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COVER: Jan Steen (1626-1679), Christmas night gathering in the house of a Dutch burgher. Photo: The Bettmann Archive, Inc., New York, N.Y.

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# Jean Rey Hopes For Year-End Package Deal

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*Jean Rey, President of the European Communities Commission, hopes for a year-end package deal on the urgent internal questions facing the Community, notably financing the common farm policy and opening negotiations for enlarging the Community. Following is a condensation of Mr. Rey's press conference in Brussels on October 14, at which he also explained the Commission's position following the French devaluation and the German revaluation.*

I WAS SURPRISED TO READ in certain newspapers that the agricultural common market had been put into cold storage for two years following the devaluation of the franc. On the contrary, it was to prevent this from happening that exceptional agricultural measures were enacted. The measures (*see page 10*) were decided upon by the Council of Ministers, in agreement with the Commission, and carried out by the Commission and the French Government together so that the common agricultural policy could continue to function normally. It was agreed that within two years the functioning of common prices would gradually return to normal.

I should like to stress the importance of this event. We were surprised that it was not possible to apply the 1964 and 1968 regulations covering such parity changes. According to these regulations agricultural prices in a member country would automatically be adjusted by percentage on a par with its currency change. Instead it was agreed not to apply these rules, as it was apparent that if France suddenly increased its agricultural prices by 12.5 per cent, as the regulation required, it would have rapidly lost the advantage gained by monetary devaluation. Everyone—the French Government, its partners, the Commission—agreed upon this political choice.

The mark was revalued in another way. Germany decided to float the mark and to levy taxes on certain products traded between Germany and the rest of the Community. The rates were to be decided by the Bonn Government. The Commission was then asked to legalize the measures put into effect during the previous twenty-four hours.

We could not accept the idea that a member state should erect, on nothing more than its own judgment and evaluation, fiscal barriers within the Community. Had we acquiesced, we would have been not only accepting a distortion of the common agricultural policy but also condoning the denial of the whole common agricultural policy. What would prevent a similar denial of the customs union the next day?

## Two Lessons

These events point to two conclusions, two lessons:

- first, that in two cases the machinery devised in 1964 to protect the common agricultural prices against currency movements has not worked. Both the Commission and the Council of Ministers should take note of the lesson taught by these two experiences, not by abandoning common prices but rather by knowing how to react when the prices run into difficulties resulting from a parity change within the Community . . .

- Secondly, that economic policies and, above all, the common agricultural policy—no matter how perfectly constructed technically—are obviously built on too fragile an economic and monetary foundation. Our problem now is not to hold

back the agricultural policy but rather to push the monetary policy forward.

We are convinced that the Barre plan will be accepted, not only in theory but in practice, and that it will be in force by the beginning of 1970. (*See European Community No. 121 page 12.*) No one believes that the Barre plan will succeed in protecting the Community once and for all from internal monetary fluctuations, but we do feel that it will greatly enhance the chances of preventing such fluctuations.

## The Enlargement Question

We have brought up to date the opinions on enlarging the Community expressed in 1967 regarding the essential economic elements. We confirmed our opinion that negotiations should be entered into with just the British as a start and later pursued with all four applicants.

Secondly, it is our opinion that we should increase Community membership from six to ten rather than from six to seven. Our reasons are straightforward: we feel that increasing the membership from six to seven would create at least as many problems as it solved.

Thirdly, we insisted more than ever before upon strengthening the Community.

## Main Difficulties

What are the main difficulties which we shall have to deal with between now and the end of the year? As I see it, there are three.

First, there is the question of time. There is, needless to say, much too little time.

The second is the problem of agricultural surpluses. We cannot leave this problem unsolved until the end of the year, not that I think 400,000 tons of butter can be made to disappear in two months. However, before the end of the year we must make general decisions that will allow us to control this situation, thereby setting in motion a "healing" process. If this is not done, it could compromise adoption of a settlement of agricultural financing, which is a main part of the year-end package, and of the Mansholt plan, which is slated for discussion and enactment next spring. I fail to see how we can convince the ministers to adopt so ambitious a plan if, in the meantime, the problem of surpluses has not been brought under control. Furthermore, I cannot see how we are to begin serious negotiations with Great Britain about agricultural policy if we cannot explain how we plan to control surpluses.

The third difficulty is to convince everyone involved that we cannot hope to settle all internal problems before dealing with external items, or vice versa; they will have to be dealt with at the same time or not at all. There is no other technique for solving the problems for which the Community will have to find solutions by the end of the year. After the vital impetus which the summit conference is likely to give, the end of the year may well see general agreement. I repeat, I do not think this is a technical difficulty, I think it is rather a problem of political intent, and I have no reason at all to doubt that our governments now know that the time has come for them to practice what is, after all, their profession, that is, "government."

# Community Enlargement

## COMMISSION SAYS TALKS SHOULD START

NEGOTIATIONS WITH THE FOUR CANDIDATES for membership in the European Community should begin as soon as possible, the Commission urged in a 44-page "Opinion" submitted to the Council of Ministers on October 2.

Asked by the Council on July 22-23 to up-date its Opinions of September 1967 and April 1968 on the British, Irish, Danish, and Norwegian applications, the Commission again endorsed the validity of its earlier conclusions and its belief that negotiations should open promptly. It also reaffirmed the urgency of strengthening Community institutions so that decisions could be made despite the increased administrative complexities that would accompany the Community's enlargement.

Other key points made in the report were that:

- Britain's request could not be considered in isolation from the others: simultaneous entry should be the goal of negotiations.
- The candidates should accept the principles of the common farm policy, but carrying out the Mansholt farm-reform plan would make it easier for new members to accept the financial implications of the policy.
- The candidates should express their readiness to strengthen the Community and participate fully in the creation of a politically and economically united Europe.

The Commission again made it clear that the main problems concern agriculture and monetary difficulties. In contrast to its 1967 Opinion, the Commission devoted considerable space to discussion of negotiating procedure and the need to improve the functioning of Community institutions.

### Agriculture

The entry of new members would not by itself entail a review of the bases of the common agricultural policy (CAP): a single agricultural market with common prices, a single system of trade with non-member countries, and priority for commodities produced in the Community. However, changes in carrying out this policy could prove necessary. Nor should enlargement affect the CAP's financing principles: Community responsibility for price and marketing guarantees and for agricultural modernization.

Transitional measures should be negotiated to overcome the main agricultural problems:

- the CAP effects on patterns of production and consumption
- the CAP's financial consequences on new members
- difficulties that arise over Commonwealth sugar and New Zealand butter.

Extending the existing CAP (especially the price and marketing guarantees) to new members without reforming farming as suggested in the Mansholt plan could swell the output of major farm products in the new member countries. Carrying out the Mansholt plan would help bridge the gap between Community farming and the highly efficient agriculture of certain candidate countries, and make the CAP more acceptable to the Commission emphasized that consumers rather than taxpayers would continue to pay for CAP expenditures.

### Economic and Financial Problems

The Commission's 1967 Opinion dealt with three major economic problems connected with British entry: its balance-

of-payments deficit, fluctuations in sterling balances held by sterling area countries, and the pound sterling's world role. Since then, these problems have been modified—by the November 1967 devaluation of the pound, by the September 1968 Basel agreement on a system to curb withdrawals on sterling balances, and by recent improvements in Britain's trade balance. In negotiations the Community should keep in mind Britain's need to achieve a lasting recovery in its balance of payments and to repay debts contracted since 1965 in support of its currency.

Since the Basel agreement, withdrawals of sterling have ceased, the Commission said, and sterling balances held by public authorities in the sterling area countries have grown from £1.506 billion (\$3.615 billion) at the end of September 1968 to £1.906 billion (\$4.574 billion) at the end of June 1969. However, the Commission could not say how far the agreement had reduced the possibility of sudden fluctuations' straining an enlarged Community. A lasting and effective solution could be found only within international monetary institutions. The issue is so important for an enlarged Community that the Community and the United Kingdom should establish guidelines along which the Community would participate in any international action that might be taken. Applicant countries must agree on effective coordination of national economic policies.

### Transition Measures

Transitional arrangements over several years would be needed to soften the economic impact of applying Community rules, but these should disappear according to a prearranged timetable.

Transition periods for industry and agriculture should be synchronized. The entry into force of the Paris and Rome Treaties and the timing of transition measures—especially on movement of goods—should not vary for different products or for an entrant's specific problems. Otherwise, the Community would encounter serious trade diversions and administrative complications over control of origin.

### Special Relations

Besides the four applicants for membership, several European countries, particularly members of the European Free Trade Association, wish to establish special relations with the Community.

The southern European countries' level of economic development rules out their immediate membership. They could, however, establish preferential relations in the form of association, if their political institutions were comparable with those of the Community's founder states.

For countries with sufficiently developed economies and democratic governments, the Community has always considered that full membership best fit the Treaties' objectives, except for countries whose international circumstances, such as imposed neutrality in the case of Austria, prevented full membership. For those countries association or preferential agreements would mean compliance with decisions they had not helped make. For the Community, it would mean excessive complications, arising from commitments on consultation and a multiplicity of special arrangements. The Commission

therefore considers that the Community should not normally contemplate agreements of this kind.

### Strengthening the Community

Strengthening and enlarging the Community are linked, and the candidates must accept not only the progress the Community has already made but also the principle of strengthening the Community.

Candidate countries should begin to synchronize their domestic policies with Community policy and anticipate some of the adaptations that their full participation in Community activities would require to minimize the problems of transitional measures.

### Institutional Mechanisms

Enlargement is likely to make the Community's institutional mechanisms more cumbersome. Agreement to review all Community institutions is necessary, at latest by the end of the negotiations.

The European Parliament should receive budgetary powers, and its members should be elected by universal suffrage. Both steps are explicitly required by the Community Treaties.

The efficacy of the Council's decision-making methods has been impaired by application of the unanimity rule where the Treaties do not require it. Delays affecting the Community's relations with the rest of the world, particularly in its commercial policy and the high cost of its agricultural policy, are largely a result of these institutional aberrations. In an enlarged Community, the current practice of imposing a "veto" would become more serious. The Commission therefore urged that decisions by majority vote again become the Council's normal practice unless the Treaties specify otherwise. Council unanimity is required in cases where the Treaties describe general objectives but not the means of achieving them. In these cases, unanimity should be required on the outline decisions setting targets or drawing broad procedural lines. Majority voting would suffice on the implementing decisions.

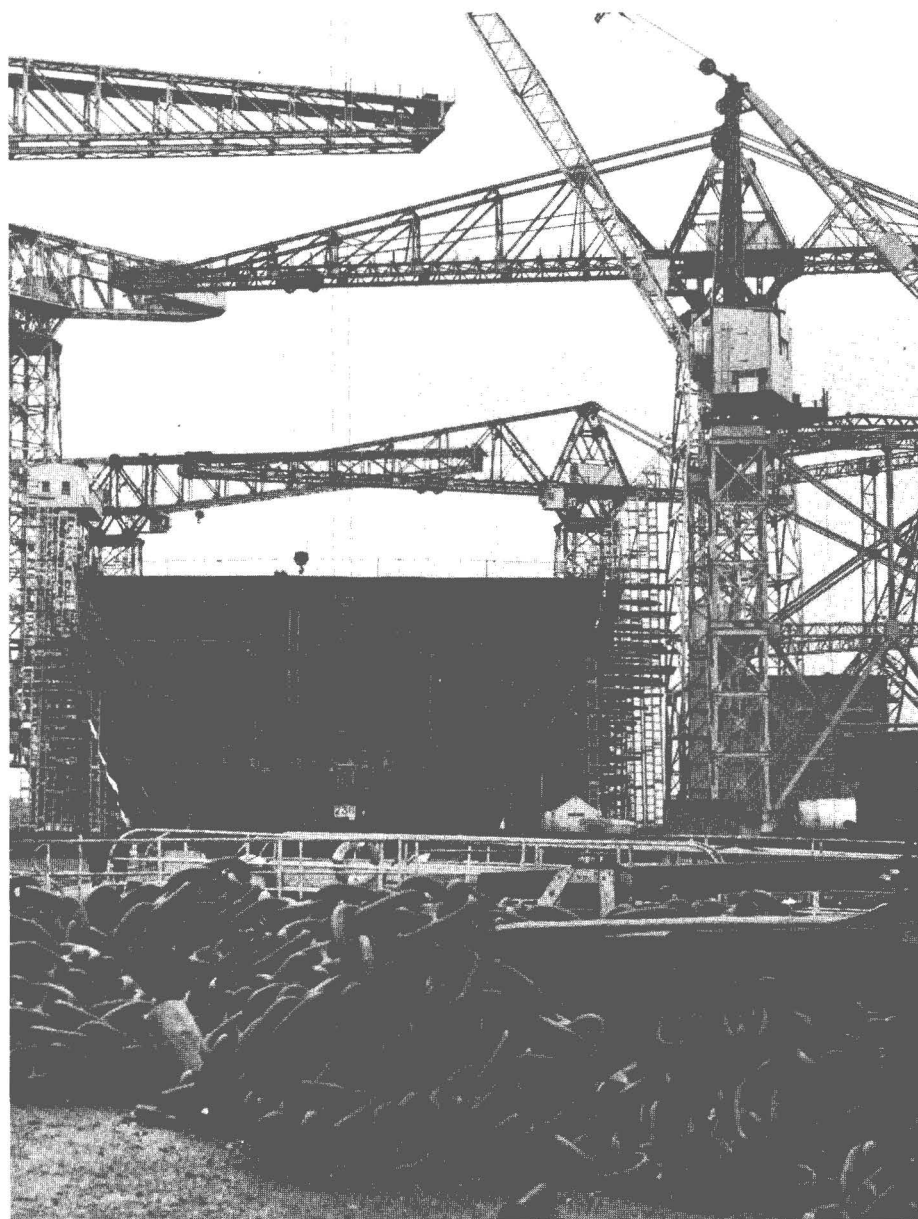
Existing arrangements on weighting Council members' votes and the level of the qualified majority would have to be adjusted so as to preserve the Council's ability to act. Minority interests should be protected by providing that majority decisions could be made only on a proposal by the Commission. Powers of management should gradually be transferred to the Commission.

