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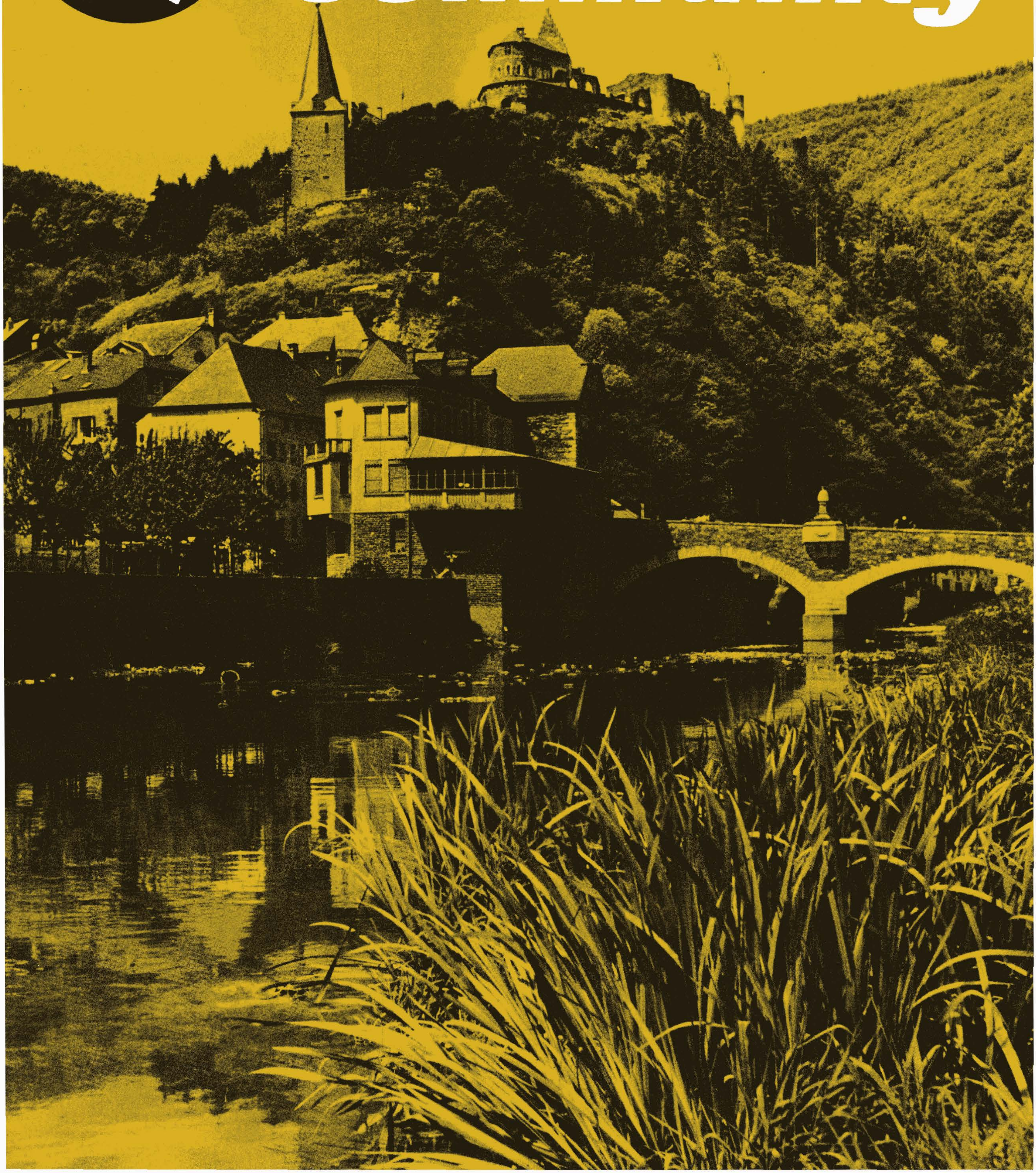

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COVER: Vianden, Luxembourg, on the Our River.
Courtesy Luxembourg National Tourist Office.

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Needed: An International Outlook

by **JOSEPH M. A. H. LUNS**

Mr. Luns, Dutch Foreign Minister, took over the presidency of the European Communities Council of Ministers in July. This article has been adapted from his remarks to the Council on July 22 opening the first meeting of his six-month term and asking for his colleagues' help in fulfilling the responsibilities of the office, "at the beginning of an important period for our Community."

Mr. Luns limited his remarks to pointing out the most pressing work facing the Council in the next five months. The ministers fully understood the importance of the period.

On January 1, 1970, ends the 12-year transition period allowed by the Common Market Treaty for its members to establish a Common Market and gradually integrate their economic policies.

Joseph M.A.H. Luns, current president of the Council of Ministers

BEFORE JULY 1, 1970, the deadline given in the Common Market Treaty for the end of the transition period, we are legally obliged to make a multitude of decisions affecting:

- free movement of goods, freedom of establishment, and freedom to provide services
- adjustment of monopolies
- completion of the common commercial policy
- supplementary measures for agriculture
- other tasks, especially in transport.

The Euratom Treaty also imposed certain requirements, and a multi-annual research program still has to be set up for the European Atomic Energy Community.

In addition, in previous Council decisions, we accepted certain responsibilities, particularly for financing the agricultural policy. The solution to this question is of considerable political importance, although the transition to the final stage is not legally dependent on it.

A second group of tasks for the further development of our Community involves fields in which decisions are not bound to the January 1 deadline, but, this does not mean that they are not important, or that we should not try to make them as soon as possible. The Treaty expressly provides for some of them; for instance, the co-ordination of economic policies and monetary cooperation, subjects to which the Council gave due attention last week (*see page 11*). Reorganization of agriculture, put forward in the "Mansholt plan," will also require much discussion.

The Treaties do not provide for other duties of this type, as such, and one Council member will probably emphasize them more than another. However, all members of the Council are working towards the completion of an economic union, for which close collaboration between the member countries over a wide area of our social and economic development is a prerequisite.

However important the tasks leading to the completion of the customs union and the creation of an economic union, our attention should not be completely taken up by the internal development of the Community. More than in the past, we must be aware that this development takes place in a world growing ever smaller, one in which it is less and less possible to withdraw into isolation. We must, therefore, pay the necessary attention to the repercussions of our actions on non-member countries and be prepared to enter into negotiations with them if they so wish. The importance I assign external problems is evident from the large number of items devoted to these problems on today's agenda. With some non-member countries we shall have to conclude trade agreements—association agreements with others. I would like to give high priority to determining our position towards countries that want to join us as members and to co-operate with us as equals in our efforts to unify Europe. I have already discussed this important problem with most of my colleagues and we shall return to it presently.

The fathers of the European Treaties in their wisdom gave us institutions to enable us to execute the many duties laid upon us. I wonder if we make sufficient use of the possibilities offered us. Unfortunately, now and then our work seems to take on too much of the character of inter-governmental negotiations and threatens to obscure the essential difference between our Community and inter-governmental organizations. If we behave that way, we will not be able to perform the duties we have accepted.

In the first place, even if only for practical reasons, we have to leave more to the European Commission than we have done so far. The Council and the member countries simply cannot do everything themselves. I would also urge the Council to become accustomed to cutting the Gordian knot as soon as it becomes evident that further discussion cannot bring out any new points of view. The Treaty specifies the necessary procedures and we should use them, proceeding directly to a vote. This will give us more time to attend to the essential questions facing our Community. I am convinced that the world will not collapse if each of us is forced in turn to accept the majority opinion.

Finally, I am glad that direct elections to the European Parliament are to be discussed at this meeting. There is a danger of isolation within the Community if we do not give our people sufficient opportunity to think critically with us and to have a say in our work, which is of fundamental importance for them all. Thus, a strengthening in the European Parliament is imperative.

These are the thoughts that will guide me during my term in office.

Monnet Committee Reports

POLITICAL WILL COULD ERASE ANY TECHNICAL DIFFICULTIES FOR BRITISH

by **MARGOT LYON**

THE SIX SHOULD COMPLETE THE COMMON MARKET, decide to negotiate for British entry, prepare a common position on this subject, and indicate together with the British their willingness to achieve political unity as soon as possible.

These were the main recommendations made on July 15-16 by the Action Committee for the United States of Europe, whose president and founder is Jean Monnet. Recognized as the European Community's chief pressure group, the Committee represents 60 million voters and 12 million labor union members in the six Common Market countries, or almost the entire electorate of the Six except Communists and Gaullists. Last October 25, Britain's three political parties joined the Committee (although British trade unions still stand aloof); and in March this year, even the fringe Gaullist group of Valéry Giscard d'Estaing's 62 Independent Republicans also joined, on the grounds that European political union was the historical task of our epoch and that, in any case, France could not possibly modernize outside a European perspective.

The Committee, which met in Brussels, on the top floor of the Common Market Commission's new 15-story Charlemagne building, had before it five reports on the practical problems of British entry into the Community. There were two reports on monetary problems, prepared respectively by Guido Carli, governor of the Bank of Italy, and by Professor Robert Triffin, Belgian-born American of Yale University; a report on agriculture by Edgar Pisani, former French Minister of Agriculture; a report on the institutional aspects of British entry by Walter Hallstein, President of the Common Market Commission from 1958 to July 1967; and a report on technical development by Lord Plowden, a former British civil servant now with Tube Investments, prepared jointly with Karl Winnacker, chairman of the board of Hoechst Chemicals. The five "rapporteurs" discussed their reports in person with the Committee at the meeting.

After hearing them, the Committee declared that its conviction had been confirmed that the problems raised by Great Britain's entry into the Common Market could be solved. It decided to continue its study of the monetary, technological, agricultural, and institutional questions involved, so as to determine as its next meeting, on November 20-21, 1969, the direction in which concrete solutions should be found. At a press conference after the meeting, Mr. Monnet said that there had not been time to make serious proposals about political development but that this subject would be taken up in due course. He added that, in his opinion, the Common Market's negotiations with Britain should be completed before dealing with the other applicant countries. "Nothing is more dangerous than confusion," he said. "Negotiations with Britain and other applicants would lead to certain failure if undertaken simultaneously." The other candidates for entry are Denmark, Ireland, and Norway.

Fair Share of Agricultural Burden

Mr. Pisani, reporting on agriculture, pointed out that the Community's current rules for financing the common farm policy would put more than half the burden on Britain, a manifestly unfair share. Since Britain would be one of the four biggest countries in an enlarged Community, the British contribution would inevitably be large, but it should represent a fair proportion of the total joint expenditure.

Miss Lyon, a British free-lance journalist living in Paris, writes a column for The Baltimore Sun.

Commenting on his report, Mr. Pisani told the Action Committee that in his opinion the British must accept the principle of a common farm policy and that the French must accept a debate on agriculture. The Seven, if Britain joined, must agree on "a new orientation" for the common agricultural policy, which means accepting reform, perhaps including reductions in the current high prices and phasing out certain supports. Whether or not Britain joined the Six, some such reform would be necessary to bring farming into the European economy, making it one of many industries instead of a privileged endeavor set apart from all others, as it is now.

Aid to Community Technology

The Plowden-Winnacker report on technology urged that an institution should be created to foster technological cooperation and expand the influence and authority of European industry. Later the institution should expand its efforts in important research fields, such as aeronautics and space travel, oceanography, nuclear science, biology, pharmocology, and medicine. If Britain joined the Community, it would then be comparable in size with the United States and the USSR, with a population of 240 million and a gross national product of $400 billion. Britain's scientific and industrial contribution within an enlarged and integrated Community could, according to the report, appreciably reinforce the potential of the Six.

Community Already Bears Monetary Burden

The report by Mr. Carli declared that sterling indebtedness in foreign currencies towards international institutions and foreign central banks should not be considered an insurmountable obstacle to the United Kingdom's participation in the Community, but Mr. Triffin's report went further. He said the Six should wake up to the fact that they have already financed most of Britain's sterling debts abroad, so that British entry would not face them with an intolerable burden. It would merely clarify the present position and allow the Community to assume openly the political responsibilities corresponding to the charges it already bore in practice. He proposed the creation of a European Reserve Fund as an aid to monetary cooperation, particularly in preventing speculation.

Institutional Refinements

Mr. Hallstein concluded that Community institutions need not change or lose dynamism as a result of enlargement. Nor would it be correct to assume that enlargement in itself would strengthen the Community, which would occur only if the entry of a new member were accompanied by improvements in the present structures.

He proposed a strengthening of the Commission's right of initiative, a limitation of its membership to nine (even if not all Community nationalities would be represented on the Commission), and a greater say for the European Parliament in the appointment of the Commission. The Parliament should also be directly elected and given a greater share in the powers now held by the Council of Ministers. At first, Community elections should be combined with national elections, and national deputies allowed to sit in the European Parliament. Later, this system of dual membership should be abolished. Finally, the Parliament should have greater budgetary power and the right to make legislative proposals. In the Community, majority voting should be extended, eventually to all subjects except, perhaps, a revision of the Community's constitution.

