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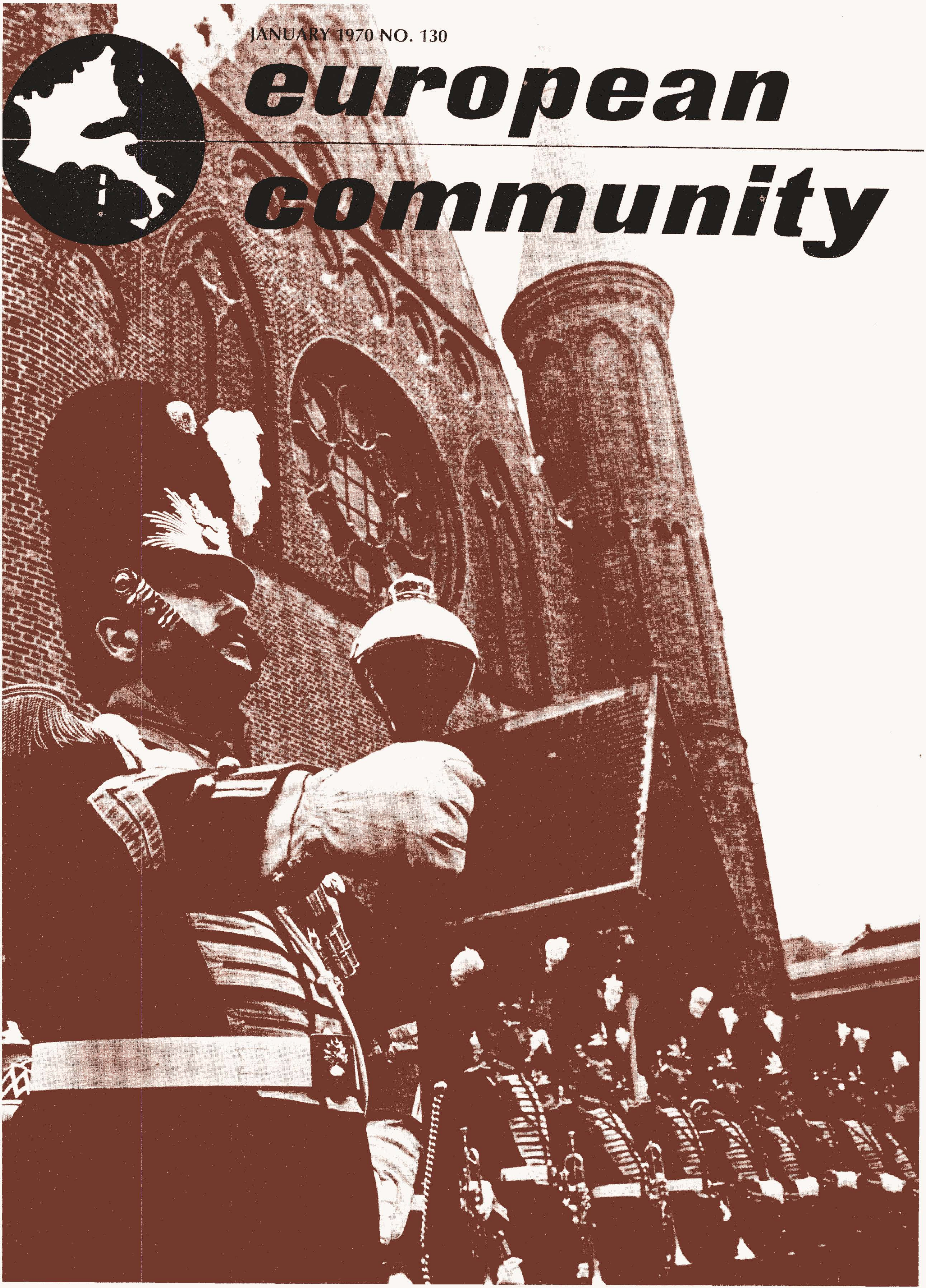

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COVER: The Netherlands Royal Grenadier Guard band stands at attention before the thirteenth century Knights' Hall, scene of the summit meeting of heads of state or government of the Six.

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Members of the press and spectators crowd the gallery and room where the heads of state and government, seated at the conference table, held the two-day summit meeting in the Knights' Hall, The Hague.

Summit Revives 'European' Spirit

AGREEMENT REACHED ON ENLARGING AND STRENGTHENING COMMUNITY

THE MEMBERS OF THE EUROPEAN COMMUNITY have agreed to open membership negotiations with Britain, Denmark, Ireland, and Norway—the four countries that submitted applications in 1967. At the end of their summit meeting on December 1-2 in The Hague, the leaders of the Six issued a communiqué in which "they reaffirmed their agreement on the principle of broadening the Community, as foreseen in Article 237 of the Treaty of Rome." Although the communiqué did not set a date for the opening of talks, Dutch Premier Piet de Jong, chairman of the meeting, told a press conference that all six delegations had undertaken to reach a joint negotiating position by the end of June 1970. "The will for enlargement exists. There is no divergence of view on interpretation," Mr. de Jong said.

The main points of the communiqué, published in its entirety on page 5, were:

• to carry out the task of completing the Community
• to draw up definitive financial arrangements for the common farm policy by the end of 1969. These could be adapted to changed conditions, such as enlargement, if the member states were unanimous.
• to continue efforts by the Council of Ministers to cut down the current agricultural surpluses
• to develop an economic union among the Market members, including the creation of a European reserve fund
• to push ahead with technological cooperation
• to make new efforts to draw up a research program for the European Atomic Energy Community (Euratom)
• to consider the reform of the European Social Fund, within the context of concerted social policies
• to reaffirm interest in setting up a European university
• to ask the Community's foreign ministers to propose, before July 1970, ways of strengthening the political unification of the Community.

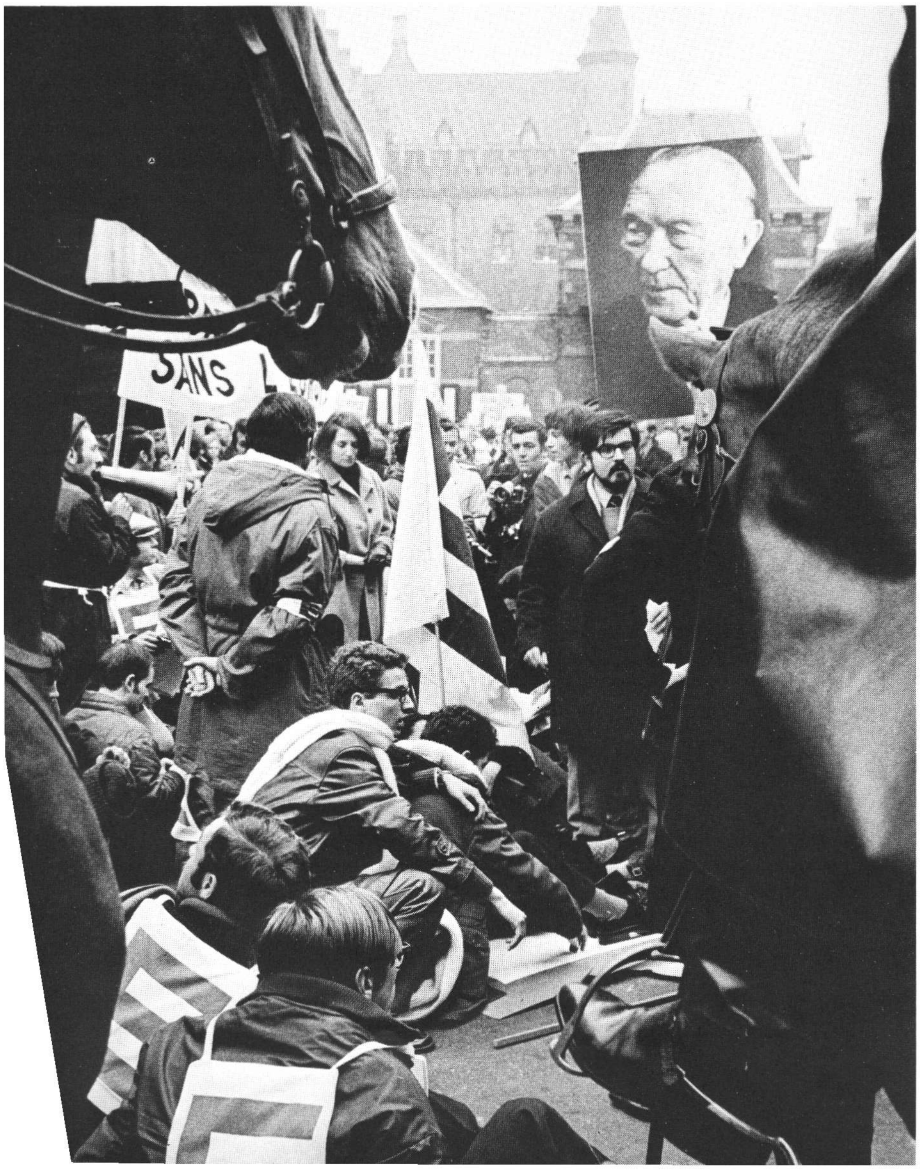
Taking part in the summit talks, originally scheduled for November 17-18, were Italian Premier Mariano Rumor, German Chancellor Willy Brandt, French President Georges Pompidou, Dutch Premier Piet de Jong, Belgian Premier Gaston Eyskens, French Prime Minister Jacques Chaban-Delmas, and Foreign Ministers Aldo Moro, Italy; Gaston Thorn, Luxembourg; Maurice Schumann, France; Pierre Harmel, Belgium; Joseph Luns, Holland; and Walter Scheel, Germany. Commission President Jean Rey attended the second day of the summit meeting.

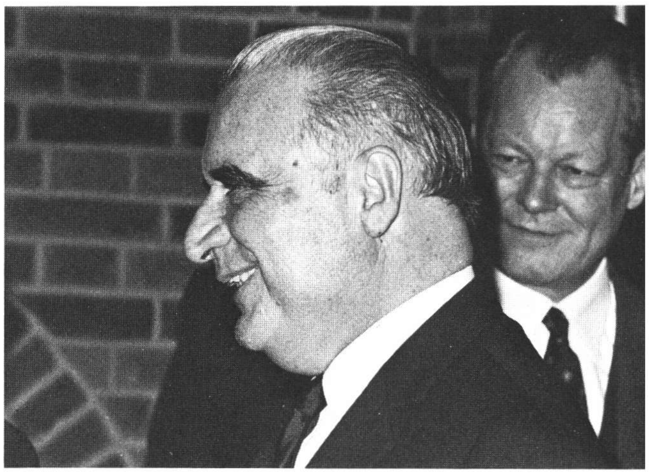
"Enough Blah-Blah"

Proposed by President Pompidou to discuss the "completion, deepening, and enlargement" of the Community, the top-level conference was widely regarded as a bid by the Six to give the Community a new lease on life and, in particular, to end the deadlock on Britain's application, which, it was felt, had slowed down progress in several other sectors of the Community's activities. After the close of the meeting, held in the thirteenth-century Hall of Knights, most participants announced that they regarded The Hague meeting as a success.

Demonstrations and press conferences by various militant European groups accompanied the opening of the summit. Youthful European federalists, chanting "Enough blah-blah," struggled with Dutch mounted police. They bore a coffin symbolizing the demise of the ideal of European unity and staged a sit-down demonstration in the street to make the point that governments had lost touch with the people.

Youth for Europe, in a mock funeral procession, protested the demise of the European unity movement on the opening day of the summit. Bearing photographs of the founding fathers of Europe (here, Konrad Adenauer), they chanted, "Enough blah-blah!" until mounted police broke up the demonstration.





French President Georges Pompidou and German Chançellor Wi Brandt made their public diplomatic debuts on the "Europea scene in their new positions of national leadership.

Satisfaction Expressed with Results

Community officials and the heads of governments alike wh attended the summit expressed satisfaction with its results.