### Size of Commission

The number of Commission members should be decided during negotiations. Because of the Commission's collegiate and impartial nature, its membership should be kept to the minimum, although at the Communities' present stage of development, it should include a national member from each country.

For the Court of Justice, accession of new members presents few difficulties. The total number of judges simply must remain an odd number, as required by the protocol on the statute of the Court.

Enlargement would entail a corresponding increase in the number of members of the Economic and Social Committee, the European Atomic Energy Community's Scientific and



*Ship under construction for Britain's Cunard Line in the John Brown and Company, Ltd. shipyard, Clydeside, Scotland. British shipbuilders have been world leaders since the sixteenth century. Photo: Courtesy of the British Information Service, London.*

Technical Committee, and the Coal and Steel Community's Consultative Committee.

### Negotiation Procedure

Before negotiations open, the Council should work out a common position based on the Commission's Opinions.

Both preliminary examination and negotiations should concentrate on the important political, economic, and social issues. Negotiations should not get bogged down in detailed discussions of every problem. Community institutions could settle less important problems not resolved during negotiations, and the Commission is prepared to submit a list of essential points as soon as the Council is ready for it.

### Negotiations in Two Phases

Previous negotiations were entrusted to an intergovernmental conference in Brussels at ministerial level and, between meetings, at deputies' level.

The Commission expressed doubts that Article 237 of the Common Market Treaty meant that the member states should meet in the Council to negotiate individually with non-member countries on existing Community policies, such as customs tariffs policy or the common commercial policy, over which they no longer had individual control.

Negotiating individually with non-member countries, the member states would accentuate differences between their points of view. Non-member countries would be tempted to divide the member states and conduct talks with them in parallel, which would damage the Community's cohesion, harden positions, and finally lead to failure. The Commission therefore recommended that the Community divide the negotiations into two stages.

The first would be conducted on the same lines as the Kennedy Round. The Council would give the Commission a mandate to negotiate for the Community, and the Com-

mission would keep the Council informed and follow the Council's guidelines. This stage would deal with problems connected with common policies, such as the common agricultural policy.

In the second stage, the member countries meeting within the Council would review general political problems resulting from enlargement, institutional problems, and amendments to the texts of the Treaties.

### Conclusions

Because of the close links between strengthening and enlarging the Community, both issues must be considered together, not separately.

The Community's internal development cannot stop where it now stands. Under diverse pressures, the Community is paradoxically allowing its unity to be impaired just when the customs union has been completed and when technological progress is steadily adding to the advantages offered by a large single market. By using Community institutions to assure convergence of national policies, the Community should consolidate the results obtained.

Enlargement should not slow down this consolidation process. Only a strong Community could provide a suitable framework for receiving the applicants.

The applicants should consider their membership requests against this background. When negotiations open they will have to state their agreement not only with the principle of accepting what has been attained by the Community—the Treaties and the decisions made under them—but also, with the principle of strengthening the Community, in full knowledge of the measures agreed on or in course of implementation within the Community.

*View from Trafalgar Square, London.*



### ENTRY WOULD MEAN 3.5% LIVING COST RISE

Joining the Community would involve an estimated rise of about 3.5 per cent in the United Kingdom's cost of living, according to a supplement to the Commission's revised opinion on Britain's application.

The supplement, released on October 6, reviewed various aspects related to enlarging the Community, including its effect on the customs union, industrial development, agriculture, external relations, and regional policy.

The Commission pointed out that the common agricultural policy would cause price rises in Britain for many of the main agricultural products. For others—in particular milk, fruit, vegetables, mutton, and lamb—there would be little change. Eggs and potatoes should cost less.

The Commission estimated that with ten members, the Community would by 1973 have to find \$3.75 billion to finance the common agricultural policy, or \$4.2 billion if the Mansholt plan for structural reform were adopted. For the Six alone, the figures would be \$3.29 billion and \$3.6 billion, respectively.

# Britain Is Ready Now

by **GEORGE THOMSON**

I REGARD MY RETURN TO RESPONSIBILITY for the British Government's European policy at this moment as a challenging assignment which I hope will turn out to be an historic one. I conducted the original "Common Market probe" after the 1966 general election which led to the British Government's reactivating its application to join the Community in July 1967.

I remember the very careful consideration which led up to the application: the weighing of all the various other possibilities, the exploration with other European governments, the series of summit meetings in the capitals of the Six conducted by the British Prime Minister and Foreign Secretary. This was a painstaking process. We looked carefully indeed at alternatives, and came to the conclusion that none offered the same attractions as the course the Government decided to take—a clear, unqualified application for full membership in the European Communities under Article 237 of the Common Market Treaty and the appropriate articles of the other two treaties [establishing the Coal and Steel and Atomic Energy Communities]. The application was backed by an unprecedented majority in the House of Commons and generally supported by governmental and public opinion on the Continent. In July 1967, to follow up our formal application, George Brown as Foreign Secretary stated the reasons for the Government's application and the very limited number of issues which we wanted to raise in negotiations. This statement also described our hopes for future developments in Europe in all fields, political as well as economic. It bears re-reading in the light of what has happened since; and only last month the Prime Minister confirmed that it remained valid, subject to changes made necessary by the passage of events.

The thoroughness of the examination of alternatives before our application and the conviction of all three political parties in Britain that this is the right course for us and for Europe, together with the continuing support on the Continent for the British Government's policy—these factors have meant that we have been able to maintain our European policy in the face of considerable delays and difficulties. That should remove one imprecise but, nevertheless, invidious criticism of Britain—that we are not really "European." I hope that this ghost is now well and truly laid to rest. We have kept faith with Europe in this difficult period. We shall not change our policy now.

Of course Britain, like other European countries who are members of the Community, has close links outside Europe. Between us, the countries of Western Europe have been responsible for the development of most of the rest of the globe, in one way or another. It would be an absurdity to claim that interests outside Europe were in any way un-European. Europe has been the most outward looking of all the continents; and it is one of the major arguments for a United Europe that in this age the only way we Europeans can have the kind of worldwide influence and resume the kind of responsibilities—in a moral, not a neo-colonial sense—

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*George Thomson was appointed October 5 as Deputy Foreign Minister (with seat in the Cabinet) with special responsibility for European affairs.*



*George Thomson*

that we have thrived on in the past is through real union.

The achievement of independence by the countries of the European colonial empires has been one of the historic processes of this century. It will be an equally historic achievement—and one of great value to the world—if the countries of Europe, having given up their empires, can create a unity which will allow Europe's influence on international affairs to match that of any other world power.

This is why, as a former Commonwealth Secretary, I see no contradiction between my country's position in the Commonwealth and as a member of the Communities. We have ties of understanding with various Commonwealth countries, as other European nations have special links with their former overseas territories, and this can be of real benefit to Europe as a whole. Europe, united, can again make a real contribution to the solution of world problems in a way that Europe, divided, has gradually found herself less and less effectively able to do. For this process to gather force, the Community must be enlarged. There are problems. They can only be solved in negotiations. But, given the opportunities which enlargement can afford to Europe as a whole, and to the rest of the world, too, it would be an act of folly to allow this chance to slip by.

## **Current Situation Clear**

The present situation is clear enough:

- Six countries linked by a Treaty whose declared aim is "to establish the foundations of an ever closer union among the European peoples"—a Treaty which states that "any European state may apply to become a member."
- Four applicants with impeccable credentials, one of which—Britain—has declared only recently, in a joint declaration with an existing member, its belief that "their future and the future of Europe are indissolubly linked," that "Britain and Italy believe that the common interests of our Continent, its security and prosperity, demand union. They re-affirm their determination to work for this aim, together with those other European governments which share their ideals and goals."
- An Opinion by the European Commission, recently brought up to date at the urging of the governments of the existing members, which recommends negotiation with the minimum delay.

- Reports by distinguished experts done for Jean Monnet's Action Committee for the United States of Europe on the main issues to be dealt with in negotiations which conclude that none of the problems look insoluble. (*See European Community No. 126, page 4*)
- A summit meeting this December, at which the Six plan to discuss the completion, the enlargement, and the reinforcement of the Community.
- In Britain, a Government which has stuck to the application for more than two difficult years and the support of all three main political parties for early negotiations.
- Overall, the clear advantages—political, economic, technological—of an enlarged Community. Europe should not be made to wait much longer.

### An "Applicant, Not a Supplicant"

There are difficulties: difficulties related to the issues with which, under the Treaties, the existing members of the Community have to deal with by the end of the year; problems with the way the common agricultural policy is working; uneasiness perhaps in some Continental quarters that the balance of advantage between the present members would be upset by enlargement; concern in Britain about some of the short-term economic effects of membership.

But Britain is in a much stronger economic position than at the time of the earlier approaches to the Common Market. We are beating our balance-of-payments problem. Equally important structural changes have been taking place in our

economy which promise that we can maintain our regained strength. We feel that we approach the negotiations with the strength to stand on our own feet and in the knowledge that an enlarged Community is to the benefit of all its members, that the Continent needs Britain as much as Britain needs the Continent. We are, as Michael Stewart put it the other day, firm applicants; but we are not supplicants.

One thing seems clear. The difficulties are of a different order of magnitude from the opportunities which the enlargement of the Community offers as a basis for a Europe which we have said we believe "can emerge as a Community expressing its own point of view and exercising influence in world affairs, not only in the commercial and economic but also in the political and defense fields." If we in Europe allow ourselves to be put off from seizing the opportunity which offers itself now, it would be a failure of vision, of leadership, which the next generation would find hard to forgive. For my part, for the British Government's part, we are ready for negotiations now. We want negotiations to start as soon as possible. We want to get to grips with the problems which must be solved in negotiations. We seek to reduce the area of negotiations to a minimum. And then, if we can achieve terms which are fair to all, we want, as members, to join wholeheartedly in the further development, the reinforcement of the Community, so that in the Seventies—the new decade that is almost upon us—the ideals of the founders of the Community may at last be realized.

## Why Doubt Britain's Intentions?

by GEORGE BROWN

THERE HAS BEEN ONE RECURRING question during my recent visits to the Continent and my discussions with European statesmen in London: "Are the British growing cold about Europe?" From my own point of view there can be no doubt about it, although I still believe most firmly that Britain's political and economic destiny lies within a larger European unit. It is not a matter of Britain's becoming part of Europe. We are part of Europe. Our history, our geography, our political and military alliances, our economic ties all testify to that fact. Why then this doubt about British intentions? To understand why some people in Britain have been in a questioning mood in recent months, one has to understand the situation in which we have been placed. For almost a decade Britain has declared her willingness to play her full part in building a wider European unity. In 1967 the British made the historic and momentous decision to try for the second time to join the European Communities, with overwhelming support both in and outside Parliament.

Before this decision was taken the Prime Minister and I made an intensive tour of the European capitals in order to find out how serious the obstacles were. By the end of our trip it was quite clear that we had no need to get bogged down—as our predecessors had allowed themselves to do in

1961-63—on a vast range of issues, most of which could easily be resolved after we had become members of the Community. We succeeded in limiting the major issues to be negotiated before entry to a handful. That was the basis on which Parliament made its decision, and that was the basis on which I presented the application for membership on behalf of the British Government.

### Two Years of Silence

What did the Community give us by way of an answer? Nothing. For over two years we waited in vain for an acknowledgement, let alone for any indication from the Community that it might be willing to talk to us about this not unimportant question. Inevitably in such circumstances the atmosphere grows cool. When I toured the Continent with the Prime Minister I gave ample warnings that this would happen if too much time was allowed to elapse. In my view, it is not the British attitude towards Europe that has changed. It is the long time that we have been forced to hang around waiting that has exasperated many people, that has given the minority who oppose British entry a clear field and the majority of us who support it an awkward background against which to present our case.

Let us only start the negotiations and one will find that the enthusiasm is still there. Already, now that there is a new German Government and that the French Government is showing signs of developing a positive European policy, the atmosphere in Britain is improving. The Commission's new report on the applications of Britain, Denmark, Ireland, and Norway has also been recognized as a positive contribution.