In conclusion, the Action Committee welcomed the idea of a summit meeting of the Six this fall and resolved to make specific proposals to the governments of the Six for resolving the technical problems connected with British membership in the Community.

Excerpts from Reports

Declaration by Jean Monnet, President of the Action Committee for the United States of Europe, Press Conference, July 16, 1969

At Cape Kennedy the American astronauts are leaving for the moon where the Russion probe is also heading. The conquest of space, as of nuclear energy, began in Europe. Today, others are achieving it because Europeans are not longer organized for the modern world. This concerns all of us. We have reached a delicate and difficult moment in the construction of Europe. The Committee is anxious to contribute to the solution of the problems posed by the pursuit of the organization of Europe and the entry of Great Britain into the Common Market. . . . This participation is essential as much for Europe's future as for Great Britain's. . . .

The problems that look so difficult can all be surmounted. Between now and November, the Committee will devote itself on the basis of the reports to finding and saying in which direction concrete solutions can be found. To succeed, the action requires limitation of the objective. The political construction of Europe requires that the Common Market of Six progress towards economic and monetary union at the same time as solutions are found to assure England's participation. The moment has passed for engaging in controversy over the objective. The objective is the united Europe and the pressing need is there, at our door. Debate should deal with the means of constructing the economic and monetary union of Europe and on the full participation of England, in the same conditions as the other nations of the Six.

Technological Cooperation

LORD PLOWDEN and KARL WINNACKER

So far as technology is concerned, nothing stands in the way of Great Britain's entering the European Community. On the contrary, scientific and industrial contribution of Britain within an enlarged and integrated Community could reinforce appreciably the potential of the Six. . . . As part of the process of industrial change, transformations in technology that are taking place (such as the coming [of age] of atomic energy, developments in the automatic processing of data, and the revolution in communications) involve capital investment which can best be evoked within a much larger market than individual countries in Europe are able to command.

So far as a restricted market is Europe's handicap . . . an enlarged Community would give Europe a chance of becoming more competitive. . . .

The linking of the United Kingdom with the Six would give Europe access to international concessions through large British oil companies. A general European power supply based on gas, oil, and nuclear energy but in which European hard and brown coal would also still have their place would be one of the greatest attractions for the creation of an enlarged Community, both from the economic and technical points of view. . . .

Powerful reasons can be advanced to show why Europe must maintain an independent effort in research and development. With the growth of licensing . . . technological information can be made available from the U.S.A. to Europe. But if a new technology is to be used in Europe based on American experience, then before any license is arranged, work in the technology must be begun. Modern technology is of such complexity that the skill needed to use a process or manufacture a product, even where a full licence has been obtained, can take a long time to learn. . . .

Progress will depend in part upon the steps that can be taken towards political integration. Similar issues arise with the problem of political control of European and international firms, the activities of which spread over several countries. The problem will be the easier to solve the more governments are prepared to grant regulatory powers to a European authority. Political and economic change will be interdependent. . . .

Within an enlarged Community that is striving to rid itself of discrimination, there will be need to exert continuing pressure for the concentraton of public purchases upon the relatively efficient producers. . . .

An enlarged Community should concern itself rather with the lessons to be drawn from bitter experience than with the encouragement of further big international civil projects, based too much on optimism and a concern for technology as an end in itself. . . .

A united Europe to which national Governments will be prepared to surrender powers of decision cannot be created quickly in the field of advanced technology. . . . The establishment of an institution within the enlarged Community specifically concerned with advanced technology would be an effective step forward.

The Agricultural Problem

EDGAR PISANI

Work on the improvement of agricultural structures in Britain is already well advanced, and a comparison with structures in the Common Market should incite the member countries to make the structural aspects of the common agricultural policy more realistic and more efficient.

. . . The common agricultural policy grew by a process of adding and supplementing: nothing has been abolished or substituted. The Commission's memorandum of December 1968, coupled with the reactions and discussions which followed its publication, prove that in Europe the economic integration of agriculture, difficult as it is, will not be effected against the aims of the Treaty, but that it will be effected. The possibility of Britain's joining the Community does not alter in any way the terms of what has to be done or the Community's resolve to do it. Despite diametrically opposed situations of fact, Britain and the Community have set themselves similar agricultural targets; and although they have chosen different ways, converging trends are in motion.

British consumers . . . would be faced with an increase in most food prices. . . . The increase in the cost of living could be spread over several years. . . . It might be possible . . . to consider introducing consumer subsidies for certain products.

The formation of a wider Community will have the effect of giving the Community a preponderant role in world trade, especially trade in agricultural products and agricultural commodities. . . . The role of an enlarged Community in endeavors to reorganize world markets should be to promote the conclusion of international agreements fixing stable and remunerative prices, establishing an acceptable degree of protection, and, if need be, setting out a code of conduct on food aid.

Institutional Problems Involved In British Membership

WALTER HALLSTEIN

The European Community is an indissoluble union of European States and peoples. Their integration is not a state of affairs, it is continuous, creative evolution. . . . The experience of the past twenty years shows that this road can lead to complete unity in Europe. That is what most of the peoples in Europe desire; it lies in the hands of their governments whether it will be achieved.

There is nothing to justify the assumption that the historical situation which makes unity possible today will last for ever. Action, determined action, must be taken without delay.

The negotiations on the membership applications will serve as a start in the process of enlargement. The stages through which this process will pass and the forms it will take must fit into and be adapted to the overall process of European unification.

One sign of this gradual attainment of unification is that the institutional order of the Community is increasingly being perfected, to the point where it will be a complete constitution for Europe. It, and it alone, will guarantee the indispensable transformation of foreign policy conflicts into matters of internal politics and ensure a peaceful reconciliation of divergent interests. Nothing else will ensure the democratic foundation and control of the powers vested in the institutions of the European Communities. On its inviolability will rest lasting confidence between the peoples of Europe; without such confidence the transfer of national powers to the Community cannot continue smoothly. . . .

With regard to the institutional order, too, the negotiations on enlargement of the Community will therefore have to take account of this evolutionary aspect of integration. . . .

It is not correct to claim that the enlargement of the Community to seven or more members will necessarily entail a change in its character, a watering down of its aims, a reduction of its dynamism. This would be true only if enlargement were not taken as an occasion to streamline the Community's organization and strengthen its constitution.

Nor is it correct to assume that enlargement in itself means a strengthening of the Community. This will occur only if the entry of a new member is accompanied by the improvements to the Community structure which have been sketched in the foregoing paragraphs.

The Monetary Aspects of British Entry

GUIDO CARLI

The divergence arisen within the Community in the development of costs and prices seems to weaken the force of arguments against including the United Kingdom in the Community. However, it has been noted that within the United Kingdom inflationary pressures are stronger than those existing in some members of the Community. But this cannot constitute a sufficient reason to oppose the participation of the United Kingdom, if at the same time the introduction of mobile parities within the area will interpose an element of flexibility that can protect the countries most inclined to defend monetary stability against inflationary stresses originating from others. . . . The factors that slow down productivity in the United Kingdom do not seem to be of a nature that the rest of the Community would suffer from. On the contrary, assimilation into the Community area will develop a positive influence on the efficiency of the United Kingdom through stronger competition, economies of scale, specialization, interpenetration of management and technology, so that she will be able to finance a larger volume of imports and so contribute, according to her economic weight, to the productive exports of the rest of the area more than she does today.

The Monetary Aspects of the Accession

ROBERT TRIFFIN

England's participation in the Common Market would not radically change the data of a problem which the Community has never been able to escape in the past and will be no more able to escape in the future. It will merely clarify the preponderant role already exercised during the past five years by the six members of the present Community. . . . These countries have, in fact, financed, either directly, by the increase of their financial assets against the United Kingdom, or indirectly, by the increase of their dollar holdings and their net financial assets with the International Monetary Fund, the greater part of the $6.4-billion financial aid received by England from foreign Central Banks and the IMF . . . which financed 80 per cent of its reserve losses . . . for the years 1965-1968. The Community would more directly and openly assume the role and political responsibilities corresponding to the charges it already bears in practice and would thus acquire a more decisive influence in the decision defining the conditions, magnitude, and limits of such operations. . . .

The constitution of a European Reserve Fund would open up new possibilities and new options . . . which would enable Europe to organize its co-operation more effectively through the Monetary Fund and to supplement the interventions of the IMF by operations of the European Fund itself, so far as they appeared necessary or preferable in the light of future negotiations on the accession of England to the Community and in the light of the experience acquired by the Fund.

The setting up of the European Reserve Fund is, in any event, necessary to implement the mechanisms which are essential to support the economic unity of Europe in the face of the internal problems already raised by the situation of the pound and the dollar and which it cannot escape.

Council of Ministers Meeting July 22-23

Within a week after the July 15-16 meeting of the Action Committee for the United States of Europe, the European Communities Council of Ministers held one of its regularly scheduled meetings to discuss foreign affairs, with the British, Irish, Danish, and Norwegian requests for membership again on the agenda. At that meeting, on July 22-23, the French Government moved to call a conference of heads of state and government in the Hague before the end of the year, "to examine the problems facing the Community, in particular in the fields of its completion, its consolidation, and its enlargement." The Council decided to discuss the means of carrying out this proposal, "which has already met with a favorable reception from a number of governments," at its next meeting.

It also asked the Commission to bring up to date the opinions presented to the Council in September 1967 and April 1968 on the membership requests, and instructed the Committee of Permanent Representatives to do the ground work for the discussions on this topic at the Council's next meeting. September 15.

The Community's Own Resources

OUTLINE FOR GREATER FINANCIAL AUTONOMY AFTER TRANSITION PERIOD

PROPOSALS ON GIVING THE EUROPEAN COMMUNITY the means of financing its own activities and increasing the budgetary powers of the European Parliament were sent by the Commission to the Council of Ministers in a memorandum and two draft regulations dated July 16. The Council, at its July 28-29 meeting in Brussels, decided to consult the European Parliament and the Economic and Social Committee about these proposals.

The current system of member countries' contributions to a Community budget would be replaced by a system giving the Community its own resources, primarily from agricultural levies, other taxes collected at Community level and customs duties on industrial imports from non-member countries. The two draft regulations would govern the financing of the common agricultural policy after January 1, 1970, when the current regulation expires.

In view of the large amounts of revenue that would be removed from the control of the national parliaments, the Commission said it planned to submit detailed proposals by October to increase the European Parliament's budgetary powers.

Community activities are now financed by direct contributions from the member countries' budgets, and the Parliament is merely asked to give an advisory opinion on the Community budget. Levies on coal and steel production in the member countries go directly into Community coffers, as a result of the Coal and Steel Community Treaty, but they involve very small amounts.

Weaknesses in the Current System of Financing

The Community's current system of financing has disadvantages for both the Community and the member countries themselves. By signing the Treaties, the member countries accepted the obligation to pay a fixed percentage of the Community's budget, which varies from year to year. The Community's yearly financial needs are difficult to evaluate, yet the member countries must still make provision for them in their national budgets and medium-term financing arrangements.