German Chancellor Willy Brandt told newsmen it was ' big step forward." Asked, "Did you succeed?", Mr. Bran replied unhesitatingly, "Yes." French Foreign Minister Ma rice Schumann said he saw no reason why preparatory tall for negotiations should take the Community any longer tha six months. French President Pompidou, in a statement broa cast by the French radio after the conference, said: "I ca say this conference was a happy one for France and hap for Europe, for which it opens new hopes." Without me tioning dates, Mr. Pompidou said it was agreed that the S were ready to discuss admission of Britain and the oth three applicants. He said the preparatory talks would ope "in a positive spirit." Belgian Foreign Minister Pierre Harm said: "For those who follow Europe, this is a happy day German Foreign Minister Walter Scheel said: "We ha achieved something which could lead the European Econom Community out of stagnation and into a dynamic develo ment." He praised Mr. Pompidou's "constructive role."

Commission's Reaction

The Commission on December 12 announced that the dec sions made in The Hague strikingly disproved accusations th the Community was paralyzed and losing momentum. It sa it was particularly satisfied that the member states had unde taken:

- to enact measures by December 31, 1969, to complete tl Community
- to adopt definitive regulations on financing the comm agricultural policy
- to strengthen the Community and move toward econom and monetary union.

The Commission said it believed negotiations to enlarge tl Community could begin in mid-1970. However, the Commi sion said it was sorry the conference had not taken steps further political union or expressed itself in favor of tl direct election of members of the European Parliament.

COMMUNIQUE*

Meeting of Heads of State or Government
The Hague, December 1-2, 1969

1. On the initiative of the Government of the French Republic and at the invitation of the Netherlands Government, the heads of state or government and the ministers for foreign affairs of the member states of the European Communities met at The Hague on December 1 and 2, 1969. The Commission of the European Communities was invited to participate in the work of the conference on the second day.

2. Now that the Common Market is about to enter upon its final stage, they considered that it was the duty of those who bear the highest political responsibility in each of the member states to draw up a balance sheet of the work already accomplished, to show their determination to continue it, and to define the broad lines for the future.

3. Looking back on the road that has been traversed, and finding that never before have independent states pushed their cooperation further, they were unanimous in their opinion that by reason of the progress made, the Community has now arrived at a turning point in its history. Over and above the technical and legal sides of the problems involved, the expiry of the transitional period at the end of the year has, therefore, acquired major political significance. Entry upon the final stage of the Common Market not only means confirming the irreversible nature of the work accomplished by the Communities, but also means paving the way for a united Europe capable of assuming its responsibilities in the world of tomorrow and of making a contribution commensurate with its tradations and its mission.

4. The heads of state or government therefore wish to reaffirm their belief in the political objectives which give the Community its meaning and purport, their determination to carry their undertaking through to the end, and their confidence in the final success of their efforts. Indeed, they have a common conviction that a Europe composed of states which, in spite of their different national characteristics, are united in their essential interests, assured of its internal cohesion, true to its friendly relations with outside countries, conscious of the role it has to play in promoting the relaxation of international tension and the rapprochement among all peoples, and first and foremost among those of the entire European Continent, is indispensable if a mainspring of development, progress and culture, world equilibrium, and peace is to be preserved.

The European Communities remain the original nucleus from which European unity has been developed and intensified. The entry of other countries of this Continent to the Communities—in accordance with the provisions of the Treaties of Rome—would undoubtedly help the Communities to grow to dimensions more in conformity with the present state of world economy and technology.

The creation of a special relationship with other European states which have expressed a desire to that effect would also contribute to this end. A development such as this would enable Europe to remain faithful to its traditions of being open to the world and increase its efforts on behalf of developing countries.

5. As regards the completion of the Communities, the heads of state or government reaffirmed the will of their governments to pass from the transitional period to the final stage of the European Community and, accordingly, to lay down a definitive financial arrangement for the common agricultural policy by the end of 1969.

They agreed progressively to replace, within the framework of this financial arrangement, the contributions of member countries by their own resources, taking into account all the interests concerned, with the object of achieving in due course the integral financing of the Communities' budgets in accordance with the procedure provided for in Article 201 of the Treaty establishing the EEC [European Economic Community] and of strengthening the budgetary powers of the European Parliament. The problem of the method of direct elections is still being studied by the Council of Ministers.

6. They asked the governments to continue without delay, within the Council, the efforts already made to ensure a better control of the market by a policy of agricultural production making it possible to limit budgetary charges.

7. The acceptance of a financial arrangement for the final stage does not exclude its adaptation by unanimous vote, in particular in the light of an enlarged Community and on condition that the principles of this arrangement are not infringed.

8. They reaffirmed their readiness to further the more rapid progress of the later development needed to strengthen the Community and promote its development into an economic union. They are of the opinion that the integration process should result in a Community of stability and growth. To this end they agreed that within the Council, on the basis of the memorandum presented by the Commission on February 12, 1969, and in close collaboration with the latter, a plan in stages should be worked out during 1970 with a view to the creation of an economic and monetary union. The development of monetary cooperation should depend on the harmonization of economic policies.

They agreed to arrange for the investigation of the possibility of setting up a European Reserve Fund in which a joint economic and monetary policy would have to result.

9. As regards the technological activity of the Community, they reaffirmed their readiness to continue more intensively the activities of the Community with a view to coordinating and promoting industrial research and development in the principal sectors concerned, in particular by means of common programs, and to supply the financial means for the purpose.

10. They further agreed on the necessity of making fresh efforts to work out in the near future a research program for the European Atomic Energy Community designed in accordance with the exigencies of modern industrial management, and making it possible to ensure the most effective use of the common research center.

11. They reaffirmed their interest in the establishment of a European university.

12. The heads of state or government acknowledge the desirability of reforming the Social Fund, within the framework of a closely concerted social policy.

13. They reaffirmed their agreement on the principle of the enlargement of the Community, as provided by Article 237 of the Treaty of Rome.

In so far as the applicant states accept the Treaties and their

This is the official English text of the communiqué issued after the summit meeting.

political finality, the decisions taken since the entry into force of the Treaties and the options made in the sphere of development, the heads of state or government have indicated their agreement to the opening of negotiations between the Community on the one hand and the applicant states on the other.

They agreed that the essential preparatory week could be undertaken as soon as practically and conveniently possible. By common consent, the preparations would take place in a most positive spirit.

14. As soon as negotiations with the applicant countries have been opened, discussion will be started with such other EFTA [European Free Trade Association] members as may request them on their position in relation to the EEC.

15. They agreed to instruct the ministers for foreign affairs to study the best way of achieving progress in the matter of political unification, within the context of enlargement. The ministers would be expected to report before the end of July 1970.

16. All the creative activities and the actions conducive to European growth decided upon here will be assured of a better future if the younger generation is closely associated with them. The governments are resolved to endorse this and the Communities will make provision for it.

PRESS COMMENTS: THE SUMMIT

CORRIERE DELLA SERA, AUGUSTO GUERRIERO, *Milan, December 4, 1969*

"The key event of The Hague conference was the speech given by Pompidou at the opening session. . . . The speech disappointed and embittered the 'Europeans.' But their pessimism is perhaps excessive. What Pompidou said, whatever his reasons and purposes, is logical enough. It is in the interest of all—of the Six as well as of London—before deciding on British entry, to define the nature of the Community so that the Six can agree completely among themselves on the conditions to propose for membership, and so that England will know the form and direction of the Community that it intends to join."

ALGEMEEN HANDELSBLAD, *Amsterdam, December 3, 1969*

"The French political will to arrive with the British at a solution of the problem of British entry is apparent in the declarations made by the French President. . . . The French obtained an impressive diplomatic success. The strong position of the German Federal Republic has also come to light. . . ."

DE STANDAARD, *Brussels, December 4, 1969*

"First completion of what already exists and only then enlargement: this was finally accepted by France's partners."

LA LIBRE BELGIQUE, *Brussels, December 4, 1969*

"Only the future will tell the aftermath of this encouraging summit in The Hague, but there is a reasonable hope that the very ambitious intergovernmental declaration will be achieved progressively and realistically.

LE MONDE, *Paris, December 6, 1969*

"Like all human efforts, [the European commitment] can only progress by compromises of the kind reached in The Hague, on top of many others. . . . Despite all the difficulties still to be surmounted, Europe has thus taken a step which it is perhaps too early to qualify as historic but which was at least the one necessary to get out of the rut."

THE TIMES, DAVID SPANIER, *London, December 4, 1969*

"The significance of the summit meeting can easily be exaggerated. On the morrow of an involved international meeting . . . it is natural to feel carried away. In this sense, the occasion could be seen as the triumph of an ideal European unity over narrow sectional interests. Such a judgment would be rather premature, because unity in Europe is still to be won and is still far off. But the idea, though tattered perhaps, still lives, and that is the first proof from the summit.

THE NEW YORK TIMES, *New York, December 4, 1969*

"The wide-ranging decisions on economic and political union just taken at the Common Market summit meeting will do as much to spur British entry as the agreement to open negotiations with London by July.

"The Hague communiqué, which contains some hard-fought compromises over vested interests, reads astonishingly like a manifesto of Jean Monnet's Action Committee for the United States of Europe. . . . Perhaps the most significant aspect of The Hague compact was the decision of the Six to move toward a pooling of part of their gold and foreign currency holdings in a European Reserve Fund. . . ."

THE WASHINGTON POST, *Washington, D.C., December 5, 1969*

"It cannot be said that the summit talk proved or found or added any new vigor to the European idea, although an exception should perhaps be made for Willy Brandt, who is alive to the evident interest of European youth in it. . . . For Americans, as for Europeans, it makes a great deal of difference whether Europe is becoming a larger political factor, or merely a stronger economic competitor. The question was left unanswered, unasked even, at The Hague."

LUXEMBURGER WORT, *Luxembourg, December 4, 1969*

"The Hague summit has made one thing clear: there is no longer a political veto hovering over meetings. However, pleasure at this accomplishment should not delude us into minimizing the trials that not only the EEC but all of free Europe still face. Whether they will be overcome ultimately depends as much on London as on Paris and her partners. . . ."

FRANKFURTER ALLGEMEINE ZEITUNG, VON HANS HERBERT GÖTZ, *Frankfurt, December 4, 1969*

"In the past weeks all participants [at The Hague meeting] had a glance at the abyss into which a political crisis . . . would have plunged them. . . . Problems still exist. However, the confidence regained could give the members of the EEC Council of Ministers enough strength . . . to eliminate existing differences now that a continuation of the integration policy has been decided upon irrevocably."

Britain After The Hague

PETER JENKINS, *staff member of* The Guardian.

NOT SURPRISINGLY THE BRITISH reaction to the summit conference of European leaders at The Hague was at first cautious.

Hard experience warned against over-optimism: in the summer of 1967 there had been the tantalizing hope that General Charles de Gaulle's veto would not be applied a second time: on many occasions during the role of the Grand Coalition in Germany hopes of straight-talking by Bonn to Paris had been dashed when the moment came. The British, it should be remembered, have been waiting for nine years for a fair chance to show their willingness and ability to conform to the conditions for the enlargement of the Community laid down by the Six themselves. Thus the tone of President Pompidou's speech on the first day of the summit meeting put British-watchers on their guard and somewhat colored their interpretation of the compromise reached on the second day.

France Plays Positive Role

On second reading, however, the results of The Hague meeting appeared to be more positive. It became evident that Chancellor Brandt believed that he had received President Pompidou's solemn word that France would play the game, would allow negotiations to be opened once a common negotiating posture had been agreed, and was prepared for the negotiations to be conducted with good will. It became more clearly understood that President Pompidou had misjudged the atmosphere of the summit and the new force of the German position when giving his first address. It was also better realized that the future of the Community and the prospects for its enlargement would not have been well served by attempting to humiliate France publicly.