# Britain's Future Lies in Europe

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by SIR ALEC DOUGLAS-HOME

THE LAST FEW YEARS have been frustrating ones for British policy in Europe. It has not been easy to maintain enthusiasm for a policy which has suffered such rebuffs as has our application to join the Community. Yet, as Mr. George Thomson says (*on page 7*), Britain has kept faith with Europe during this difficult period. This was evident in October of this year when our three political parties, in their different ways, restated their desire to see negotiations for entry opened with the Community.

Since then, and more clearly than ever, the ball has rested in the Community's court. There are grounds to believe that the deadlock which has afflicted the Community on this issue of British membership will not last very much longer. How bright the prospects are, will be easier to judge after the six heads of government have met at their conference at The Hague —the results of which will be known by the time this article is published. It is sufficient to say that the importance of this gathering for the future of Europe can hardly be overstated.

The Community which Britain would enter in the early 1970's is clearly not the organization that we were attempting to enter in the early part of this decade.

Since the last Conservative Government's application ran up against the stone wall of General de Gaulle's veto, the Community has moved much closer to unity in both industrial and agricultural spheres. An important milestone was passed on July 1 last year when the tariff barriers within the Community, which had been progressively reduced since 1958, were finally abolished. Free movement of workers, an important decision on tax harmonization in 1957, and a greater freedom for businessmen to set up plants in member states other than their own are among the other achievements which the Community has marked up in the industrial sphere since 1963. Perhaps of more fundamental significance than the acts of the institutions is the greater interdependence of the member states in economic affairs. The six national economies are being fused together, as the proportion of trade that the member countries do with each other increases steadily. This process is bringing in its train a closer coordination of policy making in the economic sphere. The Commission is clearly anxious, and the Council apparently agreeable in principle, to reinforcing the mechanisms and procedures which already exist as a means of bringing about closer harmonization of economic policy making both in the short and longer term.

At the same time, many are aware, and the Commission acutely so, that the Community has not fulfilled all its promises. The attempts to create common policies in the sphere of transport and commercial relations have not produced the results expected by the Community's founding fathers. What this means is that if Britain, as I hope, becomes a member of the Community in the early 1970's, it will not be entering a completed mansion. The foundations of economic integration will have been laid, some of the superstructure will be visible, but a lot of the building work will have yet to be done.

The element of disenchantment which appears to run through some of the Community's activities today is no doubt

partially due to the disarray into which the common agricultural policy, on which so much effort and political skill has been expended, has fallen. The temporary isolation of the French market, in order to cushion the effects of the franc devaluation, and the special support which is being given to the German farmers clearly vitiate the principles which underlie a Community policy. However, it is evident that a common system of agricultural protection, Community preference, common price levels, and a degree of joint responsibility remain valid principles in an organization which aims at being more than a simple free trade area for industrial goods.

Apart from the effects of the French and German adjustments of their exchange rates, it is clear that continental agriculture faces the even more fundamental problem of structural reform. The policy which has been pursued hitherto of trying to satisfy the farming population by setting agricultural prices high has been found wanting. The course of the debate in the Community on the Commission's long-term plan for the modernization of European agriculture and reduction of surpluses will be followed very closely in this country.

The economic advantages of unity have from the beginning been an important factor behind the European movement. But today there is probably an even clearer appreciation of the consequences which are likely to befall Europe if we do not succeed in organizing more effectively the great potential of our economies. The report of Lord Plowden and Professor Karl Winnacker to the Monnet Committee argued cogently the case for a common approach to the problems of technology, pointing out the advantages which American industry enjoys for having the assurance of a large domestic market. (*See European Community No. 126, page 4.*) It is difficult to disagree with their premise that "if the technological predominance of the United States is to be lessened, Europe must maintain an independent and substantial effort in research and development."

The need to create much closer unity between the European states is also felt in the realm of defense. Europe will clearly have to carry a much greater share of the defense load than in the past, and this will create a compulsion on European countries to coordinate their defense capability to the maximum, both as regards their procurement of defense equipment and policy at the strategic level. And, any such action implies the search for a common stance on the broadest issues of foreign policy.

Of course, as everyone recognizes, there remain certain obstacles to the enlargement of the Community. The entry of the United Kingdom cannot be achieved simply by putting a British signature on the Rome Treaty. It must be a matter for negotiation. Our exceptional position as an importer of foodstuffs, for example, has implications for the financial contribution which Britain would make to the Agricultural Fund. Account will also have to be taken of the interests of those Commonwealth countries which continue to rely heavily on us as an outlet for some of their essential exports. In the past these and other issues have been used as pretexts for obduracy, whereas they are problems that can be overcome given the political will. It is my strongly felt hope that this determination exists today.

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*Sir Alec is responsible for foreign affairs in the British Conservative Party's Shadow Cabinet.*

# Currency Crises Highlight Need for Common Policies

by HENRY SHOUP, Brussels correspondent of The Guardian, a British newspaper.

WITH LESS THAN THREE MONTHS to go before the Common Market was to enter its final phase, leading to economic union, two of its six members had temporarily cushioned their economies against the common agricultural market and two other members had decided to delay their adoption of a Community-wide value-added tax system. Moreover, they had all produced good reasons for their actions.

This was the situation confronting the Community after the Commission and the Council of Ministers agreed in Luxembourg on October 6 to let Germany impose border taxes on some major farm imports while the parity of the mark floated.

Earlier this year, in April, the Italian Government had served notice that it would have to postpone, until 1972 at least, the introduction of the value-added tax (TVA) system, due to become operative throughout the Community by January 1970. This delay was necessary, the Italians said, because they were engaged in a full-scale overhaul of their tax system that could not be completed by the end of this year.

Belgium followed suit. On September 10, Premier Gaston Eyskens announced that the country's "overheated" economy could not stand the price increases which TVA would cause if introduced on January 1, 1970. Luxembourg decided that, despite its strong economic links with Belgium, it would impose the new tax system on the commonly agreed date; the system has already been introduced in the other three member states—France, Germany, and the Netherlands.

## French Devaluation

Meanwhile, on August 8, France had decided to devalue the franc without consulting either the Commission or its Community partners (*European Community No. 127, page 16*). Unlike Belgium's and Italy's postponement of TVA, which merely held up further Community integration, the French action had immediate consequences for the common market in agricultural products.

Since the Community's common farm prices are expressed in units of account, a fictional currency defined at the same parity as the U.S. dollar (.8886708 grams of fine gold), French farmers would have received 11.1 per cent more in their own currency for their products as a result of the devaluation. The French Government did not want to accept the internal inflation that the resultant price increases would have caused, nor did it wish to encourage its farmers to add to the already mountainous surpluses. Thus, the Community's common price policy as applied in France had to be modified.

Three days after devaluation, the Council of Ministers and the Commission agreed to isolate the French agricultural market by allowing subsidies for farm imports into France and levies on French farm exports, thus negating the advantage the devalued franc would otherwise have given the French farmer. The French were given two years to get their farm prices back into line with those of the rest of the Community.

## Floating German Mark

Machinery to isolate the French farm market from that of the Community had barely been put into place when a new wave of speculation broke out in favor of the German mark, in the expectation of its revaluation. Thus, in the interim

between the election and swearing-in of a new Administration, the German cabinet on September 29 temporarily abandoned the fixed exchange rate of four marks to the dollar and let the mark find its own, higher, level on the world money market. The official parity of the mark, as declared with the International Monetary Fund, had not been changed; the German Central Bank simply ceased intervening in the foreign exchange market.

This "floating" mark had an immediate effect on the common farm prices since it is virtually impossible to adjust farm prices to fit a fluctuating exchange rate. On October 1, Bonn decided to impose a levy on agricultural imports when, after a rise in the value of the mark, cheaper produce could enter Germany and undercut the sale of local farm products.

The Germans had decided to float their exchange rate without consulting their partners beforehand; they then went to the Commission and asked it to authorize the protective border tax which had already been published in the German official gazette and thus given the force of law. The Commission took the position that the floating exchange rate was completely different from declaring a new parity, as France had done. The Commission therefore told Bonn to scrap the border taxes since there were incompatible with Common Market rules. However, when the Council of Ministers met in Luxembourg on October 6, Germany's five partners were ready to forgive their neighbor the "sins" that might be their own in the future.

The Commission, which had originally suggested closing the border to all food imports until a new parity for the mark had been fixed or until the Six had jointly decided what to do, finally agreed to compensatory levies collected at the border. However, Germany was told that the measure should not be considered a precedent and that it would have to be lifted as soon as the German Government had fixed a new parity for the mark. In addition, the Commission reduced the levy to 5 per cent from 5.5 per cent and made it applicable to a much narrower range of goods than Bonn had selected.

These were the Community's preoccupations on the eve of the summit conference of heads of government at The Hague. Repeated warnings by Commission Vice President Raymond Barre had gone unheeded. One year before, he had told the European Parliament in Strasbourg that if the Six ever wanted to go beyond a mere customs union, they would have to coordinate their monetary and economic policies.

## Cooperation Pledge

Last July, the Six agreed on the principle of monetary cooperation and pledged themselves to extend their cooperation in the field of medium-term economic policy. (*See European Community No. 126, page 12.*) Three months later, a wave of monetary instability, and a rush by member states to purely national solutions, showed that the Six must have common economic policies if they are to keep their parities in line.

At one time it had been assumed that common farm prices would automatically lead to monetary integration. It now seemed to be the other way around.

By October it was more obvious than ever that creating a common currency, or even just cooperating in the monetary field, would require a political decision

# Snags and Benefits

## U.S. DOMINATION IN ELECTRONICS

by **DAN SMITH** of *The Economist*, London.

AMERICAN DOMINATION of the European Community's electronics industry is reaching alarming proportions. American companies, mainly through European subsidiaries, already account for the major part of electronic components and capital goods sold in the Six, according to a new report prepared for, and published by, the European Community's Commission.\*

Community-owned electronics companies still hold sway in the consumer-goods market (television sets and tape-recorders, for instance), but this market is growing more slowly than the markets for components (such as semiconductors and electronic tubes) and capital goods (such as computers and transmitters). Further, there is a danger that American companies will win the contest for sales of new electronic consumer goods.

The report, though rich in detail, holds few surprises for students of the Community's electronics industry. Similar studies by various organizations over the past few years have reached much the same conclusion. Indeed, the report relies mainly on 1960-64 statistics to prove its points. The most significant thing about this report may be its appearance at this time: publication of the Commission document can only add impetus to the movement by European governments and major European electronics manufacturers to form a powerful, Community-wide computer company that would stand a chance of competing with International Business Machines and the other American computer giants.

The writers of the report complained that the Community's electronics industry, as now structured, is too cut up. To buttress their argument, the authors of the report (prepared by *Le Bureau d'Information et de Prévisions Economiques* of Paris with the help of the *Institut für Wirtschaftsforschung* of Munich) produced some dramatic comparisons of the American and Community electronics industries.

### Risk Capital

The four largest American electronics manufacturers produce more in their U.S. factories than the entire Community industry, according to the report. In the Community only Philips and Siemens compare in size with the American giants. Even so, the Radio Corporation of America, the largest U.S. electronics firm, has nearly twice the sales' volume of Philips, the Community's largest electronics producer. Despite this difference in size of companies, when it comes to electronics capital goods the Community's industry is more concentrated. In the Community, according to the report, the eight largest groups account for nearly 90 per cent of the production of these goods. In the United States, the eight largest groups account for only 50 per cent. Much of U.S. production comes from small, specialized companies, much favored by U.S. Government contractors. However, the report neglected to mention the relatively greater availability of U.S. risk capital for small scientific enterprises, and other factors that make life for the technological entrepreneur easier in the United States than in Europe.

\**L'industrie électronique des pays de la Communauté et les investissements américains. Industrial Series Studies, No. 1, 1969, European Communities Commission, Brussels.*

The report recommended that the governments of the six Community countries jointly finance a research and development effort to the same extent that the American Government invests in electronics. The bill will be large, the report noted, adding that it would be pure waste to settle for half measures. The report produced many statistics on research and development expenditures in the United States that should make European electronics executives green with envy. In 1960, the funds spent on electronics research and development (R&D) in the United States amounted to \$2.6 billion. By 1963, this figure had swelled to \$3.8 billion, representing an average annual increase of 14 per cent. In Europe, the six Community countries spent only \$400 million on electronics R&D in 1963.

### Marketing, a Neglected Science

Just as important as expenditure on research and development is the profitable use of R&D findings. For Europe, this means that industry must establish a close relationship between researchers and marketing men. The Community's electronics industry has neglected both R&D and marketing, the report claimed. Only production has received its proper share of attention. Finally, the report suggested that European governments start discussions with the American Government on what can be done to ensure European companies a fair share of their own growing electronics market.

The writers of the report saw only a grim alternative to their suggestions. If present trends are allowed to continue, one day the European public will react against becoming a business and technological colony of the United States. European governments might then pass restrictive legislation that would upset the international marketplace and retard Europe's own technological progress indefinitely.