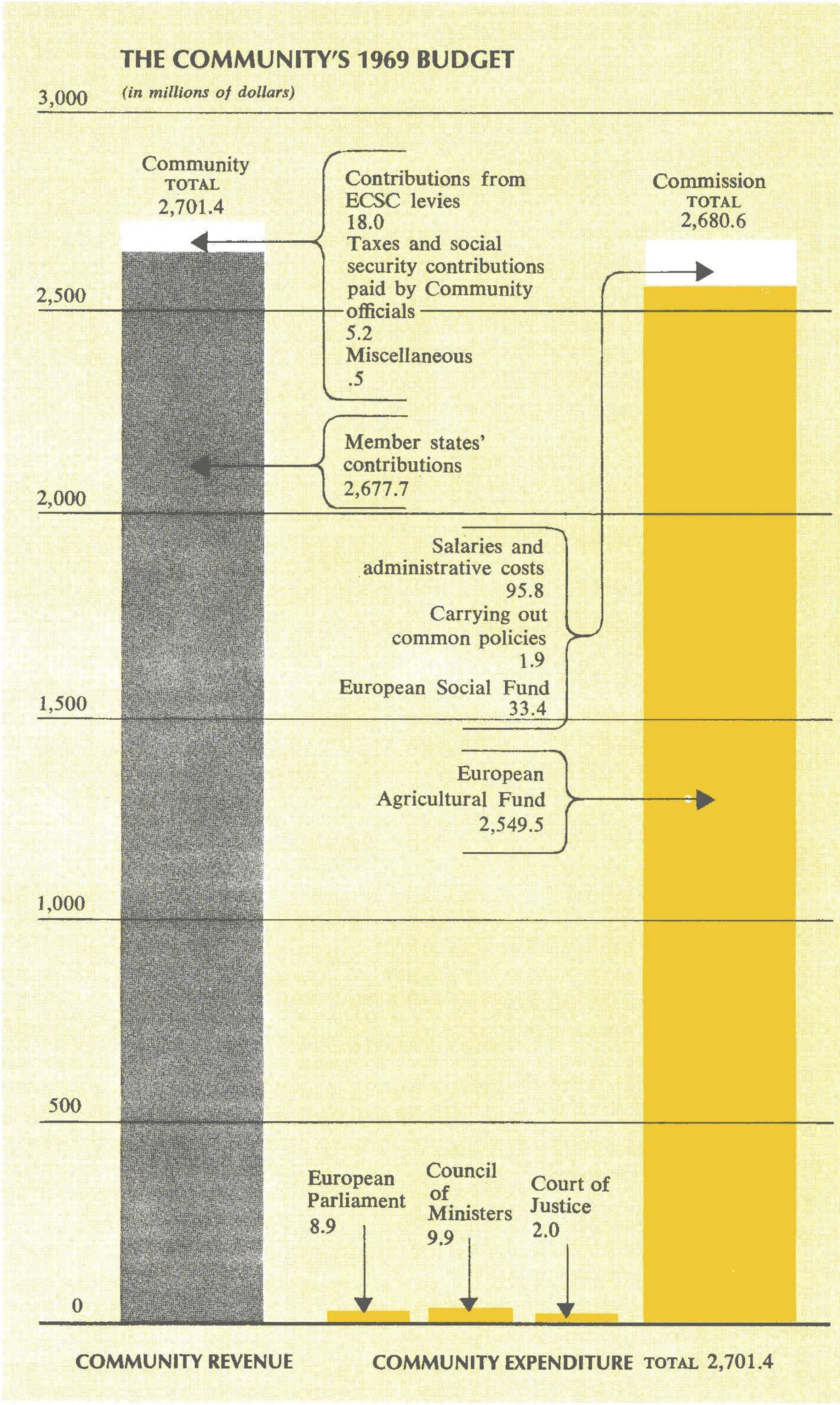
For the Community, this situation means the member countries' budget policy requirements could differ from the requirements of a common Community policy. Although no national parliament has ever refused to approve the actual amount allocated to the Community budget, the possibility exists, theoretically and perhaps under law, that a domestic budget decision could jeopardize Community activities.

As the economic union progresses and the relative importance of the common policies grows, the financial liabilities of the Community should be distinguished clearly from the responsibilities of the member countries, and the Community's financial autonomy increased. Financing the Community from its own resources would also end the member governments' constant anxieties about balancing their contributions to the Community budget with the advantages they hope to gain from the common policies.

Background to the Proposals

The arrangements to finance Community activities are based on three distinct treaties: the Paris Treaty of 1951 creating the European Coal and Steel Community (ECSC) and the Rome Treaties of 1957 creating the European Economic Community (EEC or Common Market) and the European Atomic Energy Community (Euratom).

Article 49 of the ECSC Treaty gave the High Authority the power (now vested in the Commission) to procure resources by levies on the industries covered by the Treaty and by borrowing in the capital markets. The Rome Treaties, by



contrast, did not directly give the EEC or Euratom their own resources, but they did make provision for replacing the member countries' contributions to the Community budgets with the Community's "own resources." Article 173 of the Euratom Treaty provides for levies "collected in the member states by the Community." Article 201 of the EEC Treaty mentions revenue from the common customs tariff on industrial goods.

By EEC Regulation 25 of January 14, 1962, the Council of Ministers specified the procedure for financing the common agricultural policy until June 30, 1965. Its Article 2 stipulated that upon completion of the common agricultural market, the Community would assume responsibility for financing this policy, and that agricultural levies, any other agricultural revenues generated by the Community, and the member states' contributions would be paid to the Community and used for Community expenditures.

On March 31, 1965, the Commission submitted proposals to the Council of Ministers for the period following June 30, 1965. July 1, 1967, was given as the date when receipts from agricultural levies and from the common customs tariff would be paid to the Community as its own receipts, since that was the date originally chosen for the completion of the customs union for industrial products and the application of common prices and a financing system for agricultural products.

The Council was unable to reach unanimous agreement on these proposals, which also involved increasing the European Parliament's budgetary powers. Only on May 11, 1966, did the Council reach agreement on the principles, and on July 26, 1966, it passed the regulation for financing the agricultural policy until January 1, 1970. This regulation retained the principle of direct contributions by the member states to the Community budget, although part of their contributions was to consist of 90 per cent of their revenue from agricultural levies and taxes on agricultural imports from non-member countries. The Council also indicated in May 1966 that it would begin the procedure given in Article 201 of the EEC Treaty by the end of the transition period.

The Commission's current proposals begin that procedure. After consulting the European Parliament, the Council may then by unanimous vote "lay down the provisions whose adoption it shall recommend to the member states in accordance with their respective constitutional rules."

Financing the Agricultural Policy

The Commission's proposals for financing the common agricultural policy involve two draft directives. One explains the system that would be used after the end of the transition period; the other is designed to ensure a smooth changeover from the current arrangements to the new ones. The Commission suggested that the new system be brought into force on January 1, 1971, together with the regulation on the Community's own revenue.

As in the past, the European Agricultural Guidance and Guarantee Fund would still receive funds from the Community budget. Consequently, the Fund's expenditure would be governed by the resources available in the budget. In view of the automatic financial commitments under the common market organizations, however, a supplementary budget would be needed if the resources of the ordinary budget proved inadequate.

The Fund's accounting year would be the calendar year. There would be an opportunity for a genuine budget debate on the Fund, because the budget would be prepared at the same time that prices of the major farm commodities were fixed.

Financing agricultural policy entirely from Community sources will necessitate improvements in administrative co-operation with the member countries and in arrangements for supervision—not only by the members, but also by the Community itself. A committee of representatives of the member states would help the Commission administer the Fund.

Establishing the Community's Own Resources

The Commission's program would give the Community its own resources in two stages:

• Beginning January 1, 1971, revenue would be assigned to the Community from agricultural levies, sugar levies, the fats and oils tax, customs duties on industrial products and similar taxes, and from any other taxes the Community may introduce. Since 90 per cent of the Community's farm levies already go to the Community, the major change would be in the allocation of customs revenue to the Community. To soften the impact of this loss of customs revenue from the national budgets, the Commission proposed a gradual allocation: two-thirds would be transferred to the Community on January 1, 1971; three-quarters on January 1, 1972; and finally, all duties on January 1, 1973. Each member country would designate an agency to collect the Community's revenue.

The budgetary powers of the European Parliament would be increased at the beginning of the first stage, since giving the Community its own resources would remove large sums of money from the control of the national parliaments.

• Beginning January 1, 1974, the Community budget would be financed exclusively from the Community's own resources. The Community would then have to tackle the problem of strengthening the legislative powers of the European Parliament.

The Commission did not make proposals concerning the ECSC levies on coal and steel production. The differences in the financial powers given the Community by the three treaties, according to the Commission, should be settled in conjunction with the merger of the treaties.

During the first stage, the Commission's own resources would be inadequate to balance the Community budget so that the Communities will still need direct financial contributions from the member countries to cover expenditures.

In 1971-74 the Commission proposed the retention of the rates now used to calculate each member country's share of Community expenditures. (Different rates apply to each member's share of expenses from the Farm Fund, the Social Fund, the administrative budget, and the nuclear research budget.)

After January 1, 1974, the Community would have to pay all expenses from its own resources. The arrangements enabling it to do so will be decided by a unanimous Council decision on a Commission proposal before January 1, 1973.

The African Continent, photographed from the Apollo 11 spacecraft on its way to the moon. Courtesy of the National Aeronautics and Space Administration.

New Yaoundé Convention

COMMUNITY MAKES $918 MILLION AVAILABLE FOR DEVELOPMENT AID

THE NEW YAOUNDE CONVENTION will make available $918 million to finance economic development projects in the eighteen African countries associated with the European Community. This amount is an increase of $188 million over the aid provided by the first convention, but it is less than the Eighteen, which rank among the world's poorest countries, had hoped to receive.

At the signing ceremony July 29 in Yaoundé, capital of Cameroon, the Cameroon President Ahmadou Ahidjo thanked the people who had negotiated the agreement but expressed disappointment that no major improvements had been made in the trade provisions. While the first convention was in force, he said, the value of the associates' exports (mostly commodities) to the Community had decreased. Moreover, other suppliers had "succeeded in improving their positions in the Community market."

The Eighteen are: Burundi, Cameroon, the Central African Republic, the Congo (Leopoldville), the Congo (Brazzaville), Ivory Coast, Dahomey, Gabon, Upper Volta, the Malagasy Re- amounts to less than $80 a year. The convention also applies to the Community members' overseas possessions and territories.

Follows Trade and Aid Principles of Yaoundé I

The new convention is based on the principles of free exchange of goods, capital, and services between the Community members and the associates. The Convention provides for free trade in most products without customs duties or charges with equivalent effect. For agricultural products now subject to a Community market organization or the rules for processed agricultural products, the Community will make case by case arrangements in consultation with the Association Council. The associated countries' agricultural products will, however, receive preferential treatment over non-member countries. In addition, the convention allows the associates to retain or introduce customs duties and charges with equivalent effect for development or budgetary reasons, as long as they do not give rise to any discrimination between the Community members. The associates may also retain or introduce import quotas for

Changes Reflect World Developments

Some circumstantial changes were made to bring the convention into line with legal developments, such as the Community's new arrangements for imports into its customs territory. Other more fundamental changes, however, reflect international developments in the fields of economic assistance and trade.

In particular, the convention takes into account the need for a coherent Community policy towards all developing countries and for a regional policy applicable to the Eighteen. For example, the Community has lowered its common customs tariff for a number of tropical products (coffee, from 9.6 per cent to 7 per cent; cocoa, from 5.4 per cent to 4 per cent; palm oil, from 9 per cent to 6 per cent) although the associates' exports of those products enter the Community market free of duties.

The new convention also includes a protocol stipulating that it will not prevent the associates' participation in a system of generalized tariff preferences, such as the one being sought by the United Nations Conference on Trade and Development. It also leaves the associates free to join regional customs unions or free trade areas.

In view of the world-wide trend towards commodity agreements, the Community has dropped for its associates production aid in the form of price support. However, a newly created Reserve Fund, financed from the money allocated for grants, would allow the African countries to meet emergencies caused by a fall in world commodity prices or calamities such as famine or floods. The fund has been allocated $65 million, which may be raised to a ceiling of $80 million under certain circumstances.

To compensate the associates for the elimination of price support aid, the Community is sponsoring a new series of trade promotion measures, such as technical cooperation and marketing surveys. As in the past, the Community will also help the associates participate in trade fairs and exhibits.

Financial and Technical Aid

Apart from the increases in the volume of aid (*see table*) to the associates, the other major changes emphasized the associates' increased responsibilities for their own development. By one new clause, the associates agreed to ensure proper maintenance for projects financed by the Community. As far as possible, Community aid will be used to finance projects and programs that fit into the African governments' development plans or programs. It will favor projects to assist the associates' industrialization efforts, focusing on:

- investments in the fields of production and economic and social infrastructure
- general technical cooperation measures or those connected with investments
- measures to encourage marketing and sales promotion of the associates' exports.

The possibility was left open for interest rebates of up to 2 per cent on loans made at commercial terms by the European Investment Bank.

Administrative Provisions

The administration of Community aid is based on the principle of non-discriminatory participation. Any natural and legal person from a Community or associated country can participate in contract awards, invitations to tender, purchases, and other contracts for operations financed by the Community. However, preference can be given to local African companies in awards of works contracts of less than $500,000 financed by the European Development Fund and supply contracts that can be filled from local production.

No changes have been made in the institutions that help to administer the association. The Association Council, most important, is composed of representatives of the Council of Ministers and the Commission of the European Community and representatives of the associated countries. The Association Committee, which is responsible to the Association Council, takes care of day-to-day items. The Parliamentary Conference, an advisory body composed of 54 members of European parliaments and 54 members of parliaments in the associated countries, meets once a year. In the event of disagreements about the interpretation of the convention that the Association Council cannot settle, the dispute goes to the five-member Arbitration Court, consisting of a president appointed by the Association Council, two judges chosen by the Community, and two chosen by the associates.

