries, even if initial talks for membership had to start with the United Kingdom. Stressing that a ten-member Community would need stronger institutions the statement urged that:

- the Council of Ministers apply majority voting for decisions and drop the practice of seeking unanimity
- the Community raise its own financial resources
- the European Parliament control the budgets, and its members be directly elected
- nominations for membership of the Commission be "confirmed" by the European Parliament.

The conference also felt that the Community institutions should be "Europeanized." Senior posts should cease to be the preserve of one country: should a vacancy occur the post should be filled by an official of a different nationality from the previous incumbent's.

REY PREDICTS "GREAT MOVEMENT"

The European Community is beginning a period of "great movement" which will see the renewal of negotiations to bring other nations into membership.

This assessment was made in Washington on June 11 by Commission President Jean Rey during his visit for discussions with U.S. officials.

He told a news conference that his chief reason for thinking that the Community was ending a "difficult period" was that the Common Market had reached the end of its transition period. In consequence, decisions had to be made by the end of the year, he said, on

- how to resume negotiations to bring in new members
- how to finance the Community's agricultural policy.

"I should not be surprised," Mr. Rey said, "if negotiations start with Britain, with, at the same time, parallel discussions with other applicants for membership [Ireland, Norway, and Denmark]. The result could be to bring the four current applicants into the Community together."

The Commission President pointed out that any agreement reached in negotiations would require ratification by the six current members' parliaments, which he suggested might take up to a year. He did not anticipate French objections to resuming negotiations with applicant nations.

REY CONGRATULATES POMPIDOU

Jean Rey, President of the European Communities Commission, sent a telegram to Georges Pompidou on June 20 congratulating him upon his election to the French presidency and wishing him the best of success.

Speaking for the Commission, Mr. Rey said: "We firmly believe that the efforts you will make to assure the prosperity of France will make an important contribution to the vital work of developing our European Community."

Mr. and Mrs. Pompidou

JAVITS SUGGESTS LOANS COULD SPEED UP UK ENTRY

Senator Jacob K. Javits (R-NY) said in London on June 6 that Britain's entry into the Common Market could be speeded up by two years if international financing could be arranged to overcome transitional economic problems.

Senator Javits, a member of the Senate Foreign Relations Committee, told a news conference after a European tour that he thought that with proper financing Britain's entry could be arranged within a year. He made it clear that political sentiment on both sides of the Atlantic weighed against the United States' supplying such financing. He said he was thinking in terms of further loans from the International Monetary Fund, the World Bank, the European Investment Bank, or some other international arrangement.

Senator Javits did not mention the amount of money he thought was needed. But he said such funds should be used to overcome such transitional problems as Commonwealth trade preferences, modernization of Britain's industrial plant, and the international pressure on its balance of payments.

He said he was convinced of the "absolute essentiality" of British membership in the Community and thought arrangements should be concluded within a year.

As one of the authors of a plan for a North Atlantic Free Trade Area, the Senator said he had not abandoned his plan for a common market which stretched across the Atlantic. However, he said, "political reality and practicalities makes British membership in the Common Market a first priority." He thought British membership would be a progressive force in breaking down Common Market protectionism, particularly for agricultural products.

BRITAIN COULD "HELP SOLVE FARM PROBLEMS"

The President of the British Board of Trade, Anthony Crosland, thinks it would be sensible for his country and the European Community to work together on agricultural problems.

He mentioned, in particular, the problem of disposing of farm surpluses when he spoke in London to the British Chamber of Commerce in the Netherlands on June 19. Mr. Crosland also suggested that Britain and the Community collaborate on giving the Community's common agricultural policy its future direction. He thought it would ensure that in the enlarged Community "the burdens and the benefits of the agricultural policy are shared fairly between us all."

CEPT DISCUSSES EUROPE'S FIRST STANDARD MAIL RATES

European postal and telecommunications authorities are considering issuing two new "Europa Stamps" to be sold at standard rates for use on postcards and 20-gram letters in any CEPT country. These would be Europe's first uniform postal rates.

This possibility was discussed, but no decision made, at a meeting in Munich on May 19-23 of the members of the *Conférence européenne des postes et des télécommunications:* the six members of the European Community and Austria, Denmark, Finland, Greece, Iceland, Ireland, Norway, Portugal, Spain, Sweden, Turkey, the United Kingdom, and Switzerland (with Liechtenstein).