The tone of the report was moderate, and its recommendations might even be welcomed by American electronics companies. Accustomed to anti-trust procedures in the United States, they are sharply aware of the dangers of dominating the European market too much. Many American electronics executives would welcome a stronger European electronics industry as a guarantee of their own future operations. They will also welcome some of the comments made in this report about the contributions of American companies to Europe.

### U.S. Contribution

There is, of course, the purely financial help the American companies have brought to Europe with their huge investments in plant and equipment. More important, though, is the technical sophistication the American companies have given to the European electronics industry. In this area, the American companies have had two effects, one direct and the other indirect.

They have, first of all, produced the most advanced kind of professional electronic equipment. Secondly, they have produced up-to-date components which they have then sold to European-owned companies. If American subsidiaries in Europe had not produced such components, many of the components would have had to be imported from the United States. "Thus," the report said, "it is simple justice to recognize that American companies have actively participated.

qualitatively and quantitatively, in the expansion of the Community's electronics industry."

American subsidiaries are often good exporters, the report noted, citing IBM-France as one of the most important French exporters. At the same time, the Americans, except when they have simply taken over an existing European company, have created many new jobs in the Common Market countries. In many cases, they have also aided the development of industrially deprived areas. For instance, in Italy General Telephone, Raytheon, Texas Instruments, and Litton all have established themselves in the relatively backward economic region of the Mezzogiorno. In France, Motorola has built a factory at Toulouse, Fairchild Camera a factory at Rennes, and IBM a factory at Montpellier.

The writers of the report admitted that opponents of American subsidiaries have a point when they criticize the Americans for luring away electronics engineers and technicians from European industry by offering them higher salaries. American companies may also lay off large numbers

of workers for what in Europe are considered unjustifiable reasons. However, such mass lay-offs are few in number and are more than balanced by the benefits brought by the American companies.

One hundred U.S. companies hold interests in 196 European electronic companies, some entirely owned by American investors: IBM-France, IBM-Netherlands, IBM-Italy, and IBM-Germany, for instance. Honeywell has a 99.9 per cent holding in its European companies. By contrast, Fairchild Camera and Instruments owns 33 per cent of its French, German, and Italian subsidiaries. International Telephone and Telegraph, with holdings ranging from 40-100 per cent in 17 European companies, and General Electric, which has provided 45-100 per cent of the capital in 11 Community companies, have acquired the largest number of interests in Europe.

## U.S. Industry Threatens Electronics Takeover

IF THE ELECTRONICS INDUSTRIES of each European Community member continue to develop along purely national lines, American companies will sooner or later gain complete control in Europe.

A group of three research teams (French, German, and Italian) made this pessimistic forecast in a study carried out for the European Communities Commission. The report,\* soon to be published, is a sequel to the study of American investment in the European electronics industry (see page 11). The new report analyzes the structure of electronics industries in the Six and certain non-member countries, focusing on research and development (R&D) and suggesting possible strategies to reverse the adverse trend. According to the experts, the gap between Europe and the United States in the electronics sector originates not only in research efforts but also in the structure of the industry and its markets.

### U.S. Industry Highly Specialized

Comparing turnovers of different companies, the study revealed the absolute predominance of American industry over its European (five to one) and Japanese rivals (11 to one). It showed that in the United States color television has revived the consumer appliance sector, a trend that has not yet ap-

peared in other countries where the market is far from saturated.

Another finding is that the degree of concentration in the electronics industry is inversely proportional to the size of the market. Thus, in 1965, the four largest U.S. groups accounted for only 25 per cent of output, compared with more than 40 per cent in the Community and almost 60 per cent in Japan.

Unlike their European competitors, only small American electronics firms had a highly specialized product range; but these "small" firms had turnovers eight to ten times greater than their counterparts' in Europe. In fact, specialization seems possible only if the market is large enough. Orders for hardware were seen as a dominant factor. In view of this, and as Community countries cannot match the United States' military and space programs, the experts recommended that European governments agree to give preference to European manufacturers when ordering equipment which is now imported.

### Public Funds Aid U.S. Research

According to the study, in 1965 the private sector of the electronics industry performed 73 per cent of the Community's R & D and 81 per cent of the United States', but the proportion financed by public funds was 16 per cent and 66 per cent, respectively. As a result, U.S. firms could afford to spend a relatively smaller proportion of their turnover on R & D

\**La Recherche et le développement en électronique dans les pays de la Communauté et les principaux pays tiers 1968, Industrial Series No. 2-1969, European Communities Commission, Brussels.*



American companies, by transferring know-how to Europe, have helped limit the "technology gap." RCA illuminated readout devices. Photo: Courtesy of the Radio Corporation of America, New York, N.Y.



A computer produced by the French subsidiary of International Business Machines, IBM-France, an important French exporter. Photo: IBM, courtesy of France Actuelle, Washington, D.C.

than their Community competitors (3.5 per cent and 7.1 per cent, respectively). Here again, however, the effects of size appear. U.S. firms spent more on R & D than did the Community's private companies and public authorities together (\$750 million compared with \$542.5 million).

Considering the various corrective actions open to European firms, the study rejected the development of foreign techniques, such as the policy of "market gaps" which tends to concentrate efforts on a particular area while abandoning others. Most large European firms follow what is known as the "controlled gap" policy: with the aid of multidisciplinary research centers, they try to keep up with technological progress. Such a strategy may prevent the gap from widening, but does not close it. As a result, governments increasingly intervene directly in industry to regroup firms into larger units. Publicly backed national groups may enable companies to bear heavy research costs, but such solutions can seriously hamper the formulation of a common policy and the eventual creation of a true, Community-wide electronics industry. Without a common policy, control of the Community countries' electronics industry, by default, will fall into American hands, the experts warned.

### R & D IN ELECTRONICS, 1965

(in millions of dollars)

	Expenditures			Source of Financing			
	Public Sector	Private Sector	Total	Public Direct	Sector Indirect	Total	Private Sector
France	82.0	175.4	257.4	82.0	55.4	137.4	120.0
Germany	57.0	155.0	212.0	57.0	30.0	87.0	125.0
Italy	5.0	22.4	27.4	5.0	1.1	6.1	21.3
Belgium	0.8	9.9	10.7	9.9	0.1	0.9	9.8
Neth.	1.0	34.0	35.0	1.0	0.2	1.2	33.8
COMMUNITY							
TOTAL	145.8	396.7	542.5	145.8	86.8	232.6	309.9
U. S.	950.0	4,050.0	5,000.0	950.0	3,300.0	4,250.0	750.0
Japan	52.9	93.2	146.1	52.9	1.4	54.3	91.8
U.K.	84.0	197.0	281.0	84.0	94.0	178.0	103.0

# Christmas Meals and Europe

by LEO MOULIN

THE MOST AUTHENTIC, pure, and clear-cut seal of Europeanism, for the sociologist, is the Christmas meal. It is, first of all, a Christian feast (since the fourth century at least); and without Christianity, Europe's special destiny cannot be explained. It is a convivial rite, from which Europe's cultural richness bursts forth in prodigious diversity. Finally, the Christmas meal is a social ritual in which Europe unconsciously parades one of its basic traits, the taste for adventure.

## Monasteries—Cradle of Gastronomy

Europe owes much of what it has been to both monastic and puritan Christianity. The facts speak for themselves in many realms, not the least in gastronomy.

To the Benedictines, the monastic order whose founder Pope Pius XII dubbed "the father of Europe," we owe the basics of fish-farming, rabbit-breeding, and bee-keeping, as well as the scientific raising of pigs in Alsace, the land of great pork creations.

An authoritative dictionary of gastronomy notes: "Towards the end of the Merovingian period, the proliferation of monasteries, the curators of all gourmet traditions, resulted in great culinary progress. The monasteries were also innovators in agriculture. Every *bon vivant* pays homage to Dom Perignon (1638-1715), the Benedictine monk of the austere Saint-Vanne congregation who invented champagne. Potatoes were brought to Spain by the Carmelites and to Belgium by the Carthusians. The Jesuits popularized an aromatic beverage known as "Jesuit's tea" and raised Europe's first turkeys, on a farm near Bourges, France. Then, there are cheeses: from Parmesan to Saint Maur, from Port-Salut to Munster, we are indebted to monasteries for all of them. Monasteries also gave us the wines of Burgundy, cider, beer, aperitifs flavored with

cinnamon and anise (ancestors of our Vermouths), Chartreuse (but not Benedictine, a "lay" liqueur invented relatively recently), and the Carmelites' melissa cordial, to name but a few.

Brutally amputated though this list is, it is still quite impressive. The peaceful refinement of the monastics also bequeathed us countless pastries.<sup>1</sup> Europe cannot be explained without Christianity, whose religious gave European gastronomy its scope.

## Unity Amidst Diversity

Europe is one and many, as can be seen from the tables set in each nation for the Feast of the Nativity. Carp is traditional in Austria, Czechoslovakia, and Poland, where six other kinds of fish are also served. It's turkey in England and France, baked sea bream in Spain, suckling pig in Hungary, and eels with grated Pecorino cheese and breadcrumbs in Italy. The robust Danish appetite expects game birds or roast capon with sausage filling, or goose "too big for one person too small for two persons" stuffed with apples and prunes and garnished with red cabbage and potatoes in caramelized sugar and butter. Sweden favors lightly salted ham and *lutefisk*, stockfish marinated in lye and dried in the open air, then cooked, napped with a cream sauce, and served with tiny new peas.<sup>2</sup> These dishes illustrate the deep diversity characteristic of Europe's nations, so rich in inherited individuality.

Individuality presides over Europe's destiny, perhaps more in culinary matters than in any other form of artistic expression. It differentiates not only each nation but also each province and locality within the nation, so deeply is it rooted in our historical substrata. At Christmas, the French province of Touraine waxes eloquent about its black and white blood sausages and flat-cakes, while Poitou sings of its fowl and game; Rousillon, its oysters and *foie gras*; Armagnac, its braised beef; and Alsace, its goose liver and *choucroute*.

The word *choucroute*—sauerkraut—is itself a delightful example of cultural acclimation. Swiss mercenary soldiers employed by the French King seem to have brought the dish to France, and the word *choucroute*, taken from the Alsatian dialect, first appears in the French language around 1755.

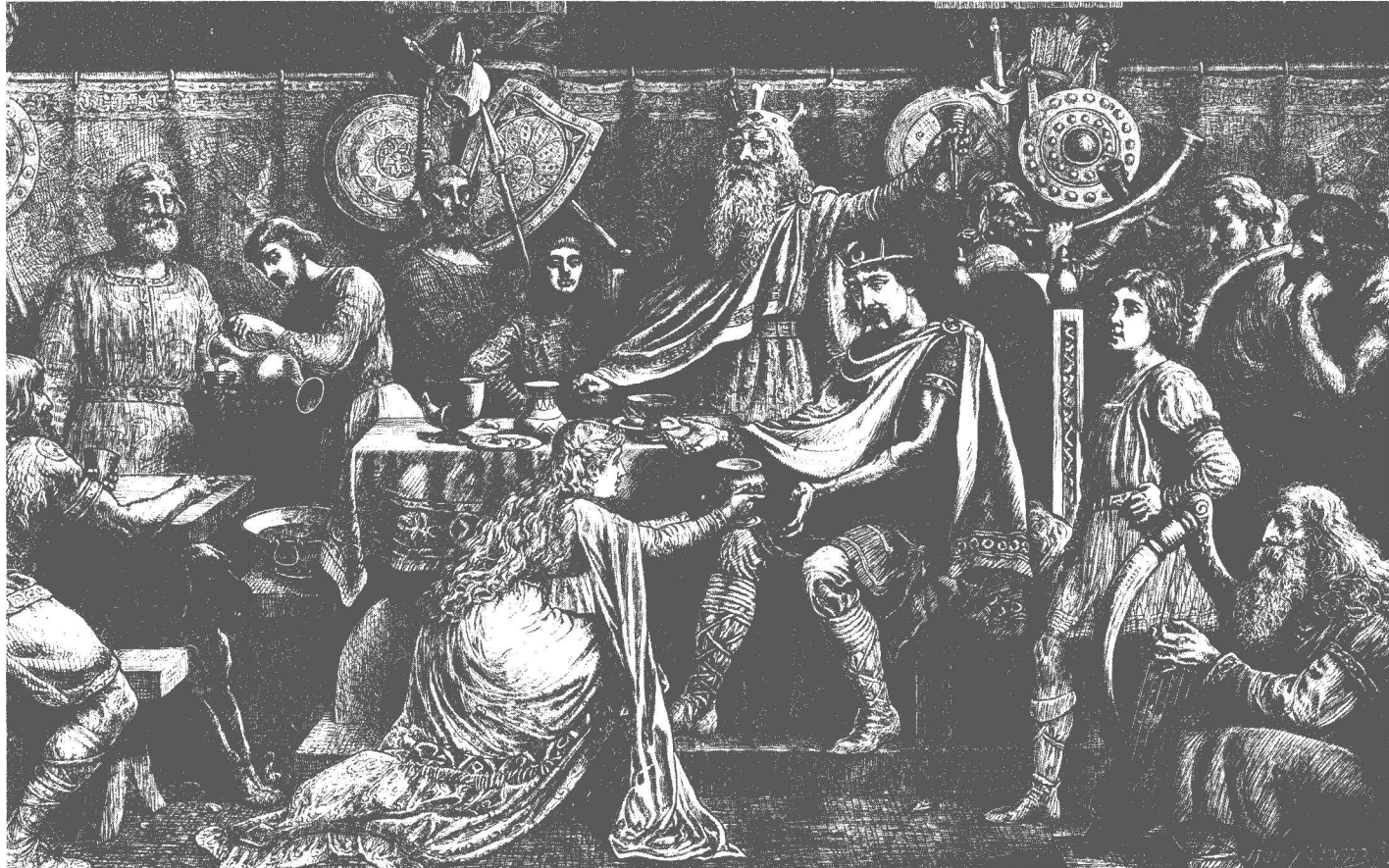
I mentioned eels as a traditional Italian Christmas dish, but I should have specified Christmas in Liguria, Rome, and Naples. Sicilians delight in their Christmas *sfincione* a leavened dough put into molds and filled with *picatiglio*, a mixture of ground veal, pork, and chicken seasoned with celery, tomato, cheese, parsley, and pepper. The dish, cooked and covered with dough, is then liberally doused with dry, aged Marsala and baked.