ECONOMIC AID

(in millions of dollars)		*Grants*	*Soft Loans*	*Normal Loans*	*Total*
Eighteen		748	80	90	918
		620	46	64	730
Overseas territories		62	10	10	82
		60	4	6	70
Total	Yaoundé II	810	90	100	1,000
	Yaoundé I	680	50	70	800

CHRONOLOGY OF AFRICAN ASSOCIATION

January 1, 1958 Entry into force of Common Market Treaty. Part Four and Implementing Convention govern the special relations between the Community and its members' Overseas Countries and Territories.

1960-62 The seventeen African countries and Madagascar become independent and ask to continue their association with the Community.

July 20, 1963 Signing of first Yaoundé Convention.

June 1, 1964 Entry into force of first Yaoundé Convention.

April 3, 1968 Commission sends memorandum to Council of Ministers concerning renewal.

July 23, 1968 The members agree to open negotiations by December 31, 1968.

December 19, 1968 First meeting of the contracting parties at ministerial level. They decide to renew the association, establish a third European Development Fund, and choose the negotiating procedure.

June 26-27, 1969 At the third ministerial meeting, ending the morning of June 28, the contracting parties initial the text of the second Yaoundé Convention, in Luxembourg.

July 29, 1969 Signing of new Convention in Yaoundé, Cameroon.

From Crisis to Crisis

MONETARY COMMITTEE ADVISES COOPERATION AND COUNCIL AGREES

THE EVENTS OF 1968, the year the European Community completed its customs union, led to temporary restrictions on the free exchange of goods. This irony and three international monetary crises amply illustrated for the Community the need for closer economic coordination and monetary cooperation.

The European Communities Monetary Committee summarized these events and their implications in its eleventh report, covering the period from May 1, 1968, through May 15, 1969. The Committee is an independent group of experts created by the Common Market Treaty to advise the member states' governments and central banks and the Community's Council of Ministers and Commission.

The report also contained the Committee's "Opinion" on proposals made by the Commission on February 12 in a memorandum to the Council of Ministers concerning economic policy coordination and monetary cooperation. The Council accepted some of the Committee's recommendations at a meeting in Brussels on July 17 devoted to economic matters. It "took note" of the Monetary Committee's report and decided to forward it to the European Parliament for consideration.

Inflationary Strains

The Community economy expanded vigorously and with minimal changes in prices until 1969. Dutch retail price hikes after the introduction of the value-added tax, and large wage increases in France after the nationwide strikes in May and June 1968 contributed to the resumption of the upward movement of prices. In Italy, too, prices began to rise abruptly, at an annual rate of 4 per cent during the first quarter of 1969.

The Community's overall balance of payments closed with a $2-billion deficit in 1968 after running a surplus of $1.5 billion in 1967. The Community's surplus on current account amounted to $5 billion in 1968, compared with $4.4 billion in 1967. Net exports of capital increased as European residents purchased more American securities. The large German and Italian trade surpluses continued to build, but both countries exported large amounts of long-term capital. As a result, Germany's basic balance was almost in equilibrium for 1968, although short-term capital inflows resulted in an overall balance-of-payments surplus of more than $900 million. Italy ran an overall surplus of $600 million.

In France, the May and June strikes led to a net capital outflow and a reversal in the current account position, leaving a deficit of $3.2 billion for the year in the overall balance of payments. Both the Netherlands and the Belgium-Luxembourg Economic Union ran deficits of $100 million each.

Situation of Key Currency Countries

Because Community members, like other countries holding U. S. dollars and British pounds sterling in their reserves, have a direct interest in the parities of those currencies, the Committee follows both countries' balance-of-payments positions.

The United States. The Committee attributed the U. S. surplus in 1968 (the first since 1957) partly to exceptionally heavy private purchases of American securities by non-residents, but largely to shifts in other types of capital movements. In response to government action, American companies cut their capital exports for direct investments and repatriated a larger share of their foreign income. Banks reduced their overseas lending. In addition, the U. S. Treasury persuaded several countries to consolidate their dollar assets, "mainly in the form of medium-term bonds." Without these special operations, the Monetary Committee said, the U. S. overall deficit would have amounted to more than $2 billion. Excess demand at home increased imports and helped to turn the U. S. traditional trade surplus from $3.5 billion into a deficit of $300 million at the end of the year.

The United Kingdom. Changes in Britain's overall position were slight. The overall deficit of $1.25 billion in 1967 was reduced to $1.1 billion in 1968. The trade deficit of $1.52 billion in 1967 widened to $1.91 billion. Because the trade figures have been unsatisfactory since the beginning of 1969, Britain is putting further severe curbs on domestic demand and intensifying its export promotion efforts, in view of the external debts coming due in the next few years.

Interest Rates Climb

Until the end of 1968, neither the United States nor the United Kingdom had made much use of monetary policy to dampen domestic demand. Since then, however, more restrictive monetary policy and continued high demand for loans have pushed interest rates to record heights. U. S. banks have increased the frequency of their calls on the Eurodollar market where rates have risen more steeply than in the U. S. market.

As signs of inflation began to appear within the Community, the member countries' efforts to restrict credit led to changes in the trend of interest rates. The Committee suggested that the Community members should make greater use of taxation to control demand but added that such a "Community policy" would not be able to keep the lid on interest rates unless major non-Community countries also used appropriate mixes to regulate overall demand.

Business Trends Begin to Converge

The Committee's tenth annual report described a wide divergence in business trends within the Community, but in 1968 they began to converge. Germany's recovery and the other member countries' economic policies suggested that these disparities might gradually disappear. However, the May and June strikes brought an unexpected change in the French economic situation. To allow the French economy to recover gradually from the production shutdown and the sudden increases in production costs, the Commission authorized temporary measures which curtailed the freedom of intra-Community trade, though only slightly. France also introduced exchange controls to end the flight of capital.

The other member countries tried to facilitate the French Government's action by following expansionary policies and by taking responsibility in July for about half the monetary assistance given France through the international monetary system. Towards the end of 1968, the spurt in domestic demand, a sizeable budget deficit, and an expansion of credit aroused fears that French external equilibrium would prove more difficult to restore than had been expected. At the same time, the persistence of Germany's large current account surplus aroused expectations of German revaluation.

November Wave of Speculation

In November, a wave of speculation, especially the flight from French francs into German marks, unleashed a monetary crisis. France took restrictive action on the budget, taxation, and credit and revived and tightened exchange control arrangements that had been dropped in September. Germany began to tax exports and pay refunds on imports, which affected trade in a way similar to a currency revaluation. Germany also increased its exports of long-term capital which in the first three months of 1969 considerably exceeded the surplus on current account. German monetary reserves had contracted by the end of March to their level in early 1968. After another wave of international speculation at the end of April and early May, and after a major expansion in its monetary reserves, Germany again announced that it would not change the parity of the mark and enacted additional measures against the inflow of speculative currency and for the maintenance of price stability.

Coordination of Economic Policy

The entire period reviewed in this report illustrated the need for strengthening monetary cooperation among the Six. The completion of the customs union had forged close commercial links between the members, and imbalances in one economy are transmitted rapidly to the others. This interdependence both limits the efficacy of national economic policy and exposes the entire Community to the repurcussions of unilateral,

Emile van Lennep, outgoing chairman of the Monetary Committee. Mr. van Lennep is joining the Organization for Economic Cooperation and Development as Secretary General.

domestic policy decisions. Furthermore, the Community's institutional arrangements, particularly for agriculture and taxation, tend to restrict the individual member countries' room to maneuver in discharging their national responsibilities. Coordination of economic policies would forestall the emergence of sharp divergences in Community members' costs, prices, demand, and balance of payments. Because each member tolerates price increases to a different extent, fundamental disequilibria between the members would eventually develop.

Harmonization of basic policy objectives must be accompanied by coordination of the instruments used to achieve them. Since conflicts between national interests and the Community interest are bound to arise, cooperation arrangements must be geared to bringing out the members' common interests and ensuring that individual governments consider them at the planning stage of any action that would affect other members and the Community. Coordination could not be limited to currency and credit matters. It should cover both budget policy, because of its impact on final demand and the monetary situation, and all measures affecting prices and incomes. Certain intervention techniques, especially in the budgetary and fiscal fields, should be improved because the high degree of integration in certain sectors has increased the rigidity of various overall adjustment instruments.

Before consultations can be effective, however, the Committee pointed out that data used in economic analysis must be improved and each country must have satisfactory machinery for executing its own economic policy.

International Monetary Cooperation

To enable the Six to present a common position on problems being discussed in international monetary organizations, the Monetary Committee organized consultations with the Community members prior to the meetings, with good results.

The Committee generally supported the Commission's February 12 proposals for creating mechanisms for short-term monetary support and medium-term financial aid:

COUNCIL ACTIONS ON JULY 17

Short-term Economic Policy. A decision requiring prior consultation on all budgetary and fiscal measures intended to affect foreign trade directly and on any short-term economic policy measures that:

- have a "considerable effect" on the economies of the other members or on the internal and external equilibrium of the member enacting the measure, or
- are likely to result in "a considerable divergence" between the development of one country's economy and the medium-term economic goals defined in common.

Consultations are to be held in the Monetary Committee, the Short-term Economic Policy Committee, and the Budgetary Policy Committee. In especially important cases, the Commission or a Community member may ask the Council of Ministers to meet.

Thorough discussions of medium-term economic policy coordination are to begin in the fall on the basis of a memorandum to be prepared by the Commission.

Short-term Monetary Support. A declaration stating the Council's agreement in principle with the Commission's guidelines for a system of financial support given by Community members to another member in balance-of-payments difficulties. The Council asked the Committee of Central Bank Governors to continue working out the procedure for operating these facilities. Italy and the Netherlands reserved their positions until the procedure is known.

Concerning medium-term financial aid, the Council instructed the Monetary Committee to report on the procedure for establishing such a system.

• The completion of the customs union and common policies, especially for agriculture make the Community more and more like a domestic market in which a common monetary mechanism has a "natural place."

• As close relations develop between member countries, economic policy coordination becomes necessary and would help convergence of their medium-term economic goals.

The Committee prefaced its comments on short-term monetary support with the observation that payments deficits should be financed on lines adapted to the nature of the deficit and that unconditional financing could normally be justified only for deficits which by their nature are reversible. This type of support operation is already current practice between central banks, although the use of these facilities is not entirely automatic.

The Community system could provide for each central bank to open a line of credit, in an amount to be determined for all other central banks in the Community. This approach would enhance the flexibility of the system, since the credit lines could be modified at any time according to each participant's payments situation. Given the small number of participants, risk ceilings should be set for each central bank in proportion to its initial stake in the system.

Since medium-term financial assistance usually requires confirmation by the member countries' parliaments, standing commitments should be worked out. Otherwise the process would take too long to be useful. On procedure, which involves political decision, the Committee confined its remarks to a few general points which could be amplified once the Council had approved of the principle:

• Medium-term financial assistance must not be regarded as the consolidation of short-term aid granted unconditionally by the banks of issue.

• Granting medium-term assistance will be possible only if coupled with acceptance by the applicant country of certain conditions concerning the economic policy it intended to follow.

• A member country's claim on the Community financing system, unlike a similar claim on the International Monetary Fund (IMF) would not count as a reserve asset, since it would not always be liquid with so few participants.

• The sums placed at the disposal of the Community system must be large enough to handle difficulties connected with temporary disequilibria. However, the system is complementary to the existing international system, so that the amounts should be fixed with due regard to the members' obligations within the wider system. A member country could conceivably be called upon to finance the same deficit in one Community country through two channels, the Community system and the IMF network.

Several members of the Committee felt that countries that have applied for membership in the Community should be informed of this proposal before a decision is made. The Commission had indicated that these proposals could provide a "forecourt" for the reception of new members.

The Fight Against Pollution

WATER POLLUTION, for centuries considered a danger to public health, has become an economic problem with the realization that industries, the main pollutors, are often the first victims of the water they ruin.

Little thought was given to the international aspect of water pollution until recently, but now numerous studies have been made. One result was the Council of Europe's publication of the European Water Charter on May 6, 1968, to make the public conscious of water as a vital natural resource. By enlisting public support, the Council hopes its campaign will lead to a convention to control fresh water pollution.

The Community's Involvement

The Common Market countries are involved in this problem in a special way. First of all, they (together with Great Britain and the United States) are among the countries with the most polluted water in the world. They are also among the countries where the water pollution problem has grown to such proportions that effective anti-pollution laws have been passed. In addition, since the Common Market's main waterways pass through two or more member countries, international anti-pollution agreements have been signed, covering the Rhine, Sarre, and Moselle Rivers and the Haine, Escaut, and Lys Canals. Finally, unlike rivers such as the Danube, the Community's waterways flow through countries whose economies and political systems are interdependent.