Other topics discussed included satellite communications, improving the efficiency of the European postal system, and the creation of a European postal savings book that would be honored in any CEPT member country's post office. Two of the same means mentioned for improving the efficiency of Europe's postal system have also been suggested recently in the United States: standardization of mail sizes and the elimination of the air mail postage rate.

Satellite Communications

CEPT delegates run or supervise their countries' telephone, telegraph, radio, and television services and, since the advent of commercial communications by satellite, have also become involved in that field.

In a resolution passed in Munich, the CEPT members emphasized that as "principal users of future commercial satellites," the future communications satellite system had to be able to handle all requirements of the national telecommunications systems. For this reason, the telecommunications authorities said they wanted to be involved in the elaboration of technical specifications for developing, testing, constructing, and operating the system as economically as possible.

The extent of non-U. S. countries' involvement in these matters has been one of the issues being examined by the participants in the International Telecommunications Satellite Consortium (INTELSAT). *(See European Community No. 123, pages 5-7.)* INTELSAT members convened in Washington on June 23 for a three-week meeting in preparation for a second ministerial meeting in November to determine the final shape of INTELSAT.

European Postal Savings Book

A report on the European postal savings book proposal will be made by February 1, 1970, and discussed at another CEPT meeting. It would affect numerous Europeans who believe that a postal savings account is more convenient than a bank savings account for domestic travel, since even in small towns the holder can obtain cash upon presentation of the book at the post office. Unlike banks, post offices are open on Saturdays. The European postal savings account would allow travelers to obtain cash from post offices in any CEPT country upon presentation of his European postal savings book, no matter where he opened the account.

The first Europa Stamps, issued in 1956 by members of the European Postal Union, and those issued since the formation of CEPT in 1959, all bore the names of the issuing country and the domestic postal rate. No country's name would be incorporated in the two new stamp designs nor would the postal charge be shown in a national currency.

OECD REPORTS WORLD TRADE INCREASED IN 1968

World trade increased enormously in 1968 and so did the imbalance in international payments, according to a report by the managing board of the European Monetary Agreement.

Published by the 22-nation Organization for Economic Cooperation and Development (OECD), the report emphasized that some countries made little progress towards adjusting their payments imbalances.

The OECD countries' production increased by 5.3 per cent in real value. The volume of international trade rose 13 per cent. This acceleration was attributed to:

- increasing economic integration of the area, the removal of tariff barriers within the European Common Market and within the European Free Trade Association, and the first reductions in tariffs under the Kennedy Round agreements
- U.S. economic expansion, which boosted U.S. import demand by $6.25 billion, or 23 per cent
- German economic recovery, which caused an increase of $2.5 billion in imports
- strong growth in the United Kingdom which increased imports by $1 billion.

EURATOM'S ESSOR REACTOR REACHES FULL POWER

The breeder zone of the ESSOR test reactor at the European Atomic Energy Community's research center in Ispra, Italy, reached full power on June 19, it was announced in Brussels on June 20.

With 25 MWth in the breeder zone and 1.3 MWth in the CART test loop, the reactor is operating at 106 per cent of the rated power for which it was designed. "CART" (Cirene Assembly Reactor Test) is a project being executed by EURATOM and the Italian Centro Informazioni Studi Esperienze of Milan, to develop a light-water fog-cooled reactor.

The safety and reliability of the ESSOR reactor will now be tested at full power. Then, irradiations, which have been performed at partial load, will be continued at full power.

WARNING ON STEEL OVERCAPACITY

Recent plant investment decisions by Community steel companies could increase the risk of overcapacity in the early 1970's, according to the European Communities Commission. The danger of surplus capacity is particularly acute in the hot and cold strip sector.

Answering a question by Adriaan Oele, Dutch Socialist member of the European Parliament, the Commission stated that in the first four months of 1969 the total value of notifications of investments planned by Community steel companies was $488 million, excluding the cost of two proposed integrated coastal steel works. This figure compares with the average totals of $154 million for the equivalent four-month periods of the years 1956-59, $530 million for 1960-61, and $165 million for 1962-68.

Market conditions will probably change by the time some investment projects now envisaged are completed, the Commission explained. The demand for new plant appeared to have been inflated because consumers placed orders for steel in excess of their real needs.