Christmas in Bologna means *tortellini*, christened "belly-buttons of Venus" by the old Bolognese. The tale goes that an apprentice surprised his master's wife sleeping in the filiciest of garments and, as a token of his unrequited passion, shaped little bits of stuffed dough that reminded him of the sweet navel seen just once. That great European Denis de Rougemont would have quite a bit to say about this curious

*A dinner party given by an Italian merchant around the year 1600 in the loggia of his home. Photo: The Bettmann Archive, Inc., New York, N.Y.*



*Mr. Moulin is a professor at the College of Europe, Bruges, and vice president of the Belgian Association of Chroniclers of Gastronomy and Wine.*



*The Wassail Cup is proffered. In early England, wassail, made of ale or wine flavored with spices, was drunk on such festive occasions as Christmas Eve and Twelfth Night. The word itself is derived from Old Norse "ves heill," meaning "be of good health."*  
 Photo: The Bettmann Archive, Inc., New York, N.Y.

case of courtly love.

These remarks about a few French and Italian provinces apply equally well to the German lander, the Swiss cantons, or the United Kingdom's counties. Each region in Europe is rich in special traditions that form the most sumptuous and savory of symphonies imaginable to the gourmet. Their common denominator is feeling, being, and willing to be different from the others. Different but also similar, because over the course of centuries customs pass from one province to another, from one nation to another. "Building Europe" means creating the necessary conditions to preserve this marvelous heritage.

### Local and Regional Micro-Cuisines

Pastries and sweets blossom forth at the Christmas feasts: Hungarian poppy-seed cake, British mince pies and plum pudding made with suet, Italian *cassata*, Austrian fruitloaf called *Kletzenbrot*, and *Mohnspielen* from Dresden, slices of bread completely covered with crushed poppy seeds and sugar.

In my childhood in Belgium we ate *cougous*, a sweetened loaf in the shape of a baby, and buckwheat pancakes called *bouquettes* from the German *Buchweizen*. Porridge or rice swimming in butter, cinnamon and sugar begins the Danish meal. The Scandinavians put aside a saucer of this porridge for the *Nisse* or household elf, and peasants from Suffolk put outside, near the door, a plate of frumenty, a mash of hulled

wheat and honey for the good fairies. *Julhög*, a spiced white fruitcake, ends the Christmas meal in Sweden. Each of these dishes displays Europe's inexhaustible capacity for invention, taste for creative originality, and characteristic diversity of historical and socio-cultural micro-climates.

This welter of national diversity tends to conceal equally great differences from province to province and locality to locality. In calling *cassata* a typical Italian Christmas dessert, I should have said a typical "Sicilian" Christmas dessert. Campania prefers *nocciata* made of powdered nuts and honey; Lombardy, *panettone*, the glorious fruitcake of Milan; the province of Ferrare, *pan pepato di cioccolato*, something like a light brioche with a base of cocoa, almonds, honey, and flour flavored with lemon zest. Cremona, birth-place of Stradivarius, offers almond-based *torroni*, a cousin of the Spanish nougat *turrón*.

Even within provinces, this irrepressible tendency towards culinary individuality turns up. The *gros souper* of Provence, for instance, ends with thirteen desserts, including among other local specialties: *calissons*, a hard candy from Aix; *cassedents* from Allanche, small candies with the texture and appearance of pebbles, and nougats.

### Conquest and Culinary Treasure

The turkey calls to mind a European adventure.<sup>4</sup> It was brought back by the Spaniards after their conquest of Mexico



Such exotic dishes as peacock and swan used to appear on the tables of the wealthy at Christmas and other festive occasions. Photo: The Bettmann Archive, Inc., New York, N.Y.

(1519-1521). Since the conquistadores thought they had discovered the mysterious Indies, the bird was baptized "cock" and "hen of India." Usage shortened the French *poule* and *coq d'Inde* into *dinde* and *dindon*. *Indianischer Hahn* and *Henne*, words still used in Austria, have given way to *Truthahn* in Germany. "Turkey," the bird's current name in English, like the Dutch *Kalkoense Hen* (Calcutta hen), shows that the public in olden days had no exact concept of geography, which still didn't keep them from sailing over the oceans and seas. The Italian word *tacchino* seems to have had onomatopoeic origins as does the Mexican word *guajolote*.

In another realm, there's tobacco: what would a Christmas meal be like without it? It too is the fruit of a European adventure. Discovered in the Americas, on the Island of Haiti to be exact, the "Nicot grass" spread throughout the world, as did the Europeans themselves.

## Acceptance of Foreign Tastes

The sociologist's attention extends even to the cranberry, the humble cranberry, a red, tart variety of whortleberry, harvested in underbrush in bogs and marshes. Who hasn't heard of this fruit by now? Today it belongs to Europe's gastronomical legacy, but for a long time, almost until 1945, the cranberry hadn't crossed the Rhine. Just a short time ago, the French heaped sarcasm on the "American" idea of mixing bitter and sweet, the strong taste of game and fruit jellies, an erroneous notion because once, at a time long forgotten, French cuisine also knew these exquisite mixtures.

Today, as great European gourmet routes are being drawn before our eyes, the cranberry has crossed the gastronomical blue line of the Vosges mountains and reigns as master beside the robust and plebeian chestnut. The discovery of a new flavor from abroad, the disappearance of the most conservative of conservatism, namely in culinary habits, the knowledge of and respect for the next fellow in the slightest detail, his alimentary tastes, this development is a lucky sign for Europe—unity amidst diversity.

## Evolution From an Exotic, Flexible Past

I have spoken mainly of new products put on our tables by Europe's adventures in the sixteenth century. At feasts before these discoveries, chroniclers tell us, "bacon porks" or fattened pigs were eaten, and "good liver spread on toast and chilled." There were chickens, geese, capons (from the twelfth century on), table fowl (from the sixteenth century), and other foods still familiar today. On the tables of the rich, some meats scarcely known at all today also appeared: herons and storks, swans and peacocks. At the Court of England, swan was customary on Christmas. Consumption of these valiant meats implied the taking of a vow, so solemn was the occasion. How many vain promises of crusades and fidelity thus drifted off in the wind!

These long-forgotten dishes can teach us of Europe's movement, change, dynamism, and evolution touching even cuisine and tastes. That's a marvelous omen for the future. Europe has changed and can change again. Flexibility is the key to her survival.

<sup>1</sup> For a more complete study of the monastic cuisine, cf. Léo Moulin. *Le Monde vivant des religieux*, Calman-Lévy, Paris (1964), pp. 258-264.

<sup>2</sup> D. Brown. *La Cuisine scandinave*, Time-Life, Paris, 1969.

<sup>3</sup> For proof of this will to be different, just ask any peace loving Swiss citizen whether the real fondue comes from the canton of Vaud, Fribourg, or Neuchâtel, and see what passions are kindled at that moment, depending on which tradition is his. Or ask a Russian which is the real borscht, or a Burgundian what he thinks of the wines from Bordeaux. On this ground, we are decidedly and integrally ecumenical.

<sup>4</sup> Léo Moulin, "La Civilisation européenne a joué un rôle déterminant dans la diffusion mondiale des aliments," *Communauté Européenne*, Paris, November 1964.

<sup>5</sup> Léo Moulin, "Tourisme et Gastronomie en perspectives 1980," *Plaisirs, Revue suisse de gastronomie et de tourisme*, Summer 1968, pp. 121-126.



# COMMUNITY NEWS

## SUMMITS ALONE CAN'T ACHIEVE EUROPEAN UNITY

"We cannot expect to solve all our problems at a summit conference," Lionello Levi Sandri, a vice president of the European Communities Commission, told the International Organization of Executive Staffs, in Cologne on November 11.

To be lasting and viable, a unified Europe must be founded on the will of the European peoples expressed not only through their parliaments but also through every political, economic, and social organization that affects national policy, he explained. Of the increasing importance of professional organizations like labor unions and employers' associations, Mr. Levi Sandri said they were beginning to organize their activities at the European level because the Community's common policies prevent satisfactory solutions of labor problems at the national level. In conclusion, Mr. Levi Sandri said that European political integration would require each nation to give up part of its sovereignty, but it would enable them to play again an effective political and economic role in the world and contribute to stability and peace.

## MANSHOLT EXPLAINS PLAN TO END FARM SURPLUSES

The European Community has its difficulties with agriculture, but its main problems are social rather than economic, Sicco L. Mansholt commented at a press conference in Washington on November 21.

Mr. Mansholt, a Commission vice president and chief architect of the Community's agricultural policy, was in Washington on November 20-21 for a brief round of informal talks with U.S. Secretary of Agriculture Clifford M. Hardin. Mr. Mansholt, stressing the need for the United States and the Community to avoid a trade war, indicated that the United States had not softened its threat to retaliate if the Community imposed a tax on oilcake, a cheap animal feed. However, the Commission Vice President stated that the Community and the United States could conceivably arrive at an agreement on oilcakes because low oilcake prices are harming U.S. exports of coarse grain, such as corn. On the other hand, the Community could agree to respect the United States' relatively high cheese prices, he said, adding that while his remark did not necessarily mean that dairy concessions would be matched up for oilcake concessions, "Concession for concession is normal." But, he also said the oilcake problem could best be solved within the framework of an international fats and oils agreement.



*Milk, a surplus commodity*

### New Anti-Surplus Proposals

During the press conference, Mr. Mansholt explained the Commission's new anti-surplus proposals, first examined by the Council of Ministers at a meeting in Brussels on November 24. These measures are part and parcel of "Farming 1980," proposals made last December for a complete overhaul of agricultural structure in the Community. Its basic format provides for reducing subsidies (particularly for wheat, sugar, and dairy products) and increasing the responsibilities of farmers to market their produce, so that in three years the Community will have a balanced market.

Reductions in guaranteed prices between 1970 and 1975 should save the Community's common farm fund \$3-4 billion, according to the Commission's estimates. The money thus saved would be applied through the Fund to social aid to farmers and to regional and local investments to improve the structure of farming or to bring new industries into farming regions. Since the reductions in guaranteed prices would mean a \$430 million annual loss of farm income, some of the social aid will be given directly to farmers for pensions and other devices to encourage early retirement or to take land out of production.



*Loaves of sugar, another surplus commodity.*

## THIRD GATT TARIFF CUT PLANNED FOR JANUARY

The European Community on January 1, 1970, will make the third stage of tariff cuts as agreed to in the 1967 Kennedy Round of negotiations within the General Agreement on Tariffs and Trade.

The tariff cuts were to be made in five stages over a five-year period. Each cut averages roughly 10 per cent of the pre-Kennedy Round tariff levels. The Common Market made the first two cuts simultaneously on July 1, 1968. All participants will make the third cut on January 1, 1970.

During the Kennedy Round, the European Community also agreed in a separate, supplementary agreement to make 30 per cent tariff cuts on almost all chemical imports, contingent on U.S. removal of its American-selling-price system of tariff evaluation (ASP). (The Community had made unconditional reductions averaging approximately 20 per cent.) The Community also agreed, as a contingent of ASP removal, to act on certain European non-tariff barriers such as road taxes on large automobiles.

On December 10, 1968, the Council of Ministers extended the deadline for action on the chemicals agreement for one year until December 31, 1969. If ASP is not removed by that date, the offer to make the further cut in chemical tariffs will lapse.

## RICHARDSON SEES REY

Jean Rey, President of the European Communities Commission, received U.S. Under Secretary of State Elliot L. Richardson in Brussels on November 4.

This visit provided an opportunity for an exchange of views and information on problems and questions of common interest to the Community and the United States. Commission Vice President Raymond Barre and Commission Members Emanuel M. J. A. Sassen, Guido Colonna di Paliano, Edoardo Martino, and Jean François Deniau were also present.