All of the necessary conditions seem to be present to impel and facilitate the European Community's involvement in this field. Immediate action seems necessary inasmuch as any effort to control water pollution is a long-term project that will have no immediately measurable effects. However, any study of water pollution in the Common Market will improve life in a united Europe of the future.

The Community needs a general program to combat all kinds of environmental pollution. So far, it has dealt only with isolated causes: air pollution by the coal and steel industries and contamination by radioactive waste.

Under the Common Market Treaty, the European Communities Commission first approached the water pollution problem from the standpoint of harmonizing the Community members' legislation on the process of purifying water. The

This article has been adapted from a piece by French journalist Dominique Larger, published in Communauté européenne *No. 131, Paris, pages 21-22.*

first problem was deciding whether or not the various subsidies and incentives offered to companies for combating water pollution were aids that were "incompatible with the Common Market," or, more likely, aids "intended to promote an important project in the common interest of Europe," encouraged by the Common Market Treaty.

In the meantime, the Commission has taken a broader approach, contracting with an independent group of experts for a study of the main problems posed by water pollution in the Europe of the Six. Solutions to the problem will demand great flexibility and programs tailored exactly to the particular situation of each hydrographic basin. The industrial Rhine Valley certainly has little in common with the Po Valley, which is subject to periodic flooding of its farmlands. Rigid rules would simply not be applicable for all waterways.

Focus on Inter-State Pollution

Within the context of the Common Market, pollution is for the moment, primarily an inter-State problem. For instance, chloride wastes and drainage from potassium mines upriver make it difficult and costly for the Netherlands to use water from the Rhine for agricultural irrigation.

International law is practically non-existant in the area of waterway pollution, but the reasoning used to decide one famous case of air pollution could easily be applied in this area too: the American-Canadian case of the Trail Smelter.* This case is interesting for Community law because it was resolved by an international tribunal applying U. S. inter-state regulations. At issue was the principle that one State could not make use of its territory in such a way as to cause severe damage to the territory of another State.

This idea, applied to relations between the Six, would mean recognizing the different uses made of water in any hydrographic basin. The issue is not whether the Rhine, for example, is clean when it enters the Netherlands, but rather how responsibility for keeping it clean should be divided equally among successive users. The idea of interdependance must take precedence here. In this way, a European policy to combat water pollution could help erode frontiers between the Six. Once people become aware of this interdependence, they will then have to classify the different types of waterways. The classification technique is one of the means most often used in domestic law. It consists of dividing waterways into four or five categories according to quality standards, which seem to be necessary. Then, the distribution of purification costs will have to be decided. All Community members will benefit, and the clean-water drive can only succeed if all interested parties join in a common action.

*A reference was brought to the Joint U. S. Canadian Commission on August 7, 1928, that the smelting company in Trail, British Columbia, (owned and operated by the Consolidated Mining and Smelting Company) was polluting the air of the State of Washington. Following the Commission's report on February 28, 1931, the United States and Canada signed the "Convention Concerning the Operation of a Smelter at Trail, British Columbia" (U. S. Treaty Series 893). An impartial tribunal to review the case, rendered an interim decision April 16, 1938 (U. S. Department of State, File 711.4215 Air Pollution/914; 33 AJIL [1939] 182, 208) and its final decision on March 11, 1944 (U. S. Department of State, Arbitration Series 8, 31-32; 35 AJIL [1941] 684, 711-12).

Fish killed on the Rhine River, June 1969. Dutch and German authorities, working together, identified the toxic agent as a pesticide which had fallen from a barge. To limit the possibilities of other such accidents, the authorities are considering tightening the safety standards. Courtesy of the Netherlands Embassy.

River barges on the Seine at Conflans-Ste.-Honorine, France. At the turn of the century, the Seine was populated by more than fifty types of fish, according to the Council of Europe; but water pollution by industrial and private users has reduced the number to less than five, and even they are not edible.

Harbor at Oberwinter am Mittelrhein, Germany. Tar, oil, and garbage from the barges make the Rhine River at this point fit only for cargo transport. Courtesy of the German Information Center.

A littered canal in a village of the Po Delta, Italy. With its clean water campaign, the Council of Europe has tried to impress on ordinary citizens as well as national and local governments that water is a valuable resource.

COMMUNITY NEWS

PROMPT ACTION URGED AGAINST INFLATION TO FORESTALL FUTURE SPECULATIVE MOVEMENTS OF CAPITAL

The Commission of the European Communities, for the second time this year, has warned member countries that prompt action against inflation is the best way of avoiding a resurgence of speculative capital movements.

The warning, given in the Commission's first quarterly economic survey this year, was repeated in the second, released in Brussels on July 18. The Commission also emphasized that prompt short-term action to ensure improvement in the six member countries' balance of payments could obviate the need later for severe restrictive measures which could inhibit economic growth and undermine employment.

The First Half of 1969

Since spring 1969, the Community economy has been booming. The expansion of export demand slowed somewhat during the second quarter of the year, but internal demand grew more rapidly, mainly due to a strong surge of corporate investment. Private consumer expenditure also expanded vigorously. Incomes rose sharply in some countries and households showed less interest in saving.

Supply adjusted fairly well to rising demand, even though many plants had reached their production capacity and productivity per man-hour was rising more slowly.

Employment expanded, both in the number of job holders and in the length of the working week per person employed. Some countries felt a distinct labor pinch.

Imports climbed, but prices tended to rise in most countries, mainly under the influence of special factors.

Outlook for Second Half

As the year advances, the world business climate may cool off. In view of U. S. efforts to curb domestic demand, the demand for Community exports should slacken further.

Internal demand will continue to expand, assisted by the market forces. According to the latest surveys, business investment will remain high, possibly accelerating. The completion of projects under way will boost building and construction expenditures, so that this sector of consumption would rise even if no new projects were started. As the wage rise steepens in the second half of the year, private consumer expenditure will also rise.

Production will probably increase to meet this demand, but with more difficulty than in the first half of the year. The scope for further rapid gains in productivity in the short term and for lengthening working hours is decreasing. Strains on the labor market may intensify. These limits on the growth of production point to an increase in the Community's rate of import growth. As a result, the Community's trade surplus will continue to shrink, since exports are growing only slowly.

The price trend is also likely to deteriorate. Both demand and cost will put strong upward pressures on prices.

Estimates for 1970

Early estimates for 1970 point to a 4.5 per cent real expansion of gross Community product, a rate closer to the medium-term trend than the 6 per cent rate that now seems probable for 1969. The sluggish state of the world economy will contribute to this decline by dampening export demand. The Community's internal demand, by contrast, will maintain its rapid pace of expansion, spurred by rising consumer spending, prompted largely by additional steep wage increases.

The restrictive monetary and budgetary measures that most Community members have enacted and wage pressures on corporate profits may combine with the general business slowdown and other factors to induce a gradual slackening of the current investment boom. Nevertheless, investment projects now being executed or under consideration are large enough to suggest fairly vigorous expansion into 1970. With capacity and manpower reserves dwindling sharply, production will expand at a substantially lower rate than in 1969. Trends next year may vary more widely from one industry to another. External as well as internal equilibrium may deteriorate in most member countries.

Council Agrees on Anti-Inflation Action

At its economic affairs meeting in Brussels July 17, the Council of Ministers discussed this report and the Commission's recommendations for appropriate policies for balanced growth.

Opening the debate, Commission Vice President Raymond Barre commented that, for a variety of reasons, some Community members might consider "inflation" too strong a word but "the factors it describes are already present."

After a thorough exchange of views, the Council agreed with the Commission's conclusions that prompt and vigorous action was necessary to:

- control the inflationary spiral
- ensure the Community's cohesion
- increase confidence in the stability of the members' currencies
- allow the removal of special measures now in force that interfere with the smooth operation of the Common Market.


A vocational retraining class

Action is to include:

- systematic mobilization of the resources available to increase production, especially vocational training and retraining of workers
- restriction of the increase in total demand through budgetary management rather than monetary measures, "which have already been employed to the full and whose scope has been restricted by international monetary and financial developments"
- active participation of employers and labor in developing and executing an economic and social policy conducive to balanced growth.

ITALY IS SUED FOR FAVORING HOME PRODUCTS

Italy has been accused of violating the Common Market Treaty for taxing other member countries' cocoa products more heavily than like domestic products.

In a brief filed in Luxembourg on June 24 with the Court of Justice of the European Communities, the Commission also accused Italy of violating the Treaty by refunding consumption taxes on cocoa exports in excess of the amounts paid.

The Commission said it had invited the Italian Government to end these practices in 1966 and again in 1967. Although the Italian Government had given the Commission numerous assurances that legislative measures would be enacted to comply with the Commission's request, nothing had been done.

COUNCIL RELEASES SECOND HALF OF EURATOM'S '69 BUDGET AND POSTPONES STAFF CUTBACK UNTIL NOVEMBER

Funds for the European Atomic Energy Community's research and investment program during the second half of 1969 were unfrozen by the Council of Ministers when it became clear that no decision could yet be made on a five-year program.

At its meeting in Brussels on June 30, the Council first exchanged views on the Commission's proposals for reorganizing Euratom and for a five-year research program. (*See European Community No. 123, page 10.*) When the Council approved Euratom's 1969 budget on December 21, 1968, it was hoped that a decision on Euratom's future orientation would be made in the first half of 1969. Funds for the second half of the year were frozen, and it was decided to review personnel requirements when these funds were considered.

Since no decision had been reached on the funds for the second half, the Council decided to postpone from July 1, 1969, to November 1, 1969, the cutback of about 100 researchers that can be employed in the 1969 research program. It also decided to tranfer money from the research budget to the operating budget to pay 20 additional employees in the safeguards division—the section responsible for supervising the peaceful use of special nuclear materials.

The Council also amended the 1969 research program by allocating $5.45 million and a maximum of 262 staff members to heavy water reactor research.

Eliminating Duplication

Part of the Commission's proposals for reorganizing Euratom dealt with eliminating duplication in the individual member countries' research efforts. To improve coordination between the national and the Community research programs, the Council decided to establish an Advisory Committee on Program Management, composed of representatives of the member countries and the Commission. The Committee is supposed to improve liaison between the member states' and the Community's programs of research on plutonium and transplutonium; solid state physics; and fast, heavy water, high flux, and high temperature reactors.

The Council noted its accord on extending the "Dragon Agreement" until March 31, 1973; fixed a $6.9 million ceiling for expenditures connected with it, and gave the Commission a mandate to negotiate this extension. The project, under the auspices of the European Nuclear Energy Agency, a specialized agency of the Organization for Economic Cooperation and Development, involves research on a high-temperature gas-cooled reactor.

Aigrain Report Considered

The report by the Working Party on Scientific and Research Policy, which has not been made public, was also discussed. The Council said its discussions dealt with the orientation of cooperation in scientific research with non-member countries. The Committee of Permanent Representatives was asked to submit proposals to the Council before October 1 and to make a list of non-member countries to which proposals for cooperation should be addressed.

This Working Party began its report under the chairmanship of A. Maréchal. Pierre Aigrain became Committee chairman in January 1968.

USAEC AND EURATOM SIGN ENRICHMENT CONTRACT

The Supply Agency of the European Atomic Energy Community and the U. S. Atomic Energy Commission have signed their eleventh toll enrichment contract since last December.

This contract, signed by Euratom on July 11 in Brussels for Kernkraftwerk Stade G.m.b.H., provides for enrichment of natural uranium supplied by the German company so that it can be used as nuclear fuel in the Stade power plant. The contract guarantees fuel for this reactor up to the end of 1975.

The material covered by contracts signed since last December is valued at $200 million. The USAEC charges reactor operators in the Community the same rates it charges American users for these enrichment services.

The contract signed in December covered the Obrigheim, Gundremmingen, Kahl, and Niederaichbach nuclear power plants in Germany and the Dutch plant in Dodewaard. Other contracts were concluded in May and June this year covering fuel for the Lingen and Wuergassen plants in Germany and several reactors run by the French Atomic Energy Authority and the Gesellschaft für Kernforschung in Karlsruhe.

SCHOOLCHILDREN COULD HELP SOLVE MILK SURPLUS

To help reduce the European Community's dairy surplus, the Commission's agricultural experts have suggested school "milk breakfasts" for 32.5 million school-children. Each pupil would contribute about a penny a day to defray a part of the yearly expense, estimated at $230 million. This plan would use the equivalent of 50,000 tons of butter a year.

ACCORD ON TEXTILE PROCESSING MADE WITH SWITZERLAND

An arrangement between the European Community and Switzerland about textile processing traffic comes into force on September 1, 1969.

It was made by a decision of the European Communities Council of Ministers at its meeting July 28-29 in Brussels.