There was some tough last-minute bargaining at The Hague, but there was also a good deal of evidence of a genuine change in Paris, certainly at the Elysée even if the news had not carried to the Quai d'Orsay. President Pompidou, it seemed, had come to realize that in the interest of France the "British question" had to be solved one way or the other, that the interest of France lay with the Community's survival and development, at least in certain directions. For the Community to survive and to develop at all, the poison had to be drawn from the enlargement question. Therefore, a negotiation had to take place. As to its result, it may well be that President Pompidou remains neutral: either it will produce agreement on Britain's accession, or it will show that Britain is unable or unwilling to accede on terms agreed upon among the Six. For the latter result to be acceptable to France's five partners, the terms set would have to be reasonable, and seen to be reasonable, and the negotiations would have to be conducted with a will to succeed.

Change of Approach

This analysis is reinforced by the change in the French approach on questions of Community development. Previous French policy involved opposition to European integrationist solutions on strict ideological grounds; the new policy defines the interests of France on more pragmatic grounds, and thus admits integration in areas where it may serve the interests of France.

The change has profound implications, for in order to further its interests within the Community, France will be obliged to take a more constructive attitude towards the preoccupations of its partners. In that sense, President Pompidou's constructive proposals for monetary and economic cooperation are the best indications of a genuinely more constructive approach to enlargement.

Britain's Stake

The attitude of France is by no means the only consideration. British opinion tends naturally, after the years of humiliating veto, to focus on the question of enlargement and, in particular, on the line taken by Paris. The existing members of the Community were looking to the summit to do more than agree on a timetable for preparing negotiations; they were looking for acts of statesmanship sufficient to revive the morale of the Community and set it in motion once more.

This was, or should have been, just as important for Britain as the enlargement question pure and simple. For, in the first place, the success of negotiations is going to depend very greatly upon the progress the Six make in sorting out the contradictions in the common agricultural policy. Informed opinion in Britain recognizes that the principle of financial solidarity and the system of Community preference have to be accepted, and that Britain will, in any event, have to pay a price for the commercial and political benefits of membership. The best way of making the price reasonable would be to improve control over agricultural production and ensure that the unavoidably large sums spent on support and structural reform achieved the desired result and did not continue, as at present, to enrich unnecessarily the efficient producer while doing little to solve the problems of the marginal farmer or curb his surplus production offered at exorbitant prices. Seen in this way, the interests of Britain and the Community member governments are not so dissimilar: for it has become imperative for the Germans to set some limit on their budgetary contributions to the common agricultural policy, and the French Government is not content to continue devoting 12 per cent of its national budget to the agricultural sector, a sum far in excess of the receipts from Community resources.

Positive progress towards agricultural reform links up intrinsically with progress towards monetary and economic union. Although the British naturally do not wish to be faced with further *faits accomplis* (it ought to be possible to devise a form of consultation on these questions), the strengthening of the Community should be welcomed in London as evidence that it remains worth joining. Public opinion in Britain may be expected to warm again towards Europe as the long cold spell gives way to thaw. With both major parties equally divided on the question of British membership, there is no danger of either party's finding it to its advantage to break away from the consensus in an election year. Continental speculations on this score have been vastly exaggerated. Nevertheless, British public opinion will require gentle nursing; and no less important than the early opening of negotiations, in good spirit, will be concrete evidence that the Community is capable of tackling its internal problems, notably in the agricultural field.

Europe in the Seventies

STEPHEN HUGH-JONES

HOW SERIOUS ARE THE FRENCH? The seeming change in France's attitude towards Britain's membership in the European Community has been much debated. However, a more striking change has received curiously little attention: the expressed intention of French President Georges Pompidou to see the European Community develop in the economic and monetary fields. These, after all, are major areas of government action. If the current French Government is prepared to let a supranational Community have a major role in these areas—although that is not how Paris now phrases its intention—it would be a striking and hopeful advance. This, no less than the enlargement of the Community, is the key to the Europe of the 1970's.

It is now a reasonable bet that the Community will be enlarged. But what kind of Community will it be? Quite possibly an enlarged Community could match, in some respects, the horror comic sketched out (ingenuously or not) by some of its traditional denigrators. It could, that is, stand still. Community influence would be extended into few new areas of economic decision. Under a thin guise of international cooperation, national industrial and economic policies would remain the order of the day. The powers of the Commission and of the European Parliament would develop little. Above all, the Community would develop no political will. It would be more than an extended free-trade area, but not much more, a quite natural consequence of the nationalistic atmosphere that has infected Europe in the last few years.

What are the reasons for hoping it will not happen? One is the lessening of American interest in Europe. The United States may well withdraw more of its troops. Unless simultaneously the nature of the Soviet regime changes remarkably for the better, Europeans will be forced to think more seriously of their common defense. Defense integration will follow political integration, not precede it—that was the illusion on which the European Defense Community foundered in 1954—but a cooperative defense effort will help to push the nation states together.

The Americans are starting, too, to think less of Western Europe as a political partner and to see it, in the short term, at any rate, more as a commercial rival. The conflict between American and European economic interests must sharpen—every Eurodollar and every American investment sharpens it—and Europeans will be forced to recognize clearly that "We must all hang together, or assuredly we shall all hang separately," as Benjamin Franklin observed at the signing of the Declaration of Independence.

Another reason lies, paradoxically, in Europe's hope of making a deal with the Russians. We may fear them; but, as the difference between American and European reactions to Czechoslovakia showed, we feel a need, as the United States does not, to talk with them about the divisions of Europe and conditions in the Russian half of it. Neither Paris nor Bonn carries enough weight by itself to make any kind of serious deal or, indeed, to have any serious influence on Russian actions. United, Western Europe might.

But why does one want an integrated Community anyway? What is the Community for? Opinions will certainly differ. For a start, open conflict can be foreseen between "Atlanticists" and "Europeans," a division smudged until recently because the most anti-Atlantic member country in theory was also least keen, in practice, on creating "Europe." The new members—Britain especially—the Dutch, and the Italians will have to decide where they stand. If serious industrial integration is attempted, it will conceivably be accompanied by an attempt to reach a common policy on American investment; but the result, if there is one, will probably not be strongly hostile to the American invaders. IBM is in Europe to stay—to which many European industrialists will add, "and a good thing, too."

Defense may be similarly controversial. Does Europe want to stay beneath the American nuclear umbrella? Is Europe prepared to pay for, and run the risks of, putting up one of its own? Here I believe, regretfully, that the "Europeans" will be outnumbered; the non-proliferation treaty, and Germany's special status apart, it is always easier to let other people carry the burden. Anglo-French cooperation can be imagined in military and nuclear production, perhaps, and in targeting, but all within the framework of the North Atlantic Treaty Organization (NATO), whose demise there is no reason to predict.

There will be corresponding differences over Western Europe's relationship with its eastern neighbors. Everyone will be in favor of "good relations" as everyone is against sin, but on what basis? Trade and economic relations, certainly. But are those the only liberalizing influences one would hope to spread to the east if, indeed, one hoped to spread anything: possibly too many of us are content to live comfortably on our side of the fence. Shall we rely on deterrence or on a system of pan-European security? It cannot easily be said how these arguments will be worked out; but clearly, they will be argued, just as they are now. European man is a political animal, not a technocrat for whom there is one, and only one, "optimal" (the word begs the question) solution.

New Basis for European Politics

The same will be true internally. No Social Democrat, let alone Communist, would accept as God-given truth all the principles basic to the Treaty of Rome. Even if the Community's development proceeded on that basis, acute disagreement must arise between the parties as soon as decisions affecting their interests are made at Community level. Politics is not just "the art of the possible"; it is also the dispute about what is possible—in brief, about who gets what. Many social questions are likely still to be settled at national or regional level: housing, education, health services, "participation" in industry. Others, in particular the fiscal or monetary management of the national economies, will be powerfully influenced by the Community as such. The old basic questions about the kind of national society we want—liberal, orderly, progressive, capitalist, socialist, or what have you—will be argued about afresh in the whole Community.

This is the most general sketch of a possible future. One has to say, at the end of 1969, that an infinitely more dismal prospect is still open. Suppose the British never enter the Community at all. It could be the fault of France, but it could also be the fault of the British.

Stephen Hugh-Jones is European correspondent of The Economist.

Leading from Behind

While Britain's "anti-marketeers" are enthusiastically whipping up opposition, its pro-Market politicians—with honorable exceptions like George Brown—tend to behave like the Duke of Plaza-Toro who "led his regiment from behind—he found it less exciting." They are firm for Europe, they say, almost apologetically. They are not anxious to frighten a conservative electorate with thoughts of change. Understandable: there is an election ahead, but great enterprises are not built on apology, or on looking backward.

"European Idea" to the Fore?

Another hope lies in the impetus that will be given to the "European idea" if the Community is enlarged. The idea has been badly battered. If it seems to be moving forward again, it will gain fresh appeal, like all bandwagons. This is a precarious hope, but it is the one that will, or could, count for most: communities and nations are not made by fear or by economic convenience but by fellow-feeling.

These and other forces could push the Community towards integration. However, the victory of integration, if it occurs, over the nation state will at best be a qualified one. The status and, above all, the resources (the two will go together) of the European institutions will be crucial. The presence of ten or more states (hopefully a democratic Spain and Greece among them) will make it more necessary than ever for the European Community's Council of Ministers to move beyond the power of national veto into the era of decision by majority. That will not count for a great deal unless the Commission gets much larger resources; and a directly elected Parliament, much larger powers.

The proposals now on the table carry us up to 1974, but they are extremely modest. The Commission proposes that its resources should not exceed 1 per cent of the Community's gross national product, although most national governments take 30-35 per cent of their national GNP. Unless an astonishing surge of federal feeling materializes, national governments will still be the main initiators and decision-makers in the Europe of 1980; and intergovernmental cooperation, albeit in a spirit of good will rather than the suspicion of the last few years, will still play a major part in framing common policies. If so, neither direct election nor the hoped-for legislative powers of the European Parliament will count for much.

Economic Realities

The integrationists' answer will lie, in part, in the realities of modern economic life. It will become increasingly clear that certain policies—say, for aviation or energy or computers—can only be conducted on a European scale, that the areas of Community influence must be extended. That will imply increased resources, and *ipso facto,* whatever the formal balance, increased powers.

As Europe marshalls its resources for competition in the seventies, Americans are starting to see Europe as a commercial rival. Here, water jets cool hot-rolled steel at the works in Chertal, Belgium, owned by Espérance-Longdoz which recently merged with Belgium's other major steel producer, Cockerill-Ougrée-Providence. PHOTO: *Courtesy Institut Belge d'Information et de Documentation, Brussels.*

Washington's New Look at the Community

BOYD FRANCE

THE SUDDEN REVIVAL of hope that Britain may join the European Community, after seven long years of squatting at the gate, has stirred only polite applause in Washington. Indeed, it has sparked a lively debate in the inner councils of the Nixon Administration over how much the United States may stand to lose economically, and even whether that loss is worth the political gain.

The mere fact that these questions could be seriously debated outside the drab labyrinth of the Department of Agriculture reflects a changed attitude in Washington towards the Community. Political interest has waned; economic apprehension, grown.

The Tarnished Dream

On July 4, 1962, President John F. Kennedy spoke for a big majority of American businessmen, politicians, academicians, and other thoughtful citizens when he said:

"We do not regard a strong and united Europe as a rival but a partner . . . capable of playing a greater role in the common defense, of responding more generously to the needs of poorer nations, of joining with the United States and others in lowering trade barriers, resolving problems of commerce and commodities and currency, and developing coordinated policies in all economic and diplomatic areas. . . . The United States will be ready for a declaration of interdependence. . . . We will be prepared to discuss with a united Europe the ways and means of forming a concrete Atlantic partnership . . . between the new union now emerging in Europe and the old American union founded here 175 years ago." [1]

Now the bloom is off the rose. The talk in Washington, and New York, and Boston—not to speak of Chicago and points West—is of trade war more often than partnership. And the European Economic Community (EEC) is cast in the role of provocateur.