## GREEN LIGHT FOR TRADE TALKS WITH YUGOSLAVIA

The Council of Ministers on November 10-11 authorized the Commission to resume negotiations for a commercial agreement with Yugoslavia. A first round of talks ended just over a year ago. The Yugoslavs want an arrangement that includes "baby beef," Yugoslavia's chief export to the Six. The Commission had no authority to negotiate in this sector until the November 10-11 Council meeting.

## EXPLORATORY TALKS FOR TRADE ACCORD WITH JAPAN

On behalf of the Six, the European Community Commission will hold exploratory trade talks with Japan.

At its November 10-11 session the Council of Ministers gave the Commission a mandate to establish contacts with the Japanese Government to examine the prospects for opening negotiations leading to a trade agreement between the Community and Japan.

Last year the Six imported \$652 million-worth of Japanese goods (compared with \$117 million in 1958) and exported \$637 million-worth to Japan (\$139 million in 1958). So far, each Community country has conducted its trade with Japan under bilateral arrangements. Japanese goods, though increasingly common in the Common Market, are still subject to relatively high tariffs or strictly controlled quotas. Now the Six have agreed to unify their trading policies and negotiate as a bloc with the Japanese.

The Commission is to see how far trade can be increased by mutual abolition of quota restrictions, which still greatly hamper Community-Japanese trade. If the Commission establishes a common Community-wide import system for Japanese goods, it could set an important precedent in the Community's commercial policy. Under this policy the Commission should gradually take over the conduct of all trade negotiations with non-member countries.

## NATIONAL BIAS IN PUBLIC BIDDING PROHIBITED

Government agencies in the member countries of the Common Market would be barred from considering the nationality of the bidder in awarding public contracts, according to a draft directive by the Commission of the European Communities.

The proposal was sent for approval to the Communities Council of Ministers on November 5. Under the proposed European regulation, local, regional, or national public tenders must guarantee equal treatment to all Community bidders regardless of nationality and must eliminate contractual practices which tend to make the supply of imported products more expensive or more difficult to obtain than domestic goods.

Public procurement of goods of all types account for a very considerable proportion of total consumption in the Common Market. The procurement directive is in accordance with Article 33 of the Rome Treaty which calls for the elimination of measures inside the Community which have the equivalent effect of quotas.

## DENIAU VISITS CANADA

Jean-François Deniau, European Communities Commission member with special responsibility for foreign trade, visited Ottawa, Canada, October 8-12, as head of a Commission delegation. During its stay, the delegation discussed the problem of agricultural surpluses, particularly grain and dairy products, and other trade questions affecting Canada and the Six.

Earlier this year, Canada had suggested that topics for discussion should include the European Community's plans for trade arrangements with other European countries, border taxes, the Community's fisheries policy, and the application of the Community's customs tariff to the purchase of Canadian defense items.

## TALKS WITH SPAIN RESUMED

Spain and the European Economic Community resumed negotiations in Brussels on October 27-30. It was the first negotiating session since April 1968 when both parties agreed to suspend the talks until they had determined their policies for the final phase of negotiations.

At this session, the Commission delegation presented Spain with new offers for both agricultural and industrial products. The Commission said there was "broad consensus on most of the main lines of the agreement."

Both delegations agreed to continue their work in December.

## TRADE ACCORD TALKS BEGUN WITH ISRAEL

Negotiations for a preferential trade agreement between Israel and the European Economic Community began in Brussels on November 12-14.

During this opening round of negotiations, the Commission delegation made the Community's offers known to the Israeli delegation in accordance with the negotiating mandate it had received from the Council of Ministers on October 17. The Israeli delegation explained its position, and both delegations agreed to continue their work in December.

### CORRECTION

In the October 1969 issue of *European Community*, page 13, credit for the first two photographs was inadvertently omitted. The photos were kindly supplied by the French National Railroad's office in New York.

## AIR POLLUTION NORMS PROPOSED FOR VEHICLES

Community-wide norms for air pollution by motor vehicles have been proposed by the European Communities Commission. The action was in response both to public opinion and to chemical industry complaints about its being the only industry forced to comply with strict air pollution laws.

The proposal, dated October 22, is an attempt to provide broad Community rules against air pollution from vehicle exhaust, before member countries complete separate plans of their own.

### National Laws Pending

Both Germany and France have already completed legislative arrangements for controlling air pollution by motor vehicle exhausts. Other member countries are about to pass laws but their contents are still unknown.

Germany, a large producer of high-powered vehicles, has adopted a law scheduled to come into force on October 1, 1970. Its provisions correspond to the U.S. law, but may cause difficulties for the majority of European companies, producers of small and medium-sized motor vehicles. To conform with the German law, they would have to make radical changes in engine design at great expense or fit vehicles with devices that would reduce horsepower below an acceptable level of performance.

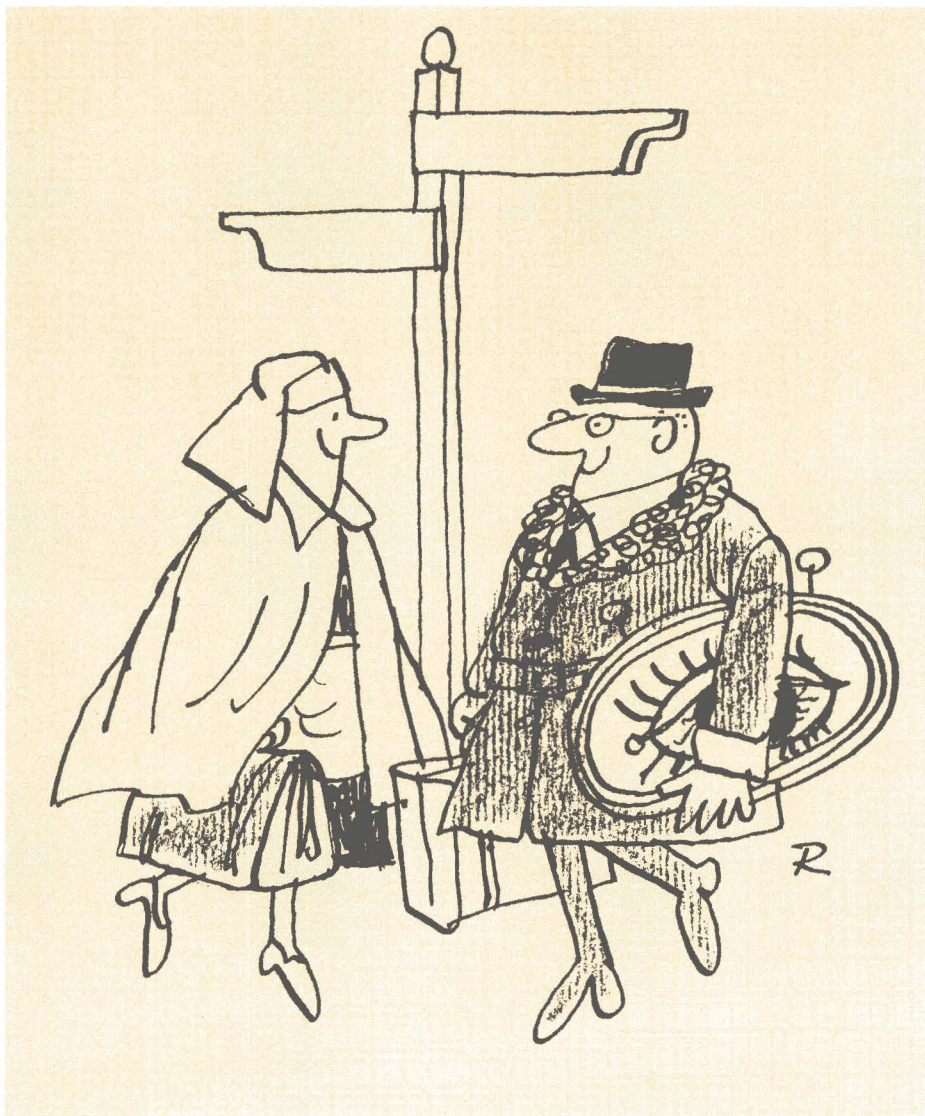
In France, a decree scheduled to come into force on September 1, 1971, contains some provisions that differ from the German law. The French rules are based on technical concepts contained in the Geneva draft regulation prepared by the United Nations Economic Commission for Europe which takes into account engine horsepower and the resultant degree of air pollution.

### Preventative Harmonization

A main objective of the Community's draft directive is to prevent the member states from introducing heterogeneous legislative requirements for the devices to cut down the toxicity of motor exhaust fumes. Conflicting requirements could restrict trade in the motor vehicle sector.

The Community standards would apply to all vehicles with combustion engines and four or more wheels built for speeds over 15 m.p.h. The acceptance criteria outlined fulfill those set forth in the French and German laws and include an additional provision requiring that member states recognize compliance with Community standards as compliance with national law.

The Community's proposed standards would come into force on the dates set by member countries for the entry into force of their domestic laws.



## NATIONALITY BAR TO FALL FOR NURSES, OPTICIANS

Dispensing opticians and general nurses will be able to practice in any country of the European Community upon passage of draft directives to ensure free movement for persons engaged in these occupations.

Community members will have to remove any restrictions that prevent qualified nationals of another member country from practicing these professions. In addition, the proposed directives would secure mutual recognition of diplomas and require passage of equivalent legislation on training for these occupations in each member country. The means proposed for achieving free movement of opticians and nurses thus follow the pattern set by previous proposals for freedom of establishment and freedom to supply services for physicians, dentists, pharmacists, engineers, and attorneys—all pending before the Council. (See *European Com-*

*munity No. 122, page 16 and No. 124, page 21.*)

### Dispensing Opticians

Four draft directives, dated November 3, contain the proposals affecting dispensing opticians. Opticians who meet the minimum training standards specified would be allowed to fill physicians' prescriptions for glasses or contact lenses to correct visual deficiencies. Optical companies would be required to employ a full-time optician.

### Nurse Shortage

By promoting labor mobility, the three draft directives concerning nurses, dated October 7, are designed to alleviate severe shortages of trained nurses in certain parts of the Community. Both salaried and self-employed nurses would be allowed to practice in any Community country, as a service, while retaining their legal establishment in the country where they do most of their work.

## COMMUNITY-IAEA NUCLEAR INFORMATION SYSTEM

The European Atomic Energy Community (Euratom) signed a contract on November 21 with the United Nations' International Atomic Energy Agency (IAEA) to provide the IAEA technical assistance in setting up an international nuclear information system (INIS). The agreement was signed in Brussels, Belgium.

INIS, a cooperative venture involving the IAEA and its 102 member states, has been in preparation since 1966. Member states will prepare descriptions of available nuclear information and give them to the IAEA which will then put them into a master file. Copies of the master file will be distributed as a source of information for individual nuclear programs. Essential data will be in a form that can be fed directly into computers for rapid information search and retrieval.

The system is scheduled to become operative in April 1970. In order to save time and avoid expensive duplication, the IAEA has asked the Community's Center of Information and Documentation (CID) for assistance. The CID has in operation a mechanized nuclear documentation system and has developed linguistic tools and methods which, apart from a few details, meet the requirements of the IAEA.

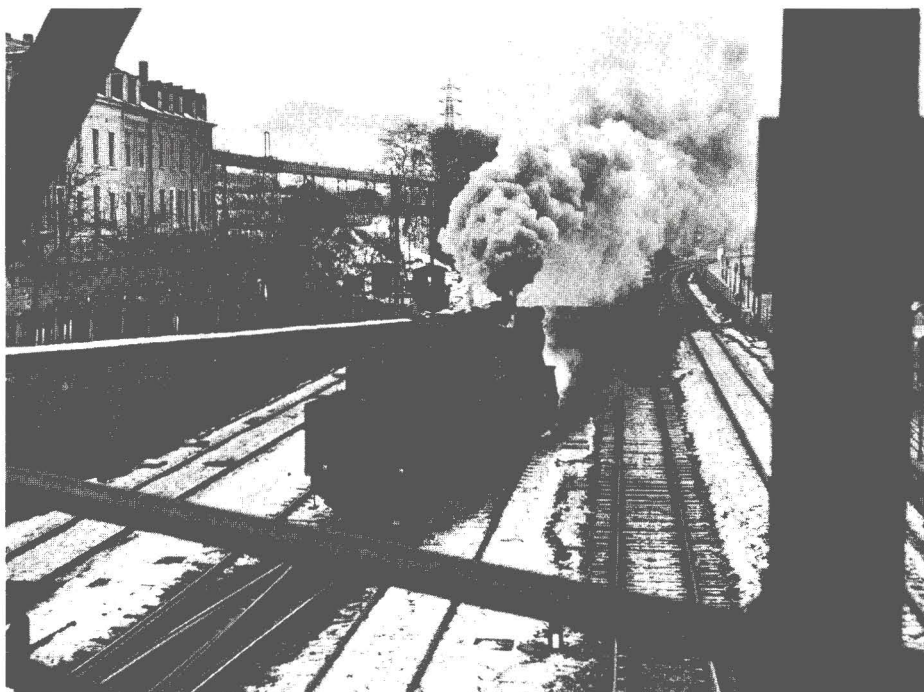
Euratom's CID system relies on the use of a dictionary of descriptive terms and data processing programs and can be used to supply rapid answers on a selective basis to research workers, engineers, and technicians by finding documents that they need from among more than 900,000 already stored by Euratom.