RESTRICTIVE PRACTICES ENDED IN ELECTRIC RAZOR MARKET

An attempt to use Italian trade-mark rights on electric razors to exclude "parallel" imports has been abandoned, following action by the European Communities Commission.

The American company, Sperry Rand Corporation of Wilmington, Delaware, had granted its Italian manufacturing subsidiary Remington Rand Italia (now called Sperry Rand Italia), of Milan, the Italian trademark rights for its electric razors. After an Italian company imported into Italy Remington razors from another member country, Remington Rand Italia took it to court in Milan for violating the trade-mark and for unfair competition. When the importing company complained to the Commission, the Milan court postponed a decision until the Commission had concluded its own investigation.

The Commission informed the companies concerned that it had doubts about the compatibility of the agreement with the Community's competition laws. The way the parallel importer had applied the agreement in no way involved forgery, for the razors he had imported legitimately bore the Remington trademark. The dispute was settled out of court by the two parties.

COMMUNITY OPENS SIXTH THESIS CONTEST

The European Communities Commission has announced the opening of the sixth competition for the European Communities' prize for university theses making important and original contributions to the knowledge of problems relating to European integration.

A prize of BF 100,000 (about $2,000) will be awarded to the best entry in each of the following groups: law; economics; political science; sociology; social psychology; history.

Theses must be submitted by November 15, 1969. Further details are available from European Community Information Service, Washington, D.C.

AUSTRIAN PLANS ADDED-VALUE TAX

The Austrian Government plans to introduce a tax on the value-added on January 1, 1972. Like the European Community's TVA it will be consumer tax collected each time ownership of a product changes in the course of production and distribution.

FRENCH EAT MORE AND MORE FISH

Frenchmen are the most voracious fresh fish eaters in the European Community, according to figures compiled by the Community's statistical office.

In 1967, each Frenchman ate 33.9 pounds of fresh fish, compared with 27.1 pounds in Belgium, 25.1 pounds in Italy, and 21.8 pounds in both Germany and the Netherlands. On the average, each person in the Community ate 26.7 pounds in 1967, as compared with 23.8 pounds of fish in 1960.

In 1967, landings of fish by Community fleets were slightly lower than in 1966, largely as a result of a 10 per cent decline in herring catches.

This decrease was partially offset by an 11,000-ton rise in German cod catches which amounted to 80,000 tons in 1967.

JAPAN AND COMMUNITY DISCUSS COTTON TEXTILES

A Japanese delegation and a delegation representing the member countries and the Commission of the European Communities has met in Brussels several times since March to discuss trade in cotton textiles between the two parties.

On June 24, they completed their work and decided that conditions were favorable for bilateral negotiations under the Long-term Arrangement for International Trade in Cotton Textiles.

A spokesman for the Community said that the negotiations could be expected to lead to agreements satisfactory to both Japan and the Community members. They would be valid until September 30, 1970. A standard text that was worked out for the agreements offers improved access and more liberal administrative procedures for Japanese cotton textiles exported to the Common Market.

BARRE BIDS CAUTION IN PARITY CHANGES

The best way to avoid parity changes inside the European Community was to strengthen the coordination of economic policies, Commission Vice-President Raymond Barre told the Federation of German Industry in Bonn on June 19.

He urged a cautious approach to any change in international exchange rates. Mr. Barre, the Commission member with special responsibility for monetary affairs, said that parity changes should never be considered sufficient in themselves to solve a country's short term economic difficulties. Parity changes should be made, he stated, only when there was a "fundamental disequilibrium" in the balance of payments that could be corrected only by economically and socially unacceptable alterations in internal demand and price levels.

As long as the facts did not prove that parity levels were no longer appropriate to the economic situations, they should be defended by convincing policies, Mr. Barre continued. If, on the other hand, the evidence was contrary, it was preferable not to try to put off the necessary adjustment.

CDU SEEKS UK ENTRY TALKS

Germany's Christian Democrat Union issued a position paper in Bonn on June 19 calling upon the Community to open membership negotiations with the United Kingdom and the other applicant countries.