Senator Jacob K. Javits (R-N.Y.) long a liberal internationalist and champion of close U. S. cooperation with Europe, expressed the new mood this way in a recent speech:

"I regret that the European Common Market is increasingly taking on the appearance of a narrow, inward looking protectionist bloc whose trade policies as they affect agricultural as well as industrial products increasingly discriminate against non-members. . . . Western Europe should know from a friend that the CAP [common agricultural policy], as it is presently constituted, runs the risk of alienating the U. S. farm bloc which traditionally has had a liberalizing effect on U. S. trade policy. Such alienation of support could be decisive." [2]

Former Secretary of Agriculture Orville L. Freeman complained recently to a congressional committee:

"The decade of the Sixties has witnessed retrogression rather than progress in world trade in agriculture. Regionalism, and with it a turning inward, particularly in the European Economic Community, is largely responsible." [3]

Dr. Harald B. Malmgren, former Assistant Special Representative for Trade Negotiations in the White House, put it more bluntly after leaving office earlier this year:

"There is no longer any reason to pay a commercial price for non-existent political unity in Europe. We should be far less tolerant of the abuses of the Common Market agricultural policy but tailor our retribution so that it does not hurt other countries." [4]

And Edwin L. Dale, Jr., normally judicious international economic expert of *The New York Times* and once an ardent admirer of the Community, wrote of it recently in *The Times* of London:

"We bought a pig in a poke. We have been taken. . . . The girl looked gorgeous for awhile. But now she is all warts. It is all very human, but the time has come to cut our losses." [5]

Sobering Contrast

The contrast between such caustic remarks and Kennedy's vision of Atlantic partnership is sobering, but it would be a mistake to conclude that a tragic confrontation between Washington and Brussels is imminent or inevitable.

The underlying fact is that, however testy they may get, the United States and the Community are locked together in an ever-tightening web of mutual self-interest, economic as well as political. This, in the end, will hopefully determine their policies. As long as each is careful not to jostle the other too rudely into irrational and self-defeating actions, this common interest should eventually prevail over bad temper and political expediency. Without this common interest, no amount of sentimental affection could avert a confrontation.

There is something, to be sure, of the jilted suitor in the current American disenchantment with the Common Market, as Jean-François Deniau, member of the European Communities Commission, remarked in commenting upon Dale's attack.[6] The expectations expressed by Kennedy for a global fraternal condominium with a miraculously united Europe were excessive. So, too, is the U. S. reaction to dashed hopes.

Beneath such emotions, there are solid reasons for the souring of American regard for the Community to which Europeans probably would be wise to be attentive. Many Americans in and out of Government have come to feel in recent years that the United States has less to hope for politically from the Community and more to fear from it commercially.

On the political side, the Community's lackluster political performance, Western European detachment from, or hostility towards, the American ordeal in Vietnam, the receding Soviet threat to Europe, the United States' own, more modest, latterday view of its world mission combine to cool earlier American enthusiasm for the Community.

On the economic side, swelling U. S. balance-of-payments deficits, dwindling trade surpluses, falling farm exports partly attributable to protectionist Common Market policies combine to inflame fears of economic damage at the Community's hands.

White House Watching

Against this background, many Europeans have thought they detected evidence of a decisive hardening of heart towards the Community on the part of the Nixon Administration. They cite Nixon's warm embrace of de Gaulle in Washington last spring and, by implication, his policies; his failure to receive the President of the European Communities Commis-

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On December 3, another in the series of meetings took place in Brussels for an exchange of views on problems concerning both the Community and the United States. Left to right: Ambassador J. Robert Schaetzel, chief of the U.S. Mission to the Communities; U.S. Secretary of State William P. Rogers, and Jean Rey, President of the European Communities Commission.

sion, Jean Rey, during his visit to Washington last spring; the careful vagueness of Presidential expressions of support for "the concept" of European unity; the reputation of Henry Kissinger, Nixon's omnipresent foreign policy advisor, as a practitioner of *real politik* and admirer of Bismarck's and de Gaulle's leadership style.

Again there is something in this, but less than meets the eye. True, Nixon, like Johnson before him, has been preoccupied with Vietnam. (Actually, if there was a watershed in the U. S. official attitude towards the Community, it was marked by Johnson's decision in December 1964 to sink the multilateral force (MLF) of nuclear warheads rather than Nixon's reconciliation with de Gaulle.) Also, this has been a period of enforced pause and transition on both sides of the Atlantic as Europe accustoms itself to the absence of de Gaulle, and Washington, to the presence of Nixon.

Beyond that, Nixon and Kissinger are conservative men who are particularly attentive to power in being. The spectacular political weakness of the Community has not been calculated to rivet their attention.

But all this seeming inattention to U. S.-Community relations could be exaggerated. The fact is that Nixon and his Administration—the Department of Agriculture excepted—see the underlying interest of the United States in strengthening and broadening the European Community and U. S. ties with it as unchanged, though U. S. passion for the Common Market has cooled with age. In part, the surface impression of indifference to the Community stems from their conviction that it would be counterproductive for the United States to seem to be trying to push Europe into a shotgun wedding or to be intervening in European domestic quarrels. Kissinger, in an article published by the Brookings Institution, just before his incarceration in the White House silenced his public voice, put it this way:

"All of this suggests that there is no alternative to European unity either for the United States or for Europe. In its absence, the malaise can only be alleviated, not ended. Ultimately, this is a problem primarily for the Europeans. In the recent past, the United States has often defeated its purposes by committing itself to one form of European unity—that of federalism. It has also complicated British membership in the Common Market by making it a direct objective of American policy." [7]

So much for high policy. Kissinger makes no attempt to conceal his distaste for economics. It is on the level of U. S. economic interest in an enlarged Community that the debate is being joined within the Administration. On this ground policy may well be decided in the end, now that political considerations are less overriding. For if it appeared that U. S. trade and its balance of payments stood to be severely injured, it is highly questionable whether any Administration could again subordinate this consideration to will-of-the-wisp political gains in the present peevish mood of the country.

U.S. Overreaction, a Danger

Harvard professor Francis M. Bator, former Deputy Special Assistant to President Johnson for international economic affairs, recently voiced concern about the possibility of U. S. overreaction, in testimony to the Joint Economic Committee of Congress:

"In the absence of American retaliation, the mere economic consequences of a much enlarged EEC would not be too harmful, certainly not to the United States. . . . If our exports grow a little more slowly for a few years, it will not be a matter of life and death, not even for particular American industries. The risk lies, rather, in angry American overreaction." [3]

There is more at stake, too, than trade war, cold or hot, however ruinous it would be. Clearly, it would shatter already wavering American support for a continued large troop commitment to the North Atlantic Treaty Organization (NATO). Monetary cooperation could well become impossible, too, with disastrous political repercussions. If there is any question about U. S. political interest in expanding the Community, there is none about its huge stake in avoiding a confrontation.

There is general agreement that on overall balance the United States profited economically from the formation of the Common Market in its first decade. U. S. exports to the Six rose by 153 per cent compared to an 84 per cent increase to non-Community countries. Non-farm exports to the Common Market jumped by 198 per cent compard to 90 per cent for exports to non-Community countries. True, growth in U. S. non-agricultural exports to the Six in the past five years has lagged behind the general trend, and last year the formerly fat U. S. trade surplus virtually disappeared. But in 1969 these trends reversed, and the impact of German revaluation and the dampening of inflation in the United States give some grounds for optimism.

U. S. direct investment in the Common Market doubled in the last five years from $4.5 billion. Last year, for the first time, U. S. income from these investments topped new capital outflows. There is disagreement over the net impact of this direct investment on the U. S. balance of payments, but there is no doubt that they represent an increasingly important economic bond between the United States and the Common Market. For the Community, they are an indispensable conduit for advanced technology. For the United States, they are, at the least, a hostage to fortune.

However, it is on U. S. agricultural exports to the Community that U. S. official concern centers. Here the picture is glummer. True, increases in Community imports of U. S. farm goods exceeded increases in U. S. total exports of agricultural products by a narrow margin during the past ten years and a fatter one during the past five. However, in 1967, 1968, and through the fall of 1969 U. S. farm exports to the Community declined. The drop in fiscal year 1969 was 21 per cent. The U. S. Department of Agriculture argues that since virtually all of the decline occured in products subject to the Community's variable import levies, the common agricultural policy is the only possible villain.

Impact of United Kingdom's Entry

U. S. experience with the Community of Six gives some hazy guidelines for guessing the economic impact the United Kingdom's membership would have on the United States. The general expectation in Washington is that U. S. non-farm exports may benefit from Britain's inclusion in the Common Market. The area of discrimination would be extended, but its level lowered, since the average British post-Kennedy Round tariff of 12 per cent will be aligned with the Community's 7.5 per cent average. Moreover, the spur to economic growth within the enlarged market should boost overall U. S. exports —and direct investment—as happened after the Community's formation. Once in the Community, Britain should strengthen those forces favoring an open trading policy.

Again, the overall outlook is murky indeed. Exports to the United Kingdom of products now subject to the Community's variable levies or which enjoy a high level of protection—principally grains, rice, meat, and fruit—amounted to about $160 million last year. This figure perhaps represents the extreme limit of direct U. S. vulnerability. Some preliminary estimates by U. S. officials suggest that total British imports of grains—the biggest item likely to be affected—might drop by as much as 3 million tons, or $150 million a year, if Britain came under the common agricultural policy as presently constituted. Of that grain import decline, the U. S. share might be about $60 million. Indirect effects could also include increased British grain production, in response to higher prices, and pressure on other U. S. export markets from displaced farm imports.

There could be some unmeasurable offsets. U. S. tobacco and cotton exports to the United Kingdom, for instance, might benefit from elimination of Commonwealth preferences.

The complexity of the calculation and the variety of in-


Commission President Jean Rey greets U.S. Secretary of the Treasury David M. Kennedy on his arrival for the December 3 meeting.

I could not leave Brussels, the capital of the European Community, without noting that the United States welcomes the renewed impetus from The Hague this week toward broadening and deepening the unification of Europe. We see this as a major step toward realization of the full constructive potential of Europe. An enlarged European Community would reflect more accurately than is now the case the reality of Europe's collective influence and potential—not only in an Atlantic context but in world affairs in general.

U.S. SECRETARY OF STATE WILLIAM P. ROGERS

Excerpts from address to the Belgo-American Association, Brussels, Belgium, December 6, 1969.

tangibles involved thus make prediction an exercise in the wildest sort of guesswork. At face value, however, the figures do not suggest that in straight economic terms the United States would face a catastrophic loss of farm exports as a result of the entry of the United Kingdom into the Common Market. Indeed, some high officials, concerned primarily with political hopes for a stronger Europe and fears of a U. S.-Community confrontation, scoff at the farmers' forebodings. Said one: "Doing these grubby little sums is a form of idiocy!"

But with overall U. S. farm exports drooping, for a variety of reasons besides the Community's farm policies—such as the success of the Green Revolution in some places and the dwindling of Congressional appropriations for food aid to developing countries—any significant prospective loss of sales to Europe could prove a politically explosive threat. It's worth noting in that connection that the Department of Agriculture no longer is fighting alone within the Administration. Its arguments are getting a sympathetic hearing from Commerce Secretary Maurice H. Stans, from the Treasury, the Federal Reserve, and other agencies worried about the reeling balance of payments and plummeting trade surpluses.

A high official sympathetic to the Community's problems ruefully commented:

"I have regretfully concluded that, whatever the economics may be, the political reality is that for Britain to enter the Common Market at its present support levels would be simply unacceptable to the United States."

The hope, of course, is that Britain, whose interests in the farm area coincide with those of the United States, will succeed in negotiating a lower level of CAP price supports as part of the terms of membership. Community price supports are some 40 per cent higher than those in the United Kingdom. The hope is buttressed by the impression that Community members find the cost of present supports increasingly onerous and that they are increasingly sensitive to the dangers of a confrontation with the United States.