Under the six-month contract, Euratom will deliver a dictionary of descriptive terms that will be used for identifying the items of information reported to the INIS, a manual of instructions on how to use the dictionary, and a set of computer programs for processing the terms.

## COPPE: NEW MEMBERS WOULD IMPROVE POLITICAL BALANCE

Enlarging the Community would strengthen it by improving its political balance. Commission Member Albert Coppé, speaking on "European Day," October 15, at the Teheran International Fair, reaffirmed the Commission's view that a larger Community would need stronger common institutions.

The Community, which concluded a trade pact with Iran in 1963 and which is Iran's biggest supplier and customer, took part in the Teheran fair.



Coal supplies less and less of the Community's energy requirements each year.

## SIX ACCEPT NEED FOR COMMON ENERGY POLICY

The Six on November 13 approved the basic principles of the Commission's December 1968 guidelines for a common energy policy, at their first Council session on energy since the July 1967 merger of the three executives.

The Ministers asked the Commission "to submit the most pressing concrete proposals to it as soon as possible," and agreed "to examine these proposals at the earliest opportunity, in order to achieve the establishment of a Community energy policy."

### Abundant and Cheap Energy

In its guidelines, the Commission stressed that a common policy should assure a dependable, abundant, and cheap supply of energy. (See *European Community No. 119*, page 16.) Competition should continue to be the basic determinant of price. The authorities should give priority to market supervision, rather than intervention. If intervention could not be avoided, it should be carried out so that market forces could still work effectively.

Because the cost of energy heavily influences both the cost of living and industry's competitive position, the Commission said that the interests of energy consumers should take precedence over those of producers.

The Commission called for:

- a general framework of an energy policy. It suggested that general medium-term energy policy forecasts and an annual evaluation of energy supply and demand be

used to assure the coherence of member states' energy policy activities.

- the establishment of a common market in energy. The Commission said that this market was necessary for the same reasons as a common market in goods. It called for free trade in energy products, freedom of establishment, and common rules on competition and indirect taxation.

- the assurance of a cheap and reliable energy supply. The Commission recommended a coordinated import policy for coal, and a common supply policy for petroleum products and nuclear fuels. It recommended steps to guide investment and to facilitate its financing.

The Community now imports nearly 60 per cent of the energy it consumes, compared with 28 per cent in 1958. The Middle East and North Africa provide almost 90 per cent of its total oil imports. Energy's part of production costs varies from 5 per cent in farming to 26 per cent in the steel industry.

### Coking Coal

The Ministers postponed a decision on renewing the Community's annual coking coal subsidy, granted to ensure that steel plants using Community produced coking coal can compete with those using cheaper coal imported from the United States. Germany's Ruhr industry is the chief beneficiary of the \$1.70 per ton subsidy.

## COAL MERGER APPROVED

Collieries in the Ruhr Valley in Germany will merge into a single company, Ruhrkohle AG, with the blessing of the European Communities Commission.

The Commission approved the merger on November 27, in part because oil has been gradually supplanting coal as an energy source for the past ten years and in part because the Community's coal market has been losing its independent function and become a part of the total energy market which includes petroleum, natural gas, and nuclear energy. The Commission felt that in this total energy market even such a large enterprise as Ruhrkohle would not prevent workable competition and that the merger also would not be anti-competitive in the coking coal market, where there is constant price competition from non-Community companies.

By signing contracts with the steel mills and power stations, which owned the mines, and with other large coal consumers, Ruhrkohle is guaranteeing their supplies. These contracts must be negotiated within two years, according to the Commission's authorization. Ruhrkohle is also required to submit all new trade arrangements to the Commission.

## PRODUCERS WANT SAY OVER USE OF ECSC LEVIES

Producers in the European Coal and Steel Community (ECSC) have called for the immediate establishment of a special fund to handle taxes levied on their goods under the ECSC Treaty.

The producers are worried that the proceeds from these levies, amounting to \$40 million a year, may be diverted to projects outside their industries after the merger of the ECSC, Common Market, and European Atomic Energy Community (Euratom) Treaties.

In a memorandum to the Commission on September 26, they suggested that the fund be handled by representatives of the two industries as well as by the Commission, which is at present solely responsible for administering the levies. In a separate letter to Commission President Jean Rey, the producers advocated either the abolition of the levies or their limitation to projects concerning the two industries, as has been the case up till now.

### NOTICE TO SUBSCRIBERS

After January 26, 1970, the address of the European Community Information Service will be: Suite 707, 2100 M Street, N.W., Washington, D.C. 20037.

## ECSC STEEL OUTPUT UP 11%

The European Community's raw steel production is heading towards a new record, 100 million metric tons this year.

In the first nine months of 1969 it amounted to 80.22 million metric tons—10.6 per cent more than the 72.5 million tons produced in the equivalent period of 1968. U.S. raw steel production in the first nine months of 1969 amounted to 95.3 million metric tons.

Production rose most sharply—28.9 per cent—in the Netherlands. Increases in output of more than 10 per cent were also reported by Luxembourg, France, and Belgium. Only Italy showed a low expansion of output (3.2 per cent).

## EUROPEAN UNITY WILL HERALD "2ND COMING"

*Newsweek* magazine on November 17 reported what may be the most unusual interpretation to date of the significance of the European Community.

The Common Market is the "fulfillment of the future as foretold by the prophet Daniel," *Newsweek* explained, according to Reverend Willard C. Peirce of Glendale, California, a preacher of the Assemblies of God. "Once it becomes a consortium of ten European nations," *Newsweek* said Peirce believed, "then the dangerous fourth kingdom of the earth—which Daniel compared to the ten toes of the giant in Nebuchadnezzar's dream—will be at hand. From there it will be but a short step to a reign of Communist atheism before the Second Coming of Christ."

## NEW 1969-70 FOOD AID

The European Communities Council of Ministers, at a meeting on November 11, agreed to fill 11 new requests for food aid.

The aid is part of the Community's 1969-70 commitment under the 1967 International Grains Arrangement to supply 1,035,000 metric tons to developing countries each year for three years.

The new aid, totaling 325,500 tons, will be distributed as follows: Ceylon 14,000 tons; Indonesia 60,000 tons; Lebanon 15,000 tons; Niger 15,000 tons; Mali 30,000 tons (already supplied); Yemen 14,000 tons; Joint Church Aid 8,000 tons; International Red Cross Committee 4,500 tons; Pakistan 80,000 tons; Tunisia 35,000 tons, and Turkey 50,000 tons. Agreements on the aid to Pakistan, Tunisia, and Turkey were concluded the same day.

On October 17, at a meeting in Luxembourg, the Council agreed to ask for a second extension, until December 31, 1969,

of the time limit for depositing the instruments of acceptance of the Food Aid Convention and the Wheat Trade Convention—which together comprise the International Grains Arrangement. In the meantime, however, the Council repeated the Community's intentions of living up to the agreements.

### Who Pays for Community Aid

The regulation on Community financing of the expenses incurred in carrying out the Food Aid Convention was also approved at the October 17 Council meeting. It stipulates that the Community's common farm fund will pay for part of the costs of tax refunds on exports. The value of the grain and other expenditures, including transport costs in exceptional cases, will also be covered by Community financing. These expenditures will be defrayed by financial contributions by the member countries.

## FRENCH INVESTMENT LAWS CONTESTED IN HIGH COURT

The Commission has taken France to the European Community Court of Justice for an alleged infraction of the Common Market Treaty in a dispute over French foreign investment laws. The suit was filed on November 5 and registered by the Court on November 10.

In January 1967, the French Government introduced legislation compelling all foreign companies investing in France, including those from other Community countries, to apply for authorization from the French Finance Ministry. The Commission claims this law contravenes the Treaty's provisions for the free movement of capital and the right of establishment.

The French law was aimed primarily at preventing back-door investment in France by U.S. companies via their subsidiaries in other Community countries. Paris assured the Commission that genuine "Community companies" would not be refused authorization. The Commission considers the French assurance to be insufficiently binding juridically and disagrees with France's definition of "Community companies."

## TURKEY MOVES NEARER CUSTOMS UNION

Turkey's association with the European Community is moving smoothly towards its next stage, preparation for full customs union.

After a meeting in Brussels on November 10, the Association Council, the governing body of the agreement, said it expected to complete negotiations for transition to the next stage during which Turkey and the Six will begin to align their customs tariffs.

The association treaty, signed in 1963, provides for full customs union, leading eventually to full Community membership. During the first stage of the agreement, Turkey received aid from the Community to help strengthen its economy but did not offer the Community any trade concessions. The Community made available \$175 million in aid for Turkish development.

The second transition stage, which may not exceed 12 years, is intended to lead to the gradual application of a customs union and the closer coordination of Turkish and Community economic policies. Negotiations for this stage were opened at the request of Turkey. Once the customs union has been achieved, the road to the final phase, and to full membership, will be open.

### Izmir Trade Fair

In September, the Community for the first time took part in the Izmir International Trade Fair, one of the main events of Turkish commercial life. Commission members Edoardo Martino and Albert Coppé, accompanied by a European Parliament delegation, attended. The Commission members stressed that the Community would give special consideration to ensuring that the customs union did not harm Turkey's industrial development.

## USAEC, EURATOM SIGN ENRICHED URANIUM LEASE

The U.S. Atomic Energy Commission (USAEC) and the European Atomic Energy Community (Euratom) Supply Agency have signed a new multi-lease contract for enriched uranium. It came into effect retroactively on November 1, 1969, and will remain in force until December 31, 1970.

The new multi-lease contract, signed in Brussels on November 3, closely conforms to the leasing conditions for American users. The previous USAEC-Euratom multi-lease contract, concluded on December 1, 1963, and extended several times since then, expired on October 31, 1969. The expiration date of the new contract was chosen to coincide with provisions of U.S. legislation which requires the USAEC to review and standardize its terms and conditions of supply for all users leasing fissile materials by the end of 1970.

A considerable advantage over the previous contract is an amendment to permit mixing of leased special fissile materials without the prior written consent of the USAEC. This new provision is practical and meets the desires expressed by the Community's industry.

The leasing of enriched uranium is a key factor in the Community's research effort. Euratom currently has 19 million-worth of leased enriched uranium.

## UNIONS SEEK COMMON LABOR AGREEMENTS

The Socialist and Christian Labor unions of the European Community countries, representing 15.5 million organized workers, on October 10, unanimously called for collective bargaining agreements valid throughout the Community. The request was submitted to the employers' association and to the Commission.

The European Community group of the International Confederation of Free Trade Unions (ICFTU) and of the Christian World Confederation of Labor (WCL) decided "to take the necessary measures to guarantee coordinated action programs of the labor unions." At a meeting with the Commission, the labor leaders asked for an increased say in Community decisions, and expressed dissatisfaction with "the growing lack of consultation in decision making manifest at all levels of the European institutions."

## MOBUTU VISITS REY

Lieutenant General Joseph Désiré Mobutu, President of the Democratic Republic of the Congo (Kinshasa), which is associated with the European Community through the Yaoundé Convention, visited Brussels on November 6.

He and other members of the Congolese delegation met with Commission President Jean Rey and Henri Rochereau, member of the Commission. Congolese Foreign Affairs Minister Cyrille Adoula underlined the important role the Community's cooperation had played in helping to restore and improve the Congolese people's standard of living. He outlined certain priorities his Government had set and suggested specific projects that could be carried out jointly by the Congo and the Community.

## LABOR SHORTAGES WILL PERSIST INTO WINTER

Labor shortages persisted throughout the European Community through the fall, and the indicators pointed to continued tightness well into winter, according to the Commission's latest summary of the economic situation.

The report, "Graphs and Notes on the Economic Situation in the Community" for October, indicated that Germany and the Netherlands had the largest shortages. Since older workers make up a large part of the unemployed in both countries, the Commission said it was unlikely that their unemployment rates would decline any further without special remedial actions.

In France, despite high demand for skilled workers, unemployment decreased only slightly, as many recent graduates had

entered the market without training in the skills needed by industry. In Belgium and Italy, unemployment continued to fall sharply. In Italy's heavily industrialized regions, strikes and work stoppages multiplied.

### Prices Still Climbing

Industrial production continued to expand into fall, but less rapidly than last spring because of the acute manpower shortages in some parts of the Community and labor disputes in others. The gap between supply and demand widened further and consumer prices continued to climb.

Wage increases, especially in Germany and Italy, put added pressure on manufacturing costs and, thus, on prices. The Commission termed the current upward price trend "alarming" in view of its uninterrupted rise for the past 12 months. From August 1968 to August 1969 the consumer price level rose by 6.9 per cent in the Netherlands, 6.3 per cent in France, 4 per cent in Belgium, 3.4 per cent in Italy, 2.7 per cent in Germany, and 2.4 per cent in Luxembourg.