In the manifesto "Five Steps Towards Europe" the Christian Democrats, who rule the country in a coalition with the Socialists, also advocated:

- the development of the Community by the coordination of economic, monetary, and trade policies and by the enactment of a common research program
- the strengthening of the Community institutions, the introduction of majority voting and the abolition of unanimous voting in the Council, the creation of a German "European Committee" presided over by the Chancellor, and the appointment of a Minister of European Affairs
- the formation of a European political union including a coordinated defense and armaments policy, a European defense council and a European armaments authority
- the active participation by citizens in the process of European development through elections and referenda.

EIB HELPS FINANCE OIL PALM PLANTATION IN IVORY COAST

A $3.5 million loan from the European Investment Bank to SODEPALM, a company controlled by the Government of the Ivory Coast, will help that country to diversify its economy.

The contract was signed on June 16 in Luxembourg by the EIB and the Société pour le Développment et l'Exploitation du Palmier à Huile (SODEPALM). The $3,544,153 special-term loan will help finance the last 13,300 acres of the Government's palm oil program, which involves a total of 79,100 acres. The project has already been granted $32.4 million in aid from the European Economic Community.

SODEPALM has formed an association with PALMINDUSTRIE, owner of the industrial complex that will process the oil palm plantations' output. PALMIVOIRE will manage the agricultural and industrial investments and market the products.

The new loan was made for a term of 17.5 years at an annual interest rate of 2 per cent after a five-year grace period. It was guaranteed by the Ivory Coast Republic and the PALMINDUSTRIE and PALMIVOIRE companies.

ITALIAN DRAFT LAW FOR DIRECT ELECTIONS

More than sixty thousand Italians have signed a petition calling for the direct election later this year of Italian members of the European Parliament.

On June 10 a delegation of the Italian Council of the European Movement presented the petition and a draft law to Amintore Fanfani, President of the Italian Senate. The draft law provides that during regional elections towards the end of this year, candidates for the Italian Parliament would also run for election to the European Parliament. They would be elected by proportional representation, by a single nationwide constituency. The Italian delegation would be divided equally between members of the Senate and the Chamber of Deputies. Mr. Fanfani, and Socialist and Christian Democrats supported the draft law. The Communists reserved judgment.

COMMISSION TAKES FRANCE TO COURT

The Commission on June 14 filed suit against France in the Court of Justice of the European Communities. The brief accused France of failure to impose a levy required by Community regulation on Tunisian olive oil imported under the annually fixed quota.

COMMUNITY POPULATION HIT 185 MILLION IN 1967

The population of the European Community reached 185.4 million at the end of 1967 when the U.S. population numbered 199 million.

According to the 1968 Social Statistics Annual, published by the Community's Statistics Office, Germany had the largest population of the Six—59.9 million. Italy had the second largest (52.7 million), followed by France (50 million), the Netherlands (12.7 million), Belgium (9.6 million), and Luxembourg (300,000).

There were 3,195,000 live births in the Community in 1967, 17.3 births per thousand inhabitants, a slight decrease from the 1958 birthrate—17.7. The U.S. birthrate, in comparison has decreased more steeply from 23.8 in 1960 to 17.9 in 1967.

Changes in the individual member countries' birthrates from 1958 to 1967 followed the overall declining trend, with the exception of Germany and Italy. In Germany the birthrate rose from 16.7 in 1958 to 17 in 1967, while in Italy, it remained unchanged at 17.7. In France, it declined from 18.1 in 1958 to 16.8 in 1967; in the Netherlands, from 21.2 to 19.0; in Belgium, from 17.1 to 15.2, and in Luxembourg, from 16 to 14.8.