Longer Term Considerations

Even if it proves possible to limit the immediate damage to U. S. farm exports, longer-term concern with the implications of the Common Market enlargement are beginning to surface in Washington. The concern extends not merely to British entry but to the expansion of the Community's preferential trading area to other members of the European Free Trade Association (EFTA) and more widely, through Central Europe, the Mediterranean Basin, and Africa. One official voiced his worry this way:

"The creation of an ever larger area of preferential trade cannot be an objective of American policy. If this proves to be all there is to it, if it proves to be not a means to political unity but an end in itself, we shall have to rethink our entire position."

Nathaniel Samuels, Deputy Under Secretary of State for Economic Affairs, formulated the question in these terms:

"Our thoughts should turn to the harmonization of policies rather than the compromising of conflicts. We might also be justified in asking whether the discriminatory trade features of the Common Market really must continue to be central to the whole idea of the Community, or whether the more profound ideological forces at work in Europe which gave rise to the Community, and the institutions and outlook which have emerged, are not fundamentally more powerful and can carry it to greater unity and higher achievement." [8]

Behind this is the budding feeling in some influential circles in Washington that—assuming that confrontation can be avoided—the enlargement of the Community at some stage will demand a heroic new assault upon remaining barriers to trade and investment on at least the scale of the Kennedy Round. Bator, in his testimony, saw this as the only way out of eventual confrontation. He said:

"The need is to cut all tariffs [on an accelerated, non-reciprocal schedule toward the poor countries] and—increasingly important as tariffs go down, as the President's message fully recognized—the thick underbrush of non-tariff barriers as well. The implication is another ambitious round of trade negotiations starting rather sooner than the Administration seems to have in mind." [3]

Professor Richard N. Cooper of Yale, who has been a consultant to the Nixon White House on foreign economic policy, is looking in the same general direction. In his statement to the Joint Economic Committee he called on the Community to take the initiative:

"Today, the European Community has by far the largest trade with the rest of the world and by historical precedent the mantle of leadership should pass to it." [3]

Any such brave new departure, however, will have to await the consummation of British membership and the evolution of Nixon's long-range trade strategy. The latter is the focus of the current Joint Economic Committee study and will be the object of the blue ribbon Committee on World Trade which Nixon will name shortly. Both Committees are due to report by the end of next year.

Meanwhile, those officials in Washington who still cling to Kennedy's dream, however faded, and struggle against the Department of Agriculture's nightmare—and they still are in the majority—have been greatly heartened by the apparent new life which was breathed into the spirit of European unity and Atlantic cooperation at The Hague summit conference. For as President Kennedy said:

"The two great Atlantic markets will either grow together or they will grow apart. . . . That decision either will mark the beginning of a new chapter—or a threat to the growth of Western unity." [9]

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1. *Independence Day Address, Philadelphia, Pa.*
2. Congressional Record, *Vol. 115, No. 187, November 13, 1969, S 14253.*
3. *Testimony before the Joint Economic Committee of the U. S. Congress, Subcommittee on Foreign Economic Policy. December 2-4, 1969.*
4. *Address before the Annual Meeting of the National Soybean Processors Association, Denver, Colorado, August 25, 1969.*
5. The Times, *September 24, 1969, London.*
6. The Times, *October 9, 1969, London.*
7. *In* Agenda for the Nation, *Brookings Institution, Washington, 1968.*
8. *Address before the Arkansas Agricultural Marketing Conference, Little Rock, Arkansas, November 19, 1969.*
9. *Message to the U. S. Congress on Reciprocal Trade Agreements Program, January 25, 1962.*

Europe Is More Than a Farm Policy

PIERRE S. MALVE

THERE IS A WORRISOME AND GROWING tendency in the United States to consider the European Community only in terms of its common agricultural policy. While some of your concerns and anxieties are understandable, some misconceptions should be cleared up and agriculture put into its proper context as merely one aspect of a newly emerging Europe, both economically and politically united. The United States cannot dissociate itself from Europe's efforts towards unity. Both sides have to make the effort to understand each other's situation and problems and find solutions conducive to coexistence and cooperation. We cannot let the common agricultural policy become a source of conflict between us.

Context of Common Farm Policy

The meaning of the common agricultural policy cannot be understood without reference to the circumstances of its development. First of all, in a field as difficult as agriculture, the formulation of a common policy was an ambitious undertaking by the governments of our six member countries, and it was achieved by compromises more often politically than economically motivated. These political realities must be recognized. The process of political compromise has given our agricultural commodities higher prices than those on th international market, and we in the Community must, and dc recognize it.

On the other hand, you, in the United States, should understand our particular farming conditions. Fifteen out of ever hundred workers in the Community are still on the land compared with four out of a hundred in the United States Our farmers' incomes are much lower than those in other professional fields, and their way of living in our consume society is much less pleasant. They have also had to mak large investments to modernize their farms.

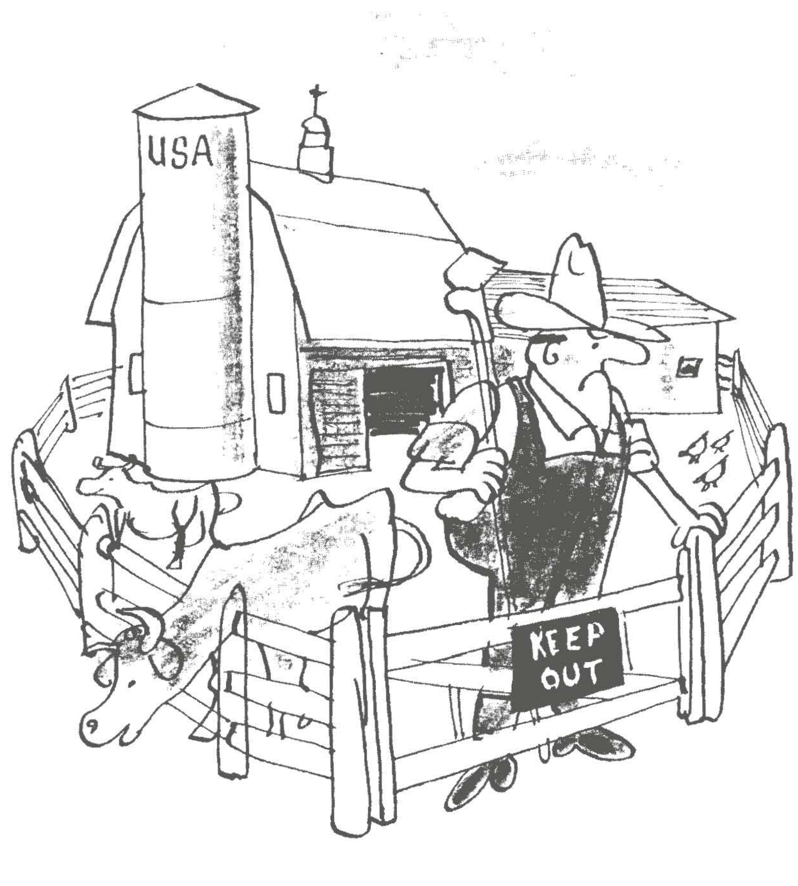
Thus, price increases have been impossible to avoid Many of us now admit the drawbacks of our system, particularly because for the most efficient producers prices are unjustifiably high, while for the less productive farmers they ar not high enough.

Prices and Production

The Community's trading partners often criticize our pric policy for encouraging over-production. Fortunately, this i not true for all commodities; and, in any case, it is difficult t divide the responsibility between price increases and th growth of productivity. Our increase in grain production for instance, is mainly due to overall increases in productivity, while our butter and skim milk surplus is mainly result of the high common price level. We in the Communit recognize that some of our intervention price mechanisms— our guaranteed prices—are too generous, encouraging farmer to obtain the guaranteed prices rather than sell to the market

Mr. Malvé, European Communities' Representative for Trade Affairs, was appointed to Washington in September. This article has been adapted from his address in Minneapolis on November 24 before the Agricultural Committee of the Chambers of Commerce of Minneapolis and St. Paul and the U.S. Department of Agriculture Club of the Twin Cities.

"Other countries, including the United States, also have costly agricultural policies. . . . Instead of fighting each other, the United State



At a time when there are fewer and fewer export markets and many other countries with production surpluses, the Community must find ways to export its excess production as well as to reduce its surpluses. The costs of the common agricultural policy have considerably risen these past years and could at some point compromise the Community's goals. (However, it should be mentioned in passing that other countries, including the United States, also have costly agricultural policies.)

Some Facts and Figures

Despite the difficulties caused by the stage-by-stage development of the common agricultural policy, it has also had some positive effects in expanding international trade, especially American exports to the Community. Our total agricultural imports have grown. Even our imports of products subject to variable import levies have expanded.

Our total agricultural imports (excluding intra-Community trade), increased from $7.4 billion in 1958 to $8.9 billion in 1962, and to $10.3 billion in 1968. Of this total, imports of products subject to common agricultural policy levies increased from $2.1 billion in 1958 to $2.6 billion in 1962, and to $4.1 billion in 1968.

Imports from the United States have increased considerably. Our imports of total U.S. agricultural products went from $889 million in 1958 to $1.3 billion in 1962, and to $1.6 billion in 1968. For U.S. products subject to common agricultural policy levies, progress has been still more spectacular: imports increased from $253 million in 1958 to $549 million in 1962, and to $1.2 billion in 1968.

COMMUNITY FARM IMPORTS

(in billions of dollars)	*1958*	*1962*	*1966*	*1968*
All products*	7.356	8.908	11.200	10.343
Products subject to levies	2.061	2.560	3.154	4.137
From United States	.889	1.299	1.887	1.634
From U.S. subject to levies	.253	.549	.826	1.147

**excludes intra-Community trade*

More importantly, the U.S. share of the Community's total imports increased more rapidly than any other country. Taking 1958 as a base year, the Community's imports of all U.S. agricultural products had risen by 84 per cent by 1968, but the average increase was only 41 per cent for all our other trading partners.

Our Market Is Not Closed

These results have only been possible because our market is not closed. The basic tools of our agricultural policy are simple: variable levies on imports and tax refunds on exports, both economically neutral in their effects on production and trade. Variable levies have replaced import quotas. Thus, entrance into the Community is never denied. As a result, the Community market is never isolated from the world market as our individual member countries' markets sometimes were before the common market.

Furthermore, by setting a minimum price level for im-

Community must combine their efforts to solve price problems." *© 1970 Ralph V. Robinson*

ports, the Community has actually improved the climate for competition between the exporting countries. For instance, this policy has prevented sales at abnormally low prices, mainly by state trading countries. The common prices have sometimes resulted in increased export profits for a number of countries.

Combined Effort Needed to Stabilize Markets

Instead of fighting each other, the United States and the Community must combine their efforts to solve price problems. I cannot overemphasize that the United States and the Community must cooperate.

Every country in the world has an agricultural policy that varies considerably depending on the product: some need great protection while others are highly competitive on the international market. The United States itself provides such an example, and its agricultural policy for grain is quite different from its dairy policy. Most countries, without consulting each other, give some kind of aid to their agriculture, even as their agricultural policies become more and more closely interdependent. Unless this aid and this interdependence are taken into account, it seems practically impossible to solve the problems of production and international trade in agricultural commodities.

A chance for international cooperation in the field of agriculture was lost during the Kennedy Round when the Community's proposal to negotiate the global effect of government agricultural aid did not receive full support. The Community was willing to freeze its common support prices for three years and also considered the possibility of making commitments on self-sufficiency ratios for certain products. I am not going to accuse any one country of letting this chance for reciprocal and appropriate commitments slip by; but, when people criticize our common agricultural policy, they often forget that the Community did make proposals of great significance for the future of international agricultural relations. Instead of becoming discouraged, we should seek the means for new cooperation.

The International Grains Arrangement is a good example of what effective cooperation between partners can accomplish. After meetings in London, Washington, and Buenos Aires, today the main exporting countries have reached an agreement to avoid a price war which would hurt all of them.