## COMMISSION SEEKS STRONG BUDGET POWERS FOR EUROPEAN PARLIAMENT

The European Parliament should achieve true parliamentary control at European level over the Community's budget by 1974, according to Commission proposals to the Council of Ministers dated October 30.

The Commission's proposals are the latest part of a plan submitted last July on final arrangements for financing the common agricultural policy and giving the Community its own financial resources. (See *European Community No. 126, page 7.*) As the Commission pointed out then, as the Community's financial dependence on member states decreased, national parliaments would lose control over the Community's budget. Thus, the European Parliament's budgetary powers ought to be correspondingly increased.

### Gradual Transfer of Control

After consulting the Parliament, the Commission specified a two-stage plan for transferring ultimate budgetary powers to the Parliament geared to the timetable for increasing the Commission's financial autonomy.

Until the end of 1973 the Council would still have the last word, but its decision would have to be unanimous to overrule budget proposals agreed upon by both the Parliament and the Commission. During this period, Community expenditure would be covered partly by direct Commission revenue—agricultural levies and a gradually increasing proportion of customs duties—and partly by member states' financial contribu-

tions. In 1974, the Community would attain full financial independence. The European Parliament would then have the final say on the budget, with approval of two-thirds of its members required.

In another important departure from current procedures, the Commission suggested that it should submit the draft budget directly to the Parliament. The Parliament now receives a draft budget prepared by the Council of Ministers on the basis of the Commission's proposals.

### 1970 Budget

On October 29 the Council of Ministers approved the Community's 1970 budget as proposed by the Commission. The budget provides for administrative expenditure of \$211 million. Outlays for the common agricultural policy are put at approximately \$3 billion, a 20 per cent increase over 1969.

## FIRST FARM REFORM AID ALLOCATED IN 1969

The European Communities Commission decided on November 10 to allocate \$8,472,837 to help member countries finance 34 projects to improve methods of producing and marketing agricultural commodities.

The 1969 budget of the common farm fund's Guidance Section, which helps finance structural change in farming, amounts to \$285 million. So far this year, only \$160 million has been earmarked.

The projects just approved are distributed as follows:

	Amount of Aid	Number of Projects
Germany .....	\$2,469,251	5
Belgium .....	612,270	5
France .....	2,257,995	7
Italy .....	2,419,028	13
Netherlands .....	714,293	4
TOTAL .....	\$8,472,837	34

## PARLIAMENT URGES MONETARY UNION BY 1975

The Commission should draw up proposals for completion of a Community-wide monetary union by January 1, 1975, the European Parliament urged at its October session in Strasbourg. Parliamentarians expressed concern that the progress of integration would be halted if the member states failed to cooperate effectively in the economic and monetary spheres.

During the session, the Commission explained why it had first sought to forbid, but had then authorized, Germany to put a protective tax on some farm imports following Bonn's decision to float the mark. Commission President Jean Rey pointed out that, at a time of monetary uncertainty, Germany had introduced the tax for an indefinite

period, unilaterally set the rate, and selected the taxable products. The Commission could not legalize this act.

Commission Vice President Raymond Barre stressed that fixed exchange rates were essential if the Community was to have a common market for capital and services as well as for farm and manufactured products.

Commission Vice President Sicco L. Mansholt pointed out that Germany would be allowed to levy frontier taxes only on farm products subject to common farm fund intervention (wheat, dairy products, sugar, and meat). Fruit and vegetables, fresh and conserved, would be excluded.

#### **Democratic Control**

Earlier, at the 16th joint meeting of the European Parliament and the Council of Europe's Consultative Assembly, October 3-4 in Strasbourg, Norbert Hougardy (Belgian Liberal) emphasized the need for close coordination of monetary policies. However, he warned against leaving this task to interstate bodies like the Committee of Permanent Representatives or the Community's specialized Committees, which would mean that an important aspect of economic policy would escape parliamentary control. Political parties and economic bodies should play their part in working out Community policy, and consultation of the European Parliament should be compulsory. However, he recognized that economic cooperation would be difficult without an increase in political unity among member states.

### **COUNCIL APPROVES MODIFIED COMMON TRADE POLICY FOR 1970-73**

A modified common commercial policy will come into force on January 1, 1970, the European Communities Council of Ministers decided October 17 in Luxembourg.

The decision allows member countries to conclude bilateral trade agreements with non-member countries only for three years after January 1, 1970. However, the Council must authorize the negotiations for such agreements, define the subjects for negotiation, and approve the agreement before signature. The new arrangement will enable members of the Community to sign individual agreements with countries such as the Soviet Union and other East European countries which have so far declined to negotiate with the Community as a unit.

Originally, the proposed common commercial policy had called for the Community to negotiate all trade pacts for the Six, as a whole, starting in 1970. Under the modified arrangement the Commission will assume the responsibility for trade negotia-

tions with non-member states after January 1, 1973. East European countries will then have to recognize the Community's existence if they want trade pacts with its members.

In the meantime, a strict procedure will be enforced to ensure that states opening bilateral negotiations do not sign trade agreements against the interests of the Community as a whole. No country will be allowed to begin trade talks with a non-member country until the Commission and the Council have outlined the scope and content of negotiations.

When a country concludes negotiations, it must submit a copy of the agreement to the Commission and its partners, which then have five working days to object to the proposed agreement. If there is an objection, the Council will decide whether or not the agreement should be approved; if there is no objection, it goes through automatically.

### **POLL FINDS STRONG FRENCH SUPPORT FOR EUROPEAN UNITY**

The French strongly support the idea of European unity, according to a public opinion poll made by the French Institute of Public Opinion.

As reported on October 31 in *Agence Europe*, the daily news survey of Community events published in Brussels, 54 per cent of the French people surveyed said they would be prepared to become European citizens in a politically united Europe. Replies given by executives and members of the liberal professions were judged the most European in orientation, followed by business, and white collar workers, manual workers were at the bottom of the scale, with 48 per cent favorable to European unity.

Ten per cent of the French surveyed said they would be relieved if the Common Market were abandoned, while 39 per cent said they would regret it.

### **COMMUNITY READIES GENERALIZED TARIFF PREFERENCE PLAN**

The Commission's proposal for a new generalized tariff preference system for trade with less developed nations to be submitted to the United Nations Conference on Trade and Development (UNCTAD) was discussed by the European Communities Council of Ministers on October 17.

The system would include duty-free entry, up to a certain "ceiling," for imports of manufactured and semi-manufactured in-

dustrial products from the developing countries. Ceilings would be calculated for each product based on the total value of all imports from developing countries plus 5 per cent of imports from other countries. The Community's offer is conditional on other industrialized countries' making "comparable efforts."

The Six and other developed nations agreed to transmit concrete proposals to the UNCTAD countries by November 15. The Community's proposals generally follow the lines of those it submitted to the Organization for Economic Cooperation and Development last March. (*See European Community No. 122, page 8.*)

### **LOW BEER TRADE PROMPTS COMPETITION INQUIRY**

The low volume of beer traded between European Community countries has prompted a Commission investigation, announced on November 6, for possible infringement of the competition rules.

In 1966, out of the 3.1 billion gallons of beer produced in the Community, only 89.8 million gallons were exported and only 44.9 million gallons went to other Community countries.

While partial explanation of the low volume of intra-Community trade could lie in differences of national tastes, the Commission's investigation will try to ascertain whether or not "tied-house" agreements are also involved. This type of agreement commits a distributor (café, restaurant, or hotel owner) to buying supplies only from one brewer in exchange for certain services. The investigation will concentrate on the structure of the brewing industry and the market situation of small companies.

### **UAR ASKS COMMUNITY FOR TRADE AGREEMENT**

The United Arab Republic has applied for a trade agreement with the Community, Joseph Luns reported at the meeting of the European Communities Council of Ministers on September 16. The Dutch Foreign Minister told his colleagues he hoped the request would meet with a favorable response.

### **"DRAGON" AGREEMENT EXTENDED TO 1973**

The European Community, Britain, and five other member countries of the European Nuclear Energy Agency have extended the agreement on the "Dragon" project at Winfrith, England, for a fourth term, from April 1, 1970, to March 31, 1973.

## PUBLICATIONS AVAILABLE

THE COMMON MARKET AND THE COMMON MAN. European Community Information Service, Brussels, 1969, 32 pages .....free  
*Brochure discussing the social policy of the European Community: incomes, standard of living, industrial relations, the trade-union movement, and social security.*

LES MODIFICATIONS DANS LA STRUCTURE ET LA FORMATION DE LA MAIN-D'OEUVRE DE L'INDUSTRIE SIDERURGIQUE. Commission of the European Communities, Brussels, December 1968, 83 pages .....\$25

*This report, prepared by the Social Science Research Institute of Munich, Germany, discusses changes in the structure of employment and vocational training due to technical progress in the steel industry. It contains suggestions for modern vocational training.*

ETUDES ET ENQUETES STATISTIQUES, 1968, No. 6. Statistical Office of the European Communities, Luxembourg, 221 pages. \$2.00 (French, German, Italian, and Dutch text)

*Contains an article on retail prices in specialized stores and department stores during October 1968. Includes prices of food, textiles and clothing, household articles, appliances, toiletries, stationery and books, toys, photographic equipment, and cars. The second article examines the structure of commerce in the European Community. Discusses in detail the number of firms and persons employed in wholesale, retail, and intermediary sectors of the economy.*

COMMISSION PROPOSALS FOR INTERNATIONAL FATS AND OILS AGREEMENT. *Common Market Farm Report* No. 42, European Community Information Service, Washington, D.C., September 1969, 6 pages .....free  
*Summary of new proposal for an international agreement on fats and oils.*

THE COMMON MARKET'S EXTERNAL TRADE 1958-67. European Community Information Service, Brussels, 1969, 23 pages .....free  
*Brochure describing the growth and structure of the Community's external trade.*

EUROPEAN INVESTMENT BANK ANNUAL REPORT 1968. European Investment Bank, Luxembourg, 1969, 157 pages .....free  
*Includes a chapter on the Bank's role and experience in the context of the Associations of the European Economic Community with Greece, Turkey, and the African States.*

ANALYSE COMPARATIVE DES STRUCTURES SOCIO-ECONOMIQUES DES REGIONS MINIERES ET SIDERURGIQUES DE LA COMMUNAUTE. *La Conversion Industrielle en Europe* No. VIII, Commission of the European Communities, Luxembourg, Vol. I, 406 pages .....\$10.00  
 Vol. II, 52 maps .....\$ 8.00  
*Detailed comparative analysis of the socio-economic structure of regions affected by mine and steel mill shut-downs. Maps with commentary complement the study.*

### NOTICE

In accordance with the U.S. Securities and Exchange Commission regulations, the European Coal and Steel Community published its Balance Sheet as of June 30, 1969, and its Statement of Revenues and Expenditures for the period July 1, 1968, to June 30, 1969.

This information is published in connection with European Coal and Steel Community Bonds issued in the United States under applications:

A-16929	A-23715
A-17648	A-24049
A-19218	A-24459
A-20452	A-25274

Copies of "Supplemental Information to Bond Holders" have been deposited with The Chase Manhattan Bank, New York, N.Y.

INDUSTRIAL STATISTICS 1968. Statistical Office of the European Communities, Luxembourg, 1969, 141 pages .....\$1.50 (French, German, Italian, and Dutch text)  
*Yearbook of industrial production, 1958-67. Breaks down data by types of manufactured goods and country and gives Community totals.*

NOTES EXPLICATIVES DU TARIF DOUANIER DES COMMUNAUTES EUROPEENNES. Commission of the European Communities, Brussels, 1969, Loose-leaf binder containing basic volume of 70 pages .....\$16.00

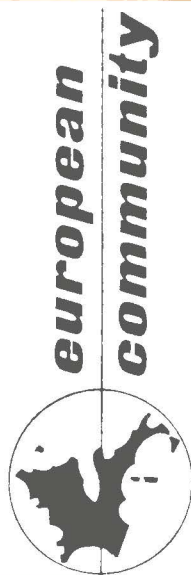
*Explanatory notes to the "Customs Tariff of the European Communities." The Communities' tariff is based upon the Brussels Nomenclature, which also has explanatory notes, published by the Customs Cooperation Council in Brussels. The Communities' notes amplify upon those of the Brussels Nomenclature, which explain only four-digit headings.*

*The basic volume covers 25 chapters of the customs tariff. These notes can be ordered in French, German, Dutch, or Italian. Standing orders may also be placed for supplements covering additional chapters, as completed; cost will vary according to the number of pages.*

FOREIGN TRADE: ANALYTICAL TABLES—CST, JANUARY-DECEMBER 1967. Statistical Office of the European Communities, Brussels, 1968.

Import Volume, 408 pages .....\$3.00  
 Export Volume, 801 pages .....\$5.00  
*Published in a single French-German edition. Contains:*

- Summary of EEC imports and exports by area and four-digit commodity groups.
- Imports and exports by commodity (five-digit groups) broken down by country of origin and destination.
- Imports and exports by country of origin and destination, broken down by commodity (three-digit groups).



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