The arrangement is intended to maintain the reciprocal processing traffic in textiles that has been going on for many years between Switzerland and Germany, France, and Italy. The achievement of the Community's customs union, including new rules for warehousing and processing traffic, made this arrangement necessary.

VACATION DREAMLANDS

If travel wishes could be realized, vacationers would overrun Switzerland.

A Gallup international survey conducted in France, Britain, Italy, the Netherlands, Germany, and the United States showed Switzerland to be top choice in four of these nations. The British Isles and North America also proved popular "dreamlands."

These were the replies:

Tourists from	*First Choice*	*Second Choice*	*Third Choice*
US	Switzerland	UK-Ireland	Italy
UK	Switzerland	US-Canada	Scandinavia
Germany	Switzerland	US-Canada	France
France	Greece	US-Canada	Italy
Italy	US-Canada	Switzerland	France
Netherlands	Switzerland	Italy	Spain

The survey question dealt with interest and not intentions. Few of the people who indicated an interest in visiting another country would necessarily do so.

COMMISSION SUBMITS 4TH FILM DIRECTIVE

A proposal to put all non-salaried movie-makers in the European Community on an equal competitive footing was sent to the Council of Ministers on June 20.

The Commission's proposal requires the Community members to remove from their legislations restrictions on the exercise of these activities by nationals of the other member countries. Three previous "film directives," passed by the Council secured:

- freedom to offer services in the area of film import quotas (October 15, 1963)
- the right of establishment and freedom to offer services in movie theaters, import quotas, and dubbing films (May 13, 1965)
- the right of establishment for non-salaried

activities in the distribution of films (October 15, 1968).

The proposed directive would secure the right of establishment and freedom to offer services in non-salaried activities in production of films. Activities of various assistants of the producer which are treated in specific legislation in the member countries are excluded from this directive and will be treated later by specific proposals.

The proposal enumerates the restrictions that must be eliminated. These include general restrictions on activities unrelated to moviemaking, such as the possession of professional card in Belgium and the commercial card in France. It also deals with restrictions peculiar to the film making industry: in France, the French nationality requirement to secure financial aid to production, and in Italy, the nationality requirement for producers.

The directive also treats general conditions, such as the right to join in professional organizations, and provides for mutual recognition of certificates of competence.

In the area of production subsidies, this directive merely prohibits any intervention that would distort the conditions of establishment.

COMMISSION IMPOSES FIRST FINES FOR VIOLATION OF COMPETITION RULES

The first fines ever imposed by the European Communities Commission in connection with an anti-trust decision were announced in July, in two cases.

One involved the six major quinine producers in the Community, all members of the "International Quinine Agreement." The other involved a group of ten dye producers, four of them with headquarters outside the Community.

U. S. Role in Prosecuting the Cartel

In mid-1966, after a large increase in the selling price to the United States, the Senate Judiciary's Antitrust and Monopolies Subcommittee held hearings. After publication of the Committee's findings in 1967, the Common Market Commission opened its investigation of the companies headquartered in the Common Market, and which led to the imposition of the fines in July.

The U. S. Department of Justice also investigated the parties to the agreement, obtained Grand Jury indictments against 22 of them, and is now preparing the case for trial. Five of the defendants pleaded *nolo contendere,* thereby placing the burden of proof on the prosecution in the criminal and civil actions that are pending. Fines have been collected from the four companies: $80,000 from the German company Boehringer; $40,000 from the French company Société Nogentaise de Produits Chimiques, and $40,000 from its American parent company Mead Johnson; and $50,000 from Vantorex Ltd. of England, a subsidiary of Rexall Drug and Chemicals of Los Angeles against which charges were dismissed.

Dye Cartel: Parent Companies Responsible

On the basis of information supplied by trade organizations of industrial users, the Commission investigated ten major manufacturers of dyestuffs. The investigation disclosed that the manufacturers had made uniform and virtually simultaneous price increases in January 1964, January 1965, and October 1967.

The compaines are: Badische Anilin-und Soda-fabrik AG (BASF), Casella Farbwerke Mainkur AG, and Farbenfabriken Bayer AG, all of Germany; Française des matières colorantes SA (Francolor) of France; Aziende Colori Nazionali Affini SpA (ACNA) of Italy; SA Ciba, J. R. Geigy SA., and Sandoz SA, all of Switzerland, and Imperial Chemical Industries, Ltd. (ICI) of the United Kingdom. Together these companies account for 80 per cent of the Community dye market.

All but ACNA were fined $50,000. ACNA was penalized less heavily because it was not party to the 1965 price increase and by its action prevented the increase contemplated in 1967 from being applied on the Italian market.

The Commission said the price fixing argeement had restricted trade within the Community by:

- covering all products imported and sold in Community countries by these companies, their subsidiaries, and representatives
- preventing users from gaining anything by importing from suppliers in other member countries since prices on their home markets increased at the same rate and on the same date in other countries.

It held the parent companies, not the subsidiaries or representatives, responsible for the violation of the Community's competition rules.

International Quinine Cartel

The Commission prohibited a restrictive agreement, between six companies holding a dominant position on the European and world quinine markets, which covered the manufacture and distribution of quinine used by the pharmaceuticals and food industries, and quinidine, a drug used to treat heart disease.

The parties to the agreement were the Dutch company Nederlandse Combinatie voor Chemische Industrie NV (Nedchem), fined $210,000; two German companies, Boehringer Mannheim GmbH and Buchler und Co., fined respectively $190,000 and $65,000; and three French companies, Société Chimique Pointed-Girard SA and Société Nogentaise de Produits Chimiques, each fined $12,500, and Pharmacie Centrale de France, fined $10,000. The fines were set in relation to each company's market position and its responsibility for the infringements.

In 1960, at the instigation of Nedchem and Boehringer, the largest of the six manufacturers, these companies had agreed to coordinate their purchases of raw materials and sales of quinine on all markets. Changes in raw material supply in 1962 ended the joint purchasing arrangements, but the sales agreements became more important. The manufacturers agreed to charge common prices for quinine and quinidine in all countries. In 1964, they raised their selling price by about 50 per cent, despite some reluctance on the part of Nedchem; and these prices were applied by all six companies until February 1965.

The six companies also agreed to protect their home markets against imports from other member countries and established export quotas for all countries. The French companies were not permitted to manufacture quinidine.

Article 85(1) of the Common Market Treaty specifically outlaws all of these practices. The companies involved sought and obtained legal advice to this effect, but continued the infringement, took precautions to keep the agreements secret, and instructed their members to destroy any compromising documents.

From 1965 on, market developments prevented the strict application of the agreement. There was a sudden, unexpected increase in demand and a shortage of conchona bark from which quinine is extracted. The American military authorities, which had disposed of most of their strategic quinine stockpile, reappeared on the market as a large purchaser because of events in Vietnam. (Quinine is the only remedy for certain types of malaria.) As a result, both conchona bark and quinine prices rose. They reached a peak in mid-1966, dropped back to the prices agreed for early 1965, resumed their climb, and the upward trend continues.

PARLIAMENT HAS ITS OWN IDEAS ON TOBACCO

The European Parliament differed sharply at its July 1-5 session with proposals made by the Community's Commission to organize the Common Market's tobacco market.

The Parliament adopted three resolutions summarizing its own, more liberal, solutions to the three aspects of the tobacco problem: a common agricultural policy, tax harmonization, and national monopolies. The long debate, during which over 60 amendments were proposed, revealed how complicated and controversial was the problem and how deep was the split within the Parliament itself.

In 1967, the European Communities Commission submitted to the Council of Ministers proposals for a Community policy for tobacco products and for a regulation on manufactured tobacco grown in associated states. The proposals, closely inter-related, were: a regulation for a common market organization for unmanufactured (raw) tobacco, a regulation on consumption taxes (except turnover taxes) on manufactured tobacco (cigarettes, etc.) with a resolution on excise taxes on manufactured tobacco, and a regulation on national and commercial monopolies in manufactured tobacco.

In comparison with the Commission's proposals, which many members of the Parliament felt were generally too restrictive, too costly, and inequitable in their incidence on national budgets, the Parliament's plans called for a more flexible mechanism for operating the common market organization, fewer guarantees for tobacco producers, and a more liberal import policy for tobacco from countries outside the Community. The resolutions also indicated that the Parliament felt the Commission's proposed tax system would result in inequitable loss of tax revenues for certain member states and that there should be greater national participation in preparing the regulations for harmonizing the tax system of the Six. Lastly, the Parliament proposed stronger methods for dealing with the tobacco monopolies in France and Italy than had been proposed by the Commission.

Common Tobacco Market

Adopting the report of its Agricultural Committee, presented by Astrid Lülling (Socialist-Luxembourg), the Parliament proposed a more flexible mechanism and more liberal system than the Commission's for organizing the raw tobacco market. The Parliament sought: to ensure that production met the Community's quantitative and qualitative needs, to provide for employment and living standard guarantees equal to those currently guaranteed under national regulations, and to ensure free imports from third countries for Community manufacturers.

For the orientation and sale of production and income guarantees for planters, the proposal offered: a system of contracts between planters and buyers (with no intervention system giving an guaranteed outlet), recourse to auctions for groups of planters, a Community preference for native tobaccos within a price system that included a target and a floor price, and a premium for planters to cover the difference between the target price (fixed to ensure planters prices at least equal to those prevailing before the market organization) and a floor price (based on average import prices of comparable tobacco, increased by actual duties and reduced by 15 per cent as well as by a flat rate amount corresponding to the charges borne by Community industry for processing).

For more liberal trade with third countries, the resolution called for: freedom to import at world market prices plus the common external tariff (CET), supplemented by a safeguard clause in case imports of tobaccos comparable to those produced in the Community disturbed the market, and an export refund reduced to the incidence of the CET.

For planters, the resolution called for the freedom to cultivate, with transitional provisions for the monopoly countries limiting the right to cultivate to planters with a contract. It also contained social and readjustment provisions for planters put out of jobs as a result of the common organization of the market.

Tax Harmonization

The Parliament's resolution was based on the Finance and Budgetary Committee proposals reported by Helmut Karl Artzinger (Christian Democrat - Germany). It attempted to leave greater freedom than the Commission's draft would have left for the member states to define the national system in the first phases of harmonization and sought to avoid excessive effects on member's tax revenues and difficulties for industry in this sector. The Parliament felt that harmonization should be achieved by means of a directive, and not a regulation, in order to allow the intervention of the national parliaments in the fixing of a tax system. (Regulations are directly binding on member states, while directives require each member state to enact its own implementing arrangements.)

The Parliament said that the Commission's position ought to be modified on the following bases: the tax system must be neutral at competition level, favor the interpenetration of markets and optimum receipt of revenue, and it must not favor any restrictions on the range of worked tobacco prices. The Parliament also considered it inopportune to guarantee the planters' revenue by means of tax harmonization, since this revenue would be guaranteed in the future by regulations on raw tobacco, under the agricultural policy. It also pointed out that tax losses under the Commission's proposal affect each member state differently and suggested that the Commission proceed with the harmonization of several consumer taxes to ensure for all member states a balance between the deficits and surpluses in fiscal revenue.

Tobacco drying shed at a producers' cooperative in Viterbo, Italy.

Adjustment of State Monopolies

Based on the Economic Committee's proposals reported by Emile Pierre de Winter (Christian Democrat - Belgium) the Parliament's resolution asked for a more radical adjustment of the state monopolies in France and Italy than that advocated by the Commission. It considered liberalization of retail trade, to assure conditions for real competition, as important as the elimination of the wholesale trade monopoly. It asked that the monopolies not only relinquish the exclusive right to import and effect wholesale distribution but also their exclusive rights to carry out retail distribution. Distributors should have the right to get their supplies directly from suppliers in other member states.

ANDEAN COMMON MARKET FORMED

Five South American nations — Bolivia, Chile, Colombia, Ecuador and Peru—have formed an association intended to develop into an Andean common market. The agreement, signed in the Colombian capital Bogota on May 26, pledges the abolition of all internal tariffs between the five republics within 11 years. The group will also adopt a common external tariff.

Venezuela, the world's largest exporter of petroleum, participated in the 33 months of negotiations that resulted in the pact but did not sign the agreement. Fears had been expressed that Venezuela's high cost industries would find it hard to compete with producers in the other five countries.

If the common market of 50-million inhabitants serves its intended purpose, many of the five countries' imports from other countries will be replaced with goods made in the member nations.

The move toward an Andean bloc as a sub-regional grouping within the 11-nation Latin American Free Trade Association (LAFTA) results in part from the dominance of the "big three"—Brazil, Mexico and Argentina—in LAFTA. LAFTA's slow progress towards free trade was also a factor. Chiefs of state in the Western Hemisphere had agreed at Punta del Este, Uruguay, in April 1967 that a Latin American common market should be operating by 1985. Such a common market, it was hoped, would absorb the Latin American Free Trade Association, the Central American Common Market, and any other regional groups in the area. However, some officials in the Andean group privately expressed doubts that the Punta del Este timetable could be kept.