In an ever-changing world, international agreements should provide a supple framework for permanent consultation. The bilateral contacts which tend to develop between politicians and officials in the United States and the Community should improve their understanding of each other's different situations and points of view.

Towards Modern Farming

The Community has to make a great effort to revise its price and market policy and has already started work on the reform of European agriculture.

The Council of Ministers has before it the Mansholt Plan for reforming agricultural structures and for developing social aids. This plan means the Community recognizes that a price policy by itself cannot solve every agricultural problem. It emphasizes the desire to speed up changes in agriculture by favoring large units of production and granting premiums to older farmers to encourage them to give up farming. Never before has such a plan been so widely discussed by all of the people who would be affected by it.

The Commission's latest proposals on prices, production control and the cost of the common agricultural policy *(see European Community No. 129, page 17)* include reducing the common price level for products, such as wheat and dairy; limiting price guarantees to farmers, and establishing some limits for the trend of expenditures on the common agricultural policy.

These measures are severe because farm income has not increased during the past years. In fact, allowing for inflation and increases in the prices of goods bought by farmers, European agricultural prices have decreased in real terms. Farmers would be unlikely to accept such stringent price restrictions without benefits that the Mansholt Plan would provide.

Many people now think the future of Europe is not in agriculture but in industry. While recognizing the need to facilitate transitions, they maintain that the financial burden of agriculture should not hold back industrial development and economic expansion.

Lively Effort for Mutual Understanding

Both the Community and the United States must make a lively effort to improve mutual understanding and to find ways for real cooperation. If we agree on these objectives, we should be very happy to have the meeting of U.S. and Community agricultural organizations in Washington in the early 1970's.

Since the U.S. and Community agricultural situations are different, the solutions must be different. This fact must be understood and accepted. European farmers will still need help in the next few years in their efforts to adapt to the requirements of the modern economy.

Moreover, we have to try not to look at relations between the Community and the United States only from the vantage point of agricultural policy. The creation of Europe of the Six favors the expansion of industrial trade, encourages American investments abroad, and contributes greatly to the economy and the prosperity of the United States. Then, too, in the industrial field, the Community's tariffs are lower than the United States'.

The Community customs area of the Six may soon include Great Britain, Ireland, and some Scandinavian countries, making it the largest importer as well as exporter of goods. The United States and our other trading partners cannot fail to benefit from this enlargement, since the strength of the Community economy, whether composed of six or more countries, will remain a significant factor in the future trend of world trade. [Ed. note: A study published in early December by the General Agreement on Tariffs and Trade indicated that Community trade, especially imports from other industrialized areas, gave the main impetus to world trade in 1968.]

Most importantly, however, Europe of the Six is a political endeavor, with political goals which each post-war U. S. Administration has always supported. European political unification, if it comes into being in a form still to be defined, will have greater lasting importance than the elimination of customs duties between six small countries.

The Christmas Marathon

REGINALD DALE

THE PRE-CHRISTMAS MARATHON that has become traditional with the European Communities Council of Ministers set a new record both for the length of a single negotiating session and for the number of decisions it produced.

The meeting in Brussels opened on December 19 and adjourned near dawn on December 22. Major issues on which agreement was reached included financing the common agricultural policy, providing the Community with its own financial resources, and strengthening the budgetary powers of the European Parliament.

Significance of Agreements

The decisions were important both for the Community's own future and for Britain and its prospects of Common Market entry. First, by agreeing on a new system of agricultural finance, the Five met the major French prerequisite for the opening of negotiations. Secondly, the broad outlines of the system to which Britain will have to adapt after entering the Community have now become clear.

At The Hague summit meeting, the French had solemnly undertaken not to block the opening of negotiations with the United Kingdom and the other three applicants for Community membership. In return, Belgium, Germany, Italy, Luxembourg, and the Netherlands said they would agree on a new regulation to finance the common agricultural policy by December 31, 1969. Had such an agreement not been reached by the end of the year, the timetable set at The Hague would have been jeopardized. Now, however, France must keep its side of the bargain by completing preparation for negotiations by the end of June and allowing formal contacts with Britain to begin soon after.

The French interest in the agricultural policy is well known. Throughout the history of the Community, the understanding has been that France gives concessions to Germany and the Netherlands on industrial tariffs in return for concessions by the other member states to French agriculture. France is the chief beneficiary of the common agricultural policy, whereas Germany has benefitted most from the abolition of industrial customs barriers.

The common agricultural policy is designed to favor farm exporting countries like France, and penalize farm importers like Italy—this is the guarantee of the Community preference principle for farm products, so dear to the French. For social and political reasons, France is determined to protect the welfare of the 17 per cent of its population dependent on the land; the conservative agricultural vote has been one of the most important political props of the French Government ever since de Gaulle came to power.

With the former system of farm finance expiring at the end of 1969, France sought an open-ended commitment from its partners that money would continue to be available for the farm policy, however much it might cost in the future. The French also asked for, and received, agreeement from the other Five that the new system that had to be set up be changed only by unanimous vote—effectively giving Paris a veto over any modifications.

Mr. Dale is Common Market Correspondent of The Financial Times *of London*

Problems Ironed Out in Marathon

The first major problem that had to be sorted out in negotiations for the finance regulation was that Germany, Italy, Belgium, and the Netherlands all thought their current payments towards the farm policy were already too high. Moreover, under the Commission's proposals, the cost to Germany, Italy, and the Netherlands would have risen further.

The second problem was that the Netherlands and Italy were making their approval of the new regulation conditional on agreement on definite steps to strengthen the European Parliament. This course of action was opposed by France, whose policy has always been to restrict the Parliament to a purely consultative role. The Commission had proposed that the Six should progressively turn over all their revenue from customs duties and farm import levies to the common farm fund, and that any extra money required should be raised through a Community tax of some kind. Under the system that ended at the end of 1969, the Six were paying into the Fund 90 per cent of their agricultural levies, none of their customs duties, and making up the rest of the money by payments out of their national budgets according to a scale of fixed percentages.

The proposed new system would mean a major loss of revenue for national budgets, a loss proportionately higher for countries with a high level of industrial imports—like Germany and the Netherlands—or with a high level of agricultural imports—like Italy.

National Desires

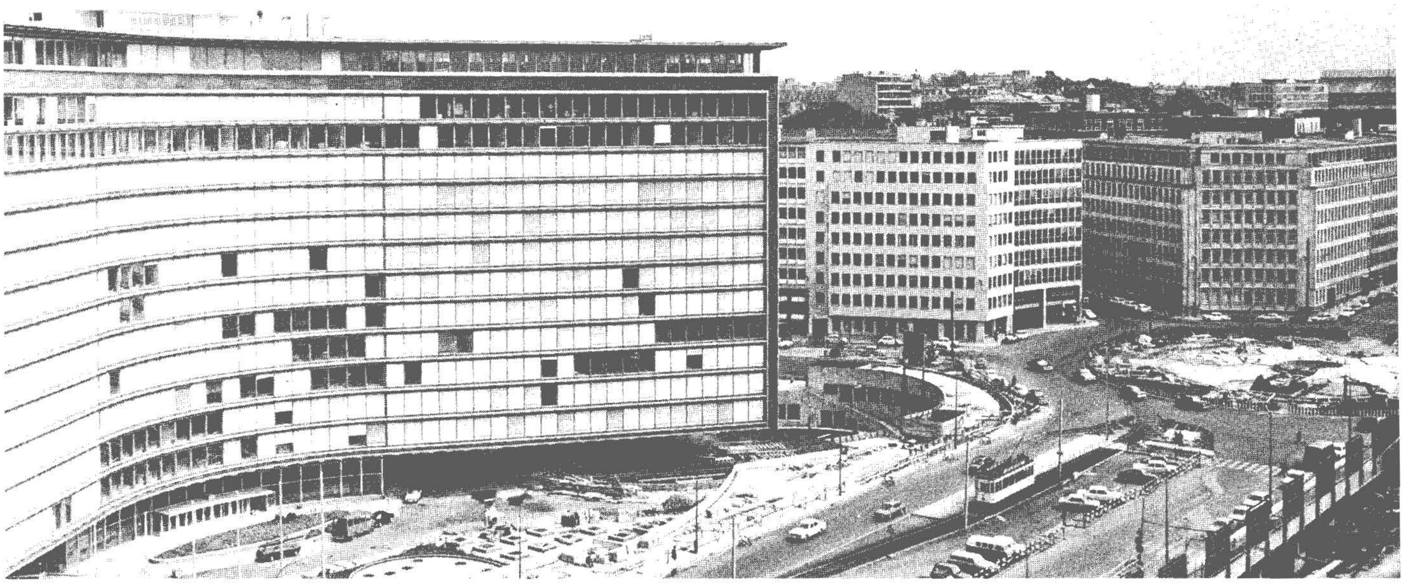
At the beginning of the financial negotiations in November, the Dutch maintained that they could never agree to hand over all their customs receipts into the common fund. If they accepted the Commission's proposal, they said, their share of the total cost of the farm policy would be almost 13 per cent, whereas the Netherlands only accounted for 6.6 per cent of the Community's gross national product. The Italians were reluctant to pay in all their farm levies.

France supported the Commission's proposals, as they would have led to the automatic creation of resources to finance the farm policy. As levies and customs duties would go straight into the central fund, bypassing national budgets, no government could in the future threaten to hold back its contribution if it thought the farm policy was becoming too expensive. Equally important, the acceptance of the system by the Six before negotiations opened with the candidates would mean that Britain would have little alternative but to follow suit.

After the summit conference, it became clear that a solution on these lines would indeed have to be accepted. The main issue then became the length and nature of a transitional period to allow countries like the Netherlands to adapt to the new system. However, the French insisted that whatever arrangements be decided for customs duties, the farm levies, at least, must all be handed over immediately as they formed an integral part of the common agricultural policy.

The Compromise

In the end, France secured agreement on the principles it wanted, though it was forced to grant various concessions



The Christmas marathon kept lights burning at the Commission's headquarters on the Rue de la Loi as well as at the Council's headquarter across town on the Rue Ravenstein.

on details. The French, for example, gave more than they would have liked on the Parliament, which will now in theory have the last word on the Community's budget instead of the Council. France will initially pay a higher share of the cost of the farm fund under the new system, and transitional measures will continue longer than the French would have liked.

Under the compromise system finally adopted, the Six will from January 1, 1971, pay all their farm levies and a part of their customs duties into the fund. The scale will gradually increase so that 100 per cent of both levies and duties will be paid by 1975. From 1971 to 1974, inclusive, the deficit will continue to be made up by direct contributions according to the following national percentage scale:*

Belgium	6.8
Germany	32.9
France	32.6
Italy	20.2
Luxembourg	0.2
Netherlands	7.3

From 1975 on, the Six will finance the deficit by turning over to the fund a fraction of their receipts from the common turnover tax on the value added. (Rates should by then be roughly harmonized throughout the Community.)

Nevertheless, the total contributions of the member states will continue to be limited under a moving scale that will remain in force until the end of 1977. For the one year, 1970, the entire farm policy will be financed by payments from the national budgets under a new scale, which will form the basis for the moving scale over the following years. The 1970 scale is as follows:

Belgium	8.25
Germany	31.70
France	28.00
Italy	21.50
Luxembourg	0.20
Netherlands	10.35

In 1971, a member state's total contribution can only rise by a proportion of 1 per cent above this scale (e.g. a country paying 20 per cent in 1970 could not be required to pay more than 20.2 per cent in 1971) and so on, by steps of a further 1 per cent a year until the end of 1974. Countries like France whose contributions will fall in percentage terms can move downwards from the 1970 scale at a maximum rate of 1.5 per cent a year up to the end of 1974. From 1975 to the end of 1977, the rate of adjustment becomes 2 per cent in both directions, and after January 1, 1978, there can be no more such corrections at all.