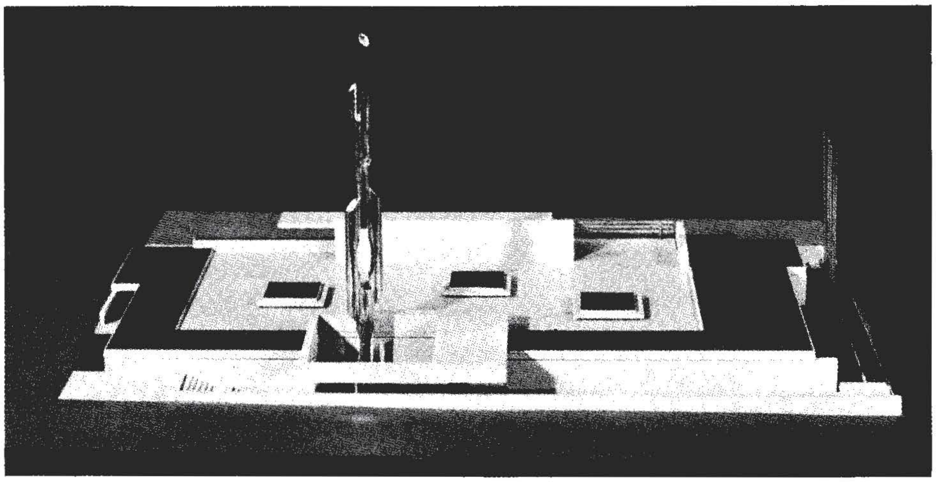
DUTCH TRACTOR AGREEMENT CANCELLED

A restrictive agreement in the Dutch tractor market has been cancelled following investigation of a complaint to the European Communities Commission by an independent Dutch tractor importer.

The parties to the agreement (known as the "Trekkerovereenkomst") were the five Dutch associations of traders in agricultural and horticultural machinery—VIMPOLTU, BOVAG, SMECOMA, VHL, and VOHIL.

The agreement regulated the Dutch market at different stages of distribution and created reciprocal exclusive arrangements for buying and selling between the signatories. Importers and wholesalers agreed to sell tractors only to approved retailers. The retailers were bound not to buy or market tractors from importers or wholesalers who had not signed the agreement and were also forbidden to supply unapproved retailers.

These arrangements restricted trade in tractors in the Common Market, thus violating the Community's competition rules.



A model of the European Community's pavilion at next year's Osaka World Fair, designed by a young Belgian architect, Jacques De Hoe, and a German architect, Fritz Bornemann. Focal point of the pavilion is the sculpture in steel by the Italian artist Cosimo Carlucci. Exhibits inside will survey European history, civilization, and integration since the second world war. The fair opens on March 15, 1970. March 25 has been designated "European Communities' Day."

GERMANY BUYS U.S. PLUTONIUM

The United States Mission to the European Communities and the Commission's Supply Agency for the European Atomic Energy Community signed a plutonium supply contract in Brussels on June 5. The U.S. Atomic Energy Commission will deliver 100 kilograms of plutonium to the Atomic Research Company of Karlsruhe for use in the German fast breeder reactor program.

PUBLICATIONS AVAILABLE

INVENTAIRE DES IMPOTS. Commission of the European Communities, Brussels, 1967, 203 pages $1.70

Newly printed 1967 revision of "Taxes in the European Economic Community," 1965. A comprehensive inventory of taxes levied by the Community members' central governments and local authorities. Includes tables showing tax revenue for 1964 and 1965.

LES ASPECTS ECONOMIQUES DE LA LIBERTE D'ETABLISSEMENT ET DE PRESTATION DE SERVICES DANS LA COMMUNAUTE ECONOMIQUE EUROPEENNE. Commission of the European Communities, Brussels, 1967, 219 pages $2.50

Proceedings of the international conference on the economic aspects of freedom of establishment and freedom to supply services organized by the University of Nancy and the EEC Commission at Pont-à-Mousson, France, June 9-10, 1967.

TABLEAUX COMPARATIFS DES REGIMES DE SECURITE SOCIALE APPLICABLES DANS LES ETATS MEMBRES DES COMMUNAUTES EUROPEENNES. Commission of European Communities, Brussels, 1968, 70 pages .... $ .60

Fifth edition, current to July 1, 1968.

LES PLANS DE DEVELOPPEMENT DES ETATS AFRICAINS ET MALGACHE ASSOCIES A LA CEE. *Série Aide au Développement* No. 3, Commission of the European Communities, Brussels, 1969, 132 pages $1.80

Discusses the development plans of the Community's associates in Africa and Madagascar. Objectives of growth, investment, trade and aid are treated.

RESERVE NOW FOR FALL

The European Community Information Service will lend schools, libraries, civic associations, and other interested organizations this exhibit on the Community, free of charge; but reservations should be made early. Panels show different aspects of Community affairs: external relations, trade, nuclear energy, and the Community's association with Africa. Standing, the display measures 28 inches deep by 70 inches wide. It is 7 feet 4 inches high, including the headboard and lights. Panels, lights, and frame fit into a wooden crate especially built to facilitate safe shipment.

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