The Andean document provides for special agreements to foster multinational industries. It assures special safeguards to the economically weakest members of the group, Ecuador and Bolivia.

The agreement becomes effective after LAFTA approves it. Lima, the Peruvian capital, is making a strong bid to be the seat of the new body.

PARENT COMPANY MAY IMPOSE TERRITORIAL LIMITS ON SUBSIDIARIES

A parent company may impose territorial restraints on the activities of its subsidiary without violating the Common Market's competition rules.

Since parent companies do not compete with subsidiaries, territorial restraints are merely internal management measures, according to the European Communities Commission. This decision, announced in Brussels on July 1, was the Commission's first statement of position on an agreement between a parent company and its subsidiary.

The parent company Christiani & Nielsen of Copenhagen, a construction company specializing in public works and large industrial projects, agreed to furnish experience, know-how, and technical services to its subsidiary Christiani & Nielsen of the Hague. The subsidiary agreed not to do business outside the Netherlands without the parent company's approval.

159 ECSC ORPHANS GET FINET SCHOLARSHIPS

The Paul Finet Foundation awarded 159 scholarships on June 27 to orphans of miners and steelworkers who died as a result of a work accident or occupational disease. The total value of these awards is $22,960.

This year the Foundation received 210 applications for aid. Between its formation in 1965 and the end of 1968, the Foundation awarded 532 scholarships valued at $56,400. The money comes from private contributions and from the budget of the European Communities Commission.

To be eligible for assistance from the fund, a student must live in one of the Community member countries, be at least 14 years old or ahead of himself in school, and excel in his studies. The student or his legal guardian may apply for a scholarship or he may be suggested for consideration by his father's former employer.

POWDERED SKIM MILK GIVEN AS FOOD AID

The Commission of the European Communities announced on July 15 that it had arranged for the delivery of 120,000 metric tons of skim milk powder to the world food program and 3,000 tons to the international Red Cross. The milk powder is being supplied free, to developing countries. The cost of the project is estimated at $58 million.

EC to Donate Butter Oil

At its July 15-17 meeting in Brussels, the Council of Ministers passed a regulation containing the general rules for supplying milk fats to the World Food Aid Program. The regulation will make available 35,000 metric tons of butter oil for the program. The Community will grant allowances to processors to cover the costs of turning butter into butter oil and will make a contribution to the transportation and distribution costs in the recipient countries.

GAUDET RECEIVES HONORARY DEGREE FROM EDINBURGH

Michael Gaudet, director general of the legal services of the European Communities Commission, was awarded an honorary doctorate of laws on July 7 by the University of Edinburgh.

The award recognized Mr. Gaudet's contribution to European integration in the past seventeen years. A member of the French Conseil d'Etat, Mr. Gaudet joined the Coal and Steel Community in 1952. It also illustrated the University of Edinburgh's involvement in the future organization of Europe.

In 1963, the University established its Center for European Governmental Study. Since then, it has invited numerous European and Community leaders to conferences with different segments of public opinion in Scotland.

ITALIAN ORANGE MARKET NEEDS NEW STRUCTURE

The structural flaws in the European Community's system for producing and marketing oranges will take a long time to correct, according to a report released by the Commission in July.

Italy, the only orange-growing country in the Community, produced 1,350,000 metric tons of oranges in 1968, mostly for home consumption. Although Italy exports more than 10 per cent of its harvest, it supplies less than 3.5 per cent of the oranges consumed in the other five Community countries, which import most of their oranges from Spain, Morocco, Israel, and South Africa.

By the time Italian oranges reach the rest of the Community, other exporters already have their oranges in the shops. To improve their position, Italian orange growers would have to reorganize the industry and make appropriate arrangements for marketing their produce.

Since it would take a number of years to accomplish these changes, the Commission suggested technical changes in the arrangements for market intervention and refunds, with the possibility of improving the price system as well. The Council of Ministers discussed this proposal at its meeting in Brussels on July 28-29 but did not reach a decision.

NEW EIB LOANS INCLUDE AID TO TURKEY FOR BRIDGE ACROSS BOSPORUS

The European Investment Bank and three members of the European Community will help Turkey build a bridge across the Bosporus straits and a superhighway from Istanbul to the bridge. The total cost of the project is estimated at $185 million.

On July 1, the European Investment Bank made this announcement. The loan, of up to $75.9 million, will be underwritten by Germany ($10 million), France ($5 million), Italy ($2.5 million), the European Investment Bank ($20 million), the United Kingdom ($8.4 million), and Japan ($30 million). Other governments or institutions may participate later in the financing of this project.

This agreement has not yet been signed, but in the past month, the Bank concluded ten other loan contracts.

Steel Modernization

Trierer Walzwerk AG of Wuppertal, Germany, will receive $2.25 million towards the cost of modernizing and enlarging its steel plant in Trier. The loan is guaranteed by Hoesch AG, the parent company.

Because of the low level of industrial employment around Trier, the area has been designated as a "Bund development area." The project will create 300 new jobs.

Wharf at Nouakchott Again Extended

A $2.75 million loan to Mauritania will be used to extend the wharf at Nouakchott and to purchase additional loading equipment. The project will make it possible to handle economically additional transport demand, particularly from the Société Minière de Mauritanie, which mines copper ore. In addition, it should allow large reductions in dock fees for essential food imports.

The project will be administered by the Mauritanian Ministry for Construction and Telecommunications. The new wharf will be managed by the Etablissement Maritime de Nouakchott, a recently created national enterprise which works on a non-profit basis.

Textiles: 3 Loans

The Bank has concluded loans for textile modernization in Italy, Cameroon, and Germany.

The Istituto Mobiliare Italiano (IMI) will receive $4 million from the Bank to be relent to Chatillon Società anonima italiana per le fibre tessili artificiali S.p.A. Proceeds of the loan will be used to overhaul a synthetic and artificial fiber plant in Vercelli (Piedmont) which was severely damaged by floods last November.

The Cotonnière Industrielle du Cameroun (CICAM) will receive $1 million towards the enlargement of its industrial textile plants in Garoua and Douala at a total cost of $2.36 million. After the enlargement, the company will increase production of cotton textiles for domestic sale and will process about 10 per cent of Cameroon's cotton crop. In October 1965, the Bank granted CICAM a $1.22 million loan to build the complex.

Phrix-Werke AG of Hamburg (owned equally by the Dow Chemical Company and Badische Anilin-und -Sodafabrik AG) will receive a loan of $6.25 million to enlarge its plant in Neumünster at a total cost of $34.3 million. New equipment will also be added for the production of perlon yarn and nylon-6 carpet yarn and polyester yarn.

The project will create a thousand new jobs for local workers displaced by recession in the traditional textile and leather industries. Since Neumünster is located near the line of demarcation between the Federal Republic and East Germany, designated a focal point for economic development, it benefits from public aid and investment incentives.

Mining: New Caledonia

The Société Le Nickel will receive a loan of $2,025,000 to open a new nickel mine at a total cost of $86.2 million. The project will increase New Caledonian pure nickel production capacity from 38,000 metric tons to 69,000 tons a year. In addition to increasing exploitation of the large nickel ore deposits in New Caledonia, the project is expected to improve wages, public finances, and exports.

This is the Bank's first operation in one of the Overseas Territories that has special relations with France. It is being performed in accordance with the decision of the European Economic Community's Council of Ministers on February 24, 1964, associating the member countries' overseas countries and territories with the Community.

Chemicals: Franco-German Venture

The Société Lorraine de Polyolefines (SLP) will receive $8.1 million towards the cost of building a high-pressure polyethylene plant in Carling. This project is part of the investment program of the Société Chimique des Charbonnages (SCC), (which recently formed SLP) to diversify production by expanding into plastics. Ethylène Plastique, another SCC company will provide technical assistance.

The plant, a steam-cracking unit now being completed, and several other chemical plants in the SCC group will be located near. Thus, it will contribute to efforts by the province of Lorraine to diversify production in the area and to solve employment problems caused by the decline of the area's traditional coal, iron ore, and steel industries.

The city of Carling is a focal point of a Franco-German effort to create Saar-Lorraine industrial region on both sides of the border. Plans include an integrated chemical complex called Saarlor-Chimie that will process petroleum and a plant for the production of virgin naptha in Klarenthal (Saar). The new polyethylene plant and the steam-cracking unit with which it is connected are part of this complex.

Telephones and Machinery: Italy

The Società Italiana per l'Esercizio Telefonico p.A. will receive a loan of $25 million to install telephones and improve service in the Veneto and Trentino Alto Adige regions at a cost of $80 million. Upon completion in 1972, the project will enable the company to provide telephone service for 115,000 new subscribers in these depressed mountain areas. Exchanges will be built and modernized, and improvements will be made in the company's urban and trunk networks.

Another Bank loan of $1.6 million to the Istituto Mobiliare Italiano (IMI) will be relent to Radaelli Sud S.p.A. of Bari, Italy. The company will build a plant to produce compressors and pneumatic machines.

Second Transcameroon Rail Section

The Bank's soft loan of $5 million, a European Community grant of $15 million, and aid from the U. S. Agency for International Development, and the French Fonds d'Aide et de Cooperation will enable the Cameroon Government to lay the second section of its railroad at a total cost of $43.1 million. This section of track will run from Belabo to Ngaoundere. The first section, now nearing completion, was financed from the same sources. The project is being administered by the Office du Chemin de Fer Transcamerounais, an agency of the Cameroon Government.

When completed the railroad will improve prospects of development for the areas now handicapped by the high cost of transport. It will also improve traffic connections with the Republic of Chad.

BAVARIA'S NEW NATIONAL PARK

Bavaria now has a national park after long conflict with industrial interests. It had been argued that such a park would mean loss of timber revenue.

The project has the full support of Bavaria's Minister of Agriculture Hans Eisenmann, much to the delight of Professor Bernhard Grzimek, director of the Frankfurt

Zoo. Dr. Grzimek, a wild-life expert, had been a proponent of the idea for many years.

Finally a compromise was reached on the size of the park, located in Eastern Bavaria's hills and forests near the Czechoslovakian border. The first elk and bison have already been released. Deer and wild pigs will be stocked and special protection will be given to these and many other animals and birds, such as eagle owls, beavers, and otters. Visitors will also be able to view bears in compounds.

According to the *Deutsches Allgemeines Sonntagsblatt,* the Czechs have expressed interest in the project. They are thinking of establishing their own national park adjoining the Bavarian park, with a new frontier crossing point for tourists at Philippsreuth.

$57 MILLION ALLOCATED FOR FARM IMPROVEMENTS

The Commission of the European Communities has allocated $57,336,831 from the Guidance Section of the European Agricultural Guidance and Guarantee Fund. This sum is the second installment for 1968. The first installment of $37,540,544 was allocated at the end of last year.

The Guidance Section of the Fund partially reimburses the member governments for approved agricultural modernization projects. The Community will have given aid from the 1968 budget to more than 400 agricultural projects to improve production and marketing. Most of these projects are being executed in Italy.

COMMUNITY MOVING TOWARDS UNIFORM TAX RATES ON NEW CORPORATE CAPITAL

The stamp duty on raising capital will be abolished by January 1, 1972, and the members of the European Community will begin to harmonize tax rates on new corporate capital (including securities). Eventually uniform tax rates will be applied.

The Council of Ministers made this decision on July 17 in Brussels, adopting the Commission's proposal for a directive on indirect taxation imposed on the raising of capital. The directive, which is to be implemented by January 1, 1972, also requires the Commission to make proposals for uniform rates of duty on new capital by January 1, 1971.

Until Community rates are applied, members will tax new capital at the rate of 1-2 per cent. They must reduce that rate by 50 per cent, under certain conditions, in the event of a corporate merger or transfer of assets from subsidiary activities. For holding companies, the Community members are permitted to apply the rate of .5 per cent on new capital until January 1, 1973, when it must be raised to 1 per cent.

At the same Council meeting the Commission explained two memoranda dealing with the need and procedure for changing certain indirect taxes to facilitate the interpenetration of the Community members' securities' markets. The Council asked the Monetary Committee to give its opinion on problems connected with this proposal before December 1, 1969.