This sort of transition period may well resemble the arrangement that Britain will have to accept when it joins the Community. All six countries, including France, agree that the United Kingdom, with its high duties and levies, will be a special case. However, with the new system just adopted forming the basis of the Six's negotiating position, Britain will almost inevitably have to pay over all its farm levies and customs duties in the long run.

Nobody, on the other hand, can yet predict how much money would be involved once Britain has been in the Common Market for five years or so. British customs duties will fall as tariffs are abolished on Community imports and the Kennedy Round comes progressively into force. The level of farm levies will depend on how far Britain switches to importing farm products from other Community members, how much agricultural production rises inside Britain, and how far world prices rise. (A rise in world food prices would automatically reduce the amount of the import levies.) All that can be said at this stage is that it would be quite wrong to try to estimate the cost on the basis of existing British import patterns.

*The percentage for which each member country will be responsible is equal to the arithmetical average of its share of the Community's gross national product and the mean average of the budget scales set in the Rome Treaty. ED.

After the Transition Period

ɴ DECEMBER 31, 1969, the transition period for integration f the European Economic Community (EEC) ended on :hedule. The 1958 Rome Treaty, which set the EEC in motion, :quired the six member nations to create a full customs union ıd to link together their entire economies. The designers of ıe Treaty, however, feared that immediate realization of these ɔals would seriously disrupt production and trade patterns.

To minimize possible dislocations, the Six decided to reach ıeir goals in three four-year stages. The Rome Treaty thus rovided for a 12-year transition period for fulfillment of the ommunity and stipulated (Article 226) that during the transition period a member state in economic difficulties could seek ıthorization to take safeguard measures, including derogaɔn from Treaty provisions.

During each of the three stages in the transition period, the ınge of issues on which the Treaty allowed the Council to dede by weighted majority vote, rather than by unanimous vote, as widened. After the end of the transition period the ıanimity principle will, as specified in the Treaty, continue apply to:

the extension of common transport policies to sea and air ansport (Article 84)

the harmonization of turnover taxes, excise duties, and :her indirect taxes (Article 99)

the harmonization of member countries' legislation which ıs a direct incidence on the establishment or functioning of ıe Common Market (Article 100)

action necessary for the achievement of the Common Mar-ɛt, but not specifically provided for in the Treaty (Article 35)

the admission of new members (Article 237)

association with other countries, unions of states, or interıtional organizations (Article 238).

o Extensions

he first and second stages could have been prolonged, but ɔne of the member states requested such an extension. Thus, ıe Community passed automatically into the second stage the beginning of 1962 and into the third stage at the beginıng of 1966. The third stage could be prolonged up to three ɛars, but only by unanimous decision of the Council of [inisters voting on a proposal of the Commission.

The Commission indicated that it would not make any :oposal to this end, the Council of Ministers concurred, and The Hague summit the six member governments voiced ɔproval of this decision. The Common Market was to be ɔmpleted by the end of the transition period, and all the ɔlicies and rules envisaged by the Treaty were to be in force ʳ then. Many goals will have been achieved by the end of ɔ69, and the members plan to continue their work in the ɔ70's. Completion of the Community was one of the main pics at The Hague summit.

The Six have already achieved a viable customs union. ɛcept for a few minor agricultural products, quotas and riffs have been dismantled for trade between them. Members ıve unified their tariffs on industrial imports from outside e region and have harmonized their treatment of agricultral trade with non-members. The result has been a rapid pansion of trade among Community countries. Although trade with the rest of the world has also risen, trade among the Six now accounts for 45 per cent of the members' total "exports," compared with 30 per cent in 1958.

Another significant advance towards integration has been the adoption of a common agricultural policy—which instituted a unified and jointly-financed system throughout the Community, with support buying for most farm produce as well as joint financing of agricultural export subsidies. Moreover, workers in any of the member countries are now free to seek employment anywhere in the Community on an equal basis with local workers. The Six have also set up a network of committees whose members meet often to consult on various aspects of monetary and fiscal policy.

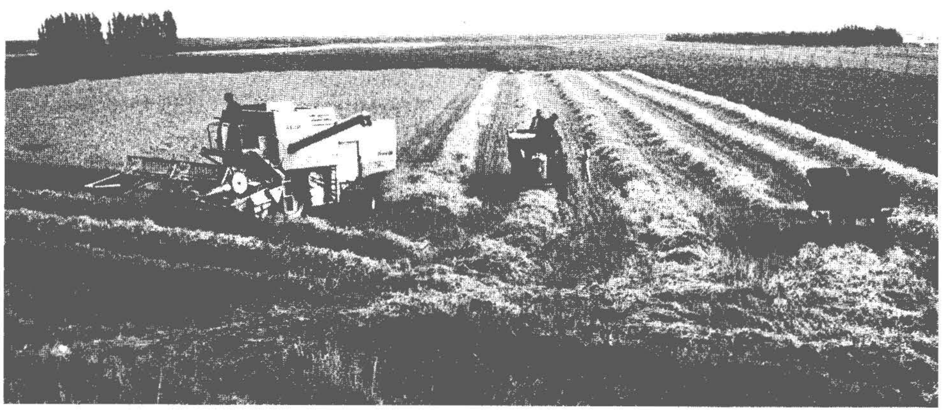
These accomplishments, however, are only partial progress toward full economic integration. National monetary and fiscal policies are still set independently. Although a common turnover tax system, the tax on value added (TVA), is now in force in France, Germany, and the Netherlands, much remains to be done to complete the harmonization of tax systems; unification of the rates of TVA will not come for some years. On direct taxation, practically everything still remains to be done.

Positive Integration

As John Pinder, director of Political and Economic Planning, notes on page 22, the member states have found it easier to integrate "negatively"—removing discriminatory measures—than "positively"—attempting to carry out economic and social policies collectively—though it can be argued that the Market's common agricultural policy is a good example of positive integration. Mr. Pinder suggested a second Rome Treaty that would provide for the formation of positive economic policies according to a definite timetable and with them, stronger Community institutions.

Last spring the Commission drew up a three-year work program outlining necessary action by the Six to complete the Common Market so that it begins to resemble a single economic unit, like the United States. The heads of state and government, meeting at The Hague, updated and added further specifics to this Community work program.

The common agricultural policy, it could be argued, is a good example of "positive integration," in that instead of removing restrictions on trade between Community members, a common, Community policy was substituted for the six national policies.



The Scorecard

January 1, 1970

GOALS	PERFORMANCE
Abolish customs duties, quantitative restrictions, and other trade barriers.	All customs duties and quantitative restrictions on trade in industrial goods within the Community were abolished on July 1, 1968. Other non-tariff barriers—such as varying national safety standards—remain, but are scheduled for elimination by end-1970. The Six are now harmonizing their customs legislation.
Establish a common tariff for imports from non-member countries.	Tariffs on goods imported from non-member states were fully harmonized on July 1, 1968.
Adopt a common foreign-trade policy, involving common trade agreements with non-member countries, and harmonization of import systems, national export assistance, and insurance policies.	Anti-dumping regulation adopted April 1968. Common rules for agricultural and industrial imports from non-member countries (excluding the Communist bloc) agreed to in December 1968. Bilateral trade accords still permitted, on exceptional basis, till January 1, 1973, for a short period. Progress still needed on harmonizing export policies and on joint action on discrimination against Community goods by non-member states.
Abolish restrictions on free movement of people, on right to establish a business anywhere in the Community, and on capital movements.	Free movement of workers and their dependents achieved in July, 1968. Various Council measures completed to abolish restrictions on establishing businesses and providing services in agriculture, forestry, horticulture, fishing; mining and prospecting; gas, electricity and water industries; manufacturing and trading; catering; cinema; insurance. Work on facilitating access to, and exercise of, other activities—notably the professions—is behind schedule owing to the complexity of working out equivalences in qualifications. Considerable freedom achieved for capital movements, especially direct investments. Common market in capital still at rudimentary stage.
Adopt a common agricultural policy providing for free trade in the Community, a unified internal market and price system for farm goods, and a common system of external protection.	On June 30, 1968, remaining tariffs and other restrictions abolished on trade in farm produce among the Six. The Six have a common system of variable levies to protect a wide range of domestic foodstuffs, and a Community agricultural fund provides a common mechanism to guarantee support prices of major products. The Six have still to work out final farm-financing arrangements, and recent French and German currency moves have temporarily restored some protective measures within the Community. Butter, sugar, and grain surpluses—caused by high prices—have become a major source of concern, and the Commission has proposed a major structural reform of farming.
Coordinate economic and monetary policies through consultations and cooperation between member governments.	The Six have established a number of consultative committees, but economic policy making remains a national prerogative. The member states are now working on a plan to set up Community machinery to provide mutual financial assistance to any member in balance-of-payments difficulties. The plan provides for preliminary consultations with other members before a country adopts monetary or fiscal policies to remedy payments imbalances and for improved coordination of economic policies.

GOALS	PERFORMANCE
Adopt a common transport policy which eliminates discrimination in rates and harmonizes conditions of competition.	In July 1968 the Six agreed on measures that: prescribe conditions of competition for road, rail, and inland water transport; introduce Community quotas of licences for intra-Community road-freight traffic; fix allowances for duty-free fuel in truck tanks; harmonize some working conditions for truck and bus drivers; fix floor and ceiling rates for frontier-crossing road haulage. The Six have also agreed on initial steps to rationalize railways' bookkeeping. Other aspects still to be dealt with include: varying safety standards for vehicles and pipelines, infrastructure expenditure, road taxes, measures that favor the use of particular ports or means of transport, working conditions in inland-water and rail transport.
Establish common rules preventing practices which distort or restrain competition, whether by private businesses or member governments	Definition of unfair business practices has been clarified in a body of case law, and the Commission has imposed heavy fines on firms operating cartels. Competition is still distorted by state aids and monopolies and by national public-procurement policies.
Harmonize national legislation to the extent necessary for the functioning of the Common Market.	The Six agreed in March 1969 to adopt directives aligning their legislation on technical standards for industrial goods and food by January 1, 1971. Four members adopted by the end of 1969 the common turnover tax system on value added (TVA). Italy and Belgium have delayed its introduction. The unification of tax rates was due to begin in the early Seventies.
Create a European Social Fund to help maintain full employment.	In operation since 1960, the Fund spent $80 million between 1960 and 1968 on retraining and resettling 960,000 workers. (Its contributions are matched by similar sums from the member states.) In June 1969 the Commission announced extensive proposals to widen the Fund's scope and increase its budget.
Establish a European Investment Bank to facilitate economic expansion of the Community and, in particular, to aid its backward regions.	Between 1959, when it began functioning, and 1968, the Bank made 218 development loans totalling $1.13 billion, a large part of them in Southern Italy, to help finance infrastructure projects and modernize industry. It has also financed projects in Greece, Turkey, and the associated African states.
Associate overseas territories and ex-territories of member states so as to increase their trade and to aid their economic and social development.	An implementing convention annexed to the Rome Treaty associated these territories with the Community between 1958 and 1962. The first five-year Yaoundé Convention, signed in July 1963, established a new type of relationship with 18 African states, which had meanwhile become independent. It provided for the gradual freeing of trade between the Six and the Eighteen. For the five-year period 1963-1968, the Community allotted $800 million, mostly in direct grants, and partly in loans, for social and economic development through the European Development Fund. The Convention was renewed for five years in July 1969, and development resources increased to $1 billion.

Is the Rome Treaty Biased Against

JOHN PINDER

AS LONG AS GENERAL DE GAULLE blocked the road to full economic and political integration in Western Europe, it was too easy to assume that his departure would open up a highway towards economic union free from agonizing crises and decisions. Beyond the roadblock, however, lies some virgin territory and one or two nasty chasms across which the highway must be built.

The reason for this is that the European Community's main thrust has been towards the important but nevertheless limited objective of removing distinctions in trade and other economic exchanges between the member states, not political integration. Policies that stand a strong chance of being implemented are those dealing with what may be called "negative integration"—the elimination of discrimination between economic agents in the different member countries or the establishment of a common market (the elimination of customs duties and quotas, and the adoption of a common customs tariff.)