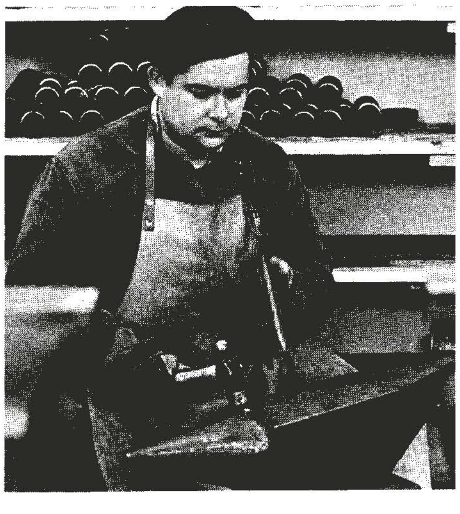
Tracing Foreign Capital

The Community capital markets will receive further scrutiny this fall.

At the July 17 meeting, the Council asked the Committee of Permanent Representatives to resume study of two proposals that the Commission sent to the Council in November 1965:

- a draft directive requiring the Community members to report to the Commission capital movements to and from non-member countries. Data would be submitted every five months on the origin and destination of capital movements. The destination of direct investments, loans, and credits would be broken down by region and industry.
- a recommendation for a Council decision to organize consultations on the Community members' national policies on movements of capital from third countries.

Article 70 of the Common Market Treaty, dealing with capital movements between Community members and non-member countries, provides for the gradual harmonization of the Community members' exchange policies. The other Treaty provisions for freeing capital movements are limited to capital flows between members.



POMPIDOU: NO OBJECTION IN PRINCIPLE TO UK ENTRY

Georges Pompidou, at his first press conference since his election to the French presidency, said in Paris on July 10 that France had no objections in principle to membership in the Community by Britain or any other country. He felt, however, that the Six should reach prior agreement on the conditions of membership, as it raised difficult questions and involved deep-seated changes for the Community.

He said: "The Community exists. It is a Community of Six. The first thing is to pursue the building of this Community. We must bring the transition period to an end: this is a priority. It will then be necessary to further the progress of the Community in all fields, with our five partners, who should have consultations with us to examine these matters without a fixed agenda."

On British membership, Mr. Pompidou's words were: "We are not, I repeat, closed to discussion, we are not closed to examination, but we do not want to embark on negotiations without knowing first of all what difficulties arise, what are the prospects to which this leads and what might be the common attitude of the Six. This is one of the aims of this meeting which might perhaps take place in the coming months between the main leaders of the Six."

REDEVELOPMENT LOANS APPROVED BY COUNCIL

A credit and two loans to help bring new industries to depressed iron and coal mining regions received approval at the July 28-29 meeting of the European Communities Council of Ministers in Brussels. At the request of the Commission, the Council rendered a "confirmatory opinion," as required by the Paris Treaty creating the European Coal and Steel Company.

Made available were:

- a credit of up to 10 million Dutch florins ($2.7 million) to help finance an industrial complex in South Limburg
- a loan of up to 3.5 million German marks ($887,500) to Schweisfurth KG, Herten, North-Rhine-Westphalia, to help finance the transfer and enlargement of a butchery and pork butchery products factory.
- a loan of up to 600,000 German marks ($150,000) to Maschinenbau DAMME AG, Lower Saxony, to help finance the installation of a cold forge to produce automotive parts.

←
A Belgian miner learns welding at a reconversion center at Limburg, Belgium. "Reconversion loans" help entire industries establish in depressed regions of the Community.

EDF AFRICAN AID COMMITMENTS

The total commitments of the European Development Fund since 1964 were raised to $642,981,000 by thirteen financing decisions made by the European Communities Commission on June 27. These decisions involve a total amount of $21,040,000.

Mauritania: $271,000 to provide technical assistance, plant, and equip ten rice paddies in the Senegal River Valley.

Upper Volta: $3,229,000 to improve the Ouagadougou-Koupela road, a main transport artery between the capital and the isolated southeastern part of the country.

Upper Volta: $2,107,000 to build and equip a new commercial slaughter house.

Togo: $2,160,000 to plant and equip new palm plantations.

Ivory Coast: $365,000 to finance mobile units needed by the National Institute for Public Health of Abidjan.

Niger: $1,620,000 to improve water supply around Tahoua, Filinguie, and Birni N'Konni.

Burundi: $2,806,000 to improve National Highway 2 between Muramvya and Gitega.

Chad: $906,000 to improve cotton productivity. Including this project, the Community has spent $9,500,000 for this purpose since 1965.

Netherlands Antilles: $1,220,000 to assist port development on the Island of Bonaire to allow cruise ships to dock there.

Surinam: $4,413,000 to build and equip 47 primary schools, a home economics school, and a school to train teachers.

The other decisions made available to the Community's African associates $1,739,000 for scholarships to attend schools in the Community, $54,000 for internships at the Commission's headquarters in Brussels, and $150,000 for conferences and meetings to explain the purposes of the Community's association with the African countries.

CRAFTS AND COCONUT AGREEMENT CONCLUDED WITH INDIA

Handicrafts and coconut products are the subject of two trade agreements between India and the European Community.

They were concluded by decisions of the Council of Ministers at its July 28-29 meeting in Brussels and exchanges of letters.

One agreement opens a $5 million, zero-duty quota for certain Indian handicrafts. The other institutes a Joint Cooperation Committee to examine aspects of the coconut products sector.

178 RECEIVE DIPLOMAS FROM EUROPEAN SCHOOLS

One hundred seventy-eight students have received their baccalaureates from the European Schools this year.

There are five European Schools sponsored by the European Communities now in operation. The baccalaureates awarded this year were distributed as follows: Brussels, 74 out of 78 candidates; Karlsruhe, 4 out of 4 candidates; Mol, 17 out of 20 candidates; Varese, 28 out of 33 candidates, and Luxembourg, 55 out of 58 candidates.

Holders of this diploma are eligible for admission to universities in the six European Community countries, Austria, and some universities in the United Kingdom, Switzerland, and the United States. The curriculum of the European Schools founded by the Communities to educate their employees' children, was especially formulated for their needs. Its graduates are prepared to meet each member country's basic educational requirements. Classes are conducted in French, German, Dutch, and Italian, the Community's four official languages. In addition to mastering their mother tongues, all graduates attain fluency in at least one other Community language. (English, Greek, and Latin are optional.)

COUNCIL AUTHORIZES TACIT PROLONGATION OF CERTAIN TRADE PACTS

Some trade agreements between members of the European Community and non-member countries may be tacitly prolonged beyond January 1, 1970, the end of the transition period. These agreements cover a very small part of the Community's foreign trade, most of which is governed by the General Agreement on Tariffs and Trade.

When the Council of Ministers made this decision on June 30 in Luxembourg, it recognized that the Community had dropped too far behind schedule for harmonization of commercial policy to catch up in the next five months. The Common Market Treaty gives January 1, 1970, as the deadline for the Community to take responsibility for all trade agreements between its members and non-member countries.

Commercial policy is one of several areas where the Treaty deadline will not be fully met. Nevertheless, it was decided last spring not to extend the 12-year transition period. The deadline would give a good psychological boost to the Community's efforts to tie up as many loose ends as possible within the Treaty timetable. The few remaining items will be finished early in 1970.

THIS YEAR'S FARM PRICES STILL UNDECIDED

Price decisions for the major farm products in the current marketing year have been postponed until after vacation.

The European Communities Council of Ministers made this decision at its meeting in Brussels on July 28-29. It also extended last year's prices for beef and veal until November 2, 1969, and said it would review problems in the milk, beef and veal, fats and oils, wine, and fruit and vegetable markets at its next meeting, on September 16-18.

Aid to Agricultural Improvements

At the same meeting, the Council adopted a regulation allocating aid from the Guidance Section of the European Agricultural Guidance and Guarantee Fund and setting at 45 per cent the maximum reimbursement per project. The Guidance Section operates retroactively, reimbursing member governments for part of their expenditures to improve the efficiency of agriculture.

The Guidance Section's budget this year is $285 million, which the Council decided to divide into three parts. The first, of $160 million, will be used to finance projects designed wholly or in part to improve agricultural structure. The second part will be kept to finance special measures after a decision is made on the Commission's memorandum on the reorganization of agriculture. (*See European Community No. 119, page 14.*) The third part will be used to finance special measures, especially in the fruit and vegetable market.

Oilseeds and Fibrous Plant Seeds

At its meeting in Luxembourg on June 30, the Council adopted a directive on marketing seeds of oleaginous and fibrous plants. The directive specifies measures required to guarantee the application of strict uniform rules within the Community on the choice of seeds produced within the Community and accepted for marketing. The directive also specifies that seeds imported into the Community should offer the same guarantees as seeds officially certified or accepted for marketing in the Community.

The member governments are to take the necessary action to conform with this directive by July 1, 1970.

EAST AFRICANS COMPLETE TALKS WITH COMMUNITY

Kenya, Tanzania, and Uganda have concluded negotiations with the European Community for a new association agreement, it was announced in Brussels on July 13.

The six will suspend customs duties on most East African products. In return, the three East African nations will grant the Common Market tariff preferences on about 50 products. However, annual quotas will be applied to East African exports of coffee (56,000 tons), canned pineapples (860 tons), and cloves (100 tons).

The new agreement is likely to be signed in Arusha, Tanzania, next month. It has to be ratified by parliaments of the contracting parties before entry into force and will expire not later than January 31, 1975.

An earlier agreement between Kenya, Tanzania, and Uganda and the Six was signed in Arusha in July 1967, but never became effective because not all the European parliaments ratified it.

PUBLICATIONS AVAILABLE

CONVENTIONS CONCLUDED BY THE MEMBER STATES OF THE EUROPEAN COMMUNITIES PURSUANT TO EEC TREATY ARTICLE 220. *Supplement to Bulletin No. 2-1969 of the European Communities,* Commission of the European Communities, Brussels, February 1969, 45 pages .... $.30

Reprints the following:

- CONVENTION ON THE MUTUAL RECOGNITION OF COMPANIES AND BODIES CORPORATE (signed on February 29, 1968)
- CONVENTION ON JURISDICTION AND THE ENFORCEMENT OF CIVIL AND COMMERCIAL JUDGMENTS (signed on September 27, 1968)

MEDIUM-TERM MEASURES FOR VARIOUS AGRICULTURAL MARKETS, Part C. Commission of the European Communities, Brussels, December 1968, 35 pages .... free

Translation of the third part of the Commission's new plan for agriculture. Parts A & B were advertised in EUROPEAN COMMUNITY No. 122.

THE TASKS AHEAD: COMMISSION LAUNCHES 3-YEAR PLAN TO FURTHER EUROPEAN INTEGRATION. European Community Information Service, London, 1969, 4 pages .... free

RECHERCHE COMMUNAUTAIRE SUR LA SECURITE DANS LES MINES ET LA SIDERURGIE (1962-1966), Part A-Sidérurgie. *Etudes de Physiologie et de Psychologie du Travail No. 4.* Commission of the European Communities, Luxembourg, 1969, 231 pages $2.50

Synthesis report on research supported by the High Authority on safety in the iron and steel industries. Part B, on safety in coal and iron mines, will be published later.

COMMISSION PROPOSALS ON THE FINANCING OF COMMUNITY ACTIVITIES FROM THE COMMUNITY'S OWN RESOURCES, *Information Memo* P-38, Commission of the European Communities, Brussels, July 1969, 5 pages .... free

Summary of three documents on replacing the financial contributions of the member states by the Communities' own resources.

THE ECONOMIC SITUATION IN THE COMMUNITY. No. 1, 1969. Commission of the European Communities, Directorate General for Economic and Financial Affairs, Brussels, March 1969, 98 pages $2.50

Covers the first quarter of 1969. Contains the Opinion of the Short-term Economic Policy Committee on the national budgets for 1969 and a special annex on labor cost trends in industry.

REPORT OF THE RESULTS OF THE BUSINESS SURVEYS CARRIED OUT AMONG HEADS OF ENTERPRISES IN THE COMMUNITY. No. 1, 1969. Commission of the European Communities, Directorate General for Economic and Financial Affairs, Brussels, May 1969, 49 pages $1.00

Contains the results of monthly surveys made between the end of October 1968 and the end of February 1969. Gives information on orders (including export orders), stocks, and trends in production and selling prices.

PROHIBITION OF THE "INTERNATIONAL QUININE AGREEMENT." *Information Memo* P-4, Commission of the European Communities, Brussels, July 1969, 4 pages .... free

Summary of a recent antitrust decision, which, for the first time, imposed fines.

COMMISSION MEMORANDUM TO THE COUNCIL ON THE CO-ORDINATION OF ECONOMIC POLICIES AND MONETARY CO-OPERATION WITHIN THE COMMUNITY. *Supplement to the Bulletin No. 3-1969 of the European Communities,* Commission of the European Communities, Brussels, March 1969, 15 pages .... $.30

EUROPEAN COAL AND STEEL COMMUNITY FINANCIAL REPORT FOR THE YEAR 1968. Commission of the European Communities, Brussels, March 1969, 34 pages .... free

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