The policies with a weaker chance are those concerned with "positive integration"—a collective attempt by the member countries to maximize welfare in the customs union, or the establishment of an economic union. Free trade is firmly built into the system; but the positive and modern common economic policies that will improve the welfare of the people by promoting regional growth, minimizing unemployment, and meeting the American challenge with a forceful federal program for European science and technology, for example, are still little more than a possibility for the future. This situation has four main causes.

First, almost everyone concerned with the foundation of the Community agreed that they were inaugurating a new era for Europe in which war between the member countries would become unthinkable and that they should, as far as possible, cease to discriminate against citizens of other member countries as foreigners. Non-discrimination has become a deep-rooted reflex among those who run the Communities.

Second, it is not difficult to provide in a treaty for the removal of discrimination, a concept relatively simple to define and to enforce. It is much harder to ensure by means of a treaty the formation of an effective common policy. A policy might take any one of a thousand forms, and it will usually be hard to attribute to any individual or government the responsibility for failure to define a common policy, still more an effective one. In short, a treaty can more easily effect the "thou shalt not" commandments than the "thou shalt" ones.

Third, the neo-liberals who were for many years in sole control of the German Government adhered to an economic ideology that stressed free trade and circumscribed the role of economic policy. Dr. Ludwig Erhard, in particular, opposed the idea that Brussels should become a policy-making powerhouse. Given the importance of Germany among the Six, the extent of common policy-making was severely limited.

The expansion of trade in household appliances between France and Italy provides a striking example of the success of "negative integration," in this case, the lowering of tariffs and the removal of quotas.

Common Policies?

Resistance to Losing Power

Fourth, there is a natural tendency for national bureaucracies and government machines to resist any loss of their power of unilateral decision and action, which an effective procedure for making decisions in common implies. Only by the relinquishment of power are common or coordinated policies on the complex issues of positive integration likely to be brought about. All these factors influenced the content of the Rome Treaty, which is therefore in its detail strongly biased in the direction of negative integration and away from positive integration.

This is illustrated in Article 3 of the Treaty which outlines the activities of the Community, as well as in later articles where some details are filled in. Article 3 speaks of "the elimination, as between member states, of customs duties and of quantitative restrictions . . . as well as of other measures with equivalent effect" and "the establishment of a common customs tariff." These precise objectives are elaborated in subsequent articles.

Then there is "the abolition as between member states, of the obstacles to the free movement of persons, services, and capital" and "the establishment of a system ensuring that competition shall not be distorted in the Common Market," equally unequivocal objectives of negative integration. These, however, are more complicated to carry out than the establishment of the customs union and, therefore, less precisely spelled out later in the Treaty.

Article 3 also specifies a common commercial policy, a common agricultural policy, and a common transport policy. These sound definite enough, but it remains much easier for the member governments to default on their obligation to form an undefined common policy than it is for them to evade their promises to remove discrimination and distortions.

When Article 3 broaches such crucial elements of positive integration as economic policies and balance-of-payments problems, it becomes extremely vague and permissive instead of definite and mandatory. It merely speaks of "the application of procedures which shall make it possible to coordinate the economic policies of member states and to remedy disequilibria in their balances of payments." In the body of the Treaty, there is only one article, and a feeble one at that, dealing with "policy relating to economic trends." Six articles deal with balance-of-payments problems, compared with 29 on the establishment of the customs union.

The remaining items listed in Article 3 are the "approximation of laws" which mainly involves the removal of discriminatory provisions from national laws that distort competition; the creation of the Social Fund and the Investment Bank, which are certainly elements of economic union but which, with their current resources, can have only a small influence; and the association of overseas countries and territories.

Mr. Pinder is director of Political and Economic Planning, a British policy research organization. This article is based on his contribution to Economic Integration in Europe, *a collection of essays scheduled for publication in the United Kingdom by Weidenfeld and Nicolson.*

Political Bargain

Article 3 accurately reflects the Treaty's emphasis on the removal of discrimination and distortions, i.e., on negative integration and the consequent establishment of a common market.

Article 4 refers to the Community's institutions: Assembly, Council, Commission, and Court, which constitute the other main concrete achievement of the Treaty itself.

In an age when all governments of modern states use economic policies for many purposes beyond the minimal, neo-liberal one of removing distortions from the economic system, it is quite inconsistent for the Community to confine itself largely to this negative task. Indeed, it will probably be found that the free trade system cannot be indefinitely maintained unless the Community undertakes many of the positive tasks that modern citizens demand, and that national governments may not be able to perform when they belong to a common market. A "second Rome Treaty" will probably be required, embodying a firm commitment to move forward to economic union: providing for the formation of a whole range of positive economic policies according to a definite timetable and for the stronger and more democratic—and thus federal—institutions that will be required to accomplish these policies.

COMMON MARKET TREATY, ARTICLE 3

For the purposes set out in the preceding article, the activities of the Community shall include, under the conditions and with the timing provided for in this Treaty:

(a) the elimination, as between member states, of customs duties and of quantitative restrictions in regard to the importation and exportation of goods, as well as of all other measures with equivalent effect

(b) the establishment of a common customs tariff and a common commercial policy towards third countries

(c) the abolition, as between member states, of the obstacles to the free movement of persons, services and capital

(d) the inauguration of a common agricultural policy

(e) the inauguration of a common transport policy

(f) the establishment of a system ensuring that competition shall not be distorted in the Common Market

(g) the application of procedures which shall make it possible to coordinate the economic policies of member states and to remedy disequilibria in their balances of payments

(h) the approximation of their respective municipal law to the extent necessary for the functioning of the Common Market

(i) the creation of a European Social Fund in order to improve the possibilities of employment for workers and to contribute to the raising of their standard of living

(j) the establishment of a European Investment Bank intended to facilitate the economic expansion of the Community through the creation of new resources and

(k) the association of overseas countries and territories with the Community with a view to increasing trade and to pursuing jointly their effort towards economic and social development.

COMMUNITY NEWS

1970 PROMISES FURTHER RAPID ECONOMIC GROWTH

Nineteen seventy will be another year of rapid economic growth for the European Community, but a little less rapid than 1969, a boom year, according to the European Communities Commission.

This forecast was made in the Commission's third and last report on the economic situation in 1969 which also contains a review of the major economic events of the year.

Gross Community product, adjusted for cost increases, rose by 7 per cent in 1969, compared with 6 per cent in 1968. The Commission estimated the growth of Community GNP at 4.5 per cent in 1970. Since the Community began to function in 1958, its economy has expanded by 85 per cent, compared with increases of 63 per cent in the United States and 41 per cent in the United Kingdom.

This expansion was not entirely without difficulties. A marked deterioration occurred in prices, upsetting trade and payments relations between Community members. As a result, France devalued the franc by 11.11 per cent on August 10, and Germany revalued the mark by 9.29 per cent on October 27.

Export Demand Strong

Throughout 1969 overall demand expanded very rapidly. However, towards the end of the year, export demand, particularly from the United States and the United Kingdom, showed signs of a distinct slowdown. Total growth of Community exports during 1970 is estimated at 11 per cent.

Consumption expenditure, both public and private, grew during the year. Salaries in the public sector rose, and private household spending increased sharply (11.5 per cent) as a result of the rapid rise in disposable income and, in some countries, a decline in the rate of personal savings. Despite the 12 per cent growth of production during 1969, a shortage of labor towards the end of the year and pressure on plant capacity caused a large increase in the already heavy backlog of orders.

Prices and Imports Rose

As a result of these factors, prices of capital goods rose nearly 100 per cent faster than in 1968 while the rate of price increase for consumer goods rose by 50 per cent. Imports also rose, by 17 per cent, and trade between Community members grew by almost a third, the highest rate of increase in the Community's existence.

The Community's $1.7 billion surplus on visible trade with non-member countries turned into a deficit by the end of the year. Long-term capital movements also showed a heavy deficit. Until the revaluation of the German mark, there had been large inflows of short-term funds into the Community, but a large part left the country after the change of parity.

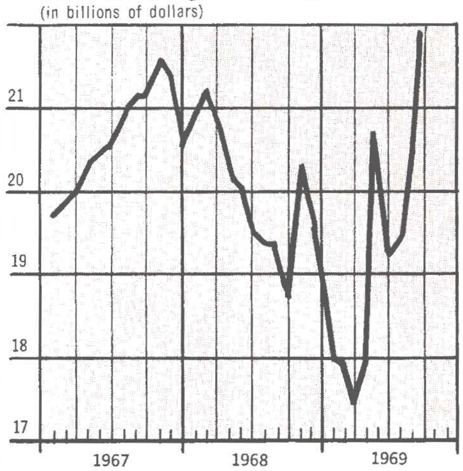
Official gold and foreign exchange holdings of the member governments, after a $1.8 billion decrease in 1968, had risen $2.5 billion by the end of September. By October, however, they again fell sharply.

Domestic demand in most member countries should continue to fuel economic growth in 1970. The pace of world business will probably slow this, so that the Community's imports from non-member countries in 1970 will not grow as fast as in 1969.

Given the large order backlog at the end of 1969, investment in capital goods will continue to rise vigorously early this year, but may weaken later. Private consumer expenditure should maintain its rapid growth, since personal incomes are likely to go on rising.

However, shortages of both manpower and plant capacity will restrain the growth of production. As a result, prices are likely to continue increasing, and rising imports will widen the Community's trade deficit.

Gold & Foreign Exchange Reserves
(in billions of dollars)



SPIRIT OF SUMMIT REVIVES EURATOM

The Six agreed at a meeting of the Council of Ministers on December 6 to reorganize the European Atomic Energy Community (Euratom) so that it can do nuclear research under contract and extend its activities to non-nuclear scientific research, especially joint projects with other European states. Both proposals were originally made by the Commission.

Discussion of the fate of Euratom's Joint Research Center and multi-annual Research and Development Program had been going on for more than three years, and a decision had already been made to cut back the number of research personnel. The Council's decision on December 6, however, guaranteed the maintenance of the research staff and budget at the current level and set a two-year deadline for the reorganization of the Center's management.

Goal: Efficiency and Flexibility

Management will be reorganized so as to improve coordination of the Community members' nuclear activities and increase its flexibility in preparing and executing Euratom's joint research program. Until completion of this reorganization, the current size of both the budget and the staff of the Joint Research Center will be maintained. Euratom's 1969 research program will be carried over into 1970 and, if necessary, into 1971, with the understanding that beginning with 1970 it must help to promote broad European cooperation on advanced reactor research, especially fast breeders.

The change in Euratom's fortunes reflects the improved atmosphere in the Six since The Hague summit. The Council resolution stated that the ministers had been inspired by the agreement reached at The Hague.

In working out the third long-term program, the Council said it would make the initial decisions on cooperation in the field of advanced reactors and examine the Commission's proposal for building an isotopic separation plant in Europe to ensure a long-term supply of enriched uranium.

TVA DELAY AUTHORIZED FOR BELGIUM AND ITALY

Italy and Belgium were authorized by the European Communities Council of Ministers, on December 9, to delay until January 1, 1972, the introduction of the common turnover tax on value added. According to the original timetable, all six Community members should have adopted the TVA by the end of 1969.

In exchange for this extension, Italy and Belgium agreed not to increase the average rates that were in effect on October 1, 1969, for calculating charges on imports and refunds of internal taxes paid on exports. They agreed to reduce these rates beginning on April 1, 1970.

In addition, the Council asked the Commission to submit proposals as soon as possible indicating how and when the harmonization of turnover tax rates will allow the members of the Community to abolish import taxes and export rebates on trade between them. The Council also acknowledged the need to extend the application of TVA to the retail trade and to keep the number of tax rates to the minimum.

NEW BID MADE FOR COMMON MARKET IN BRANDED DRUGS

The Six by January 1, 1974, should achieve a common market in the more than 25,000 brand products known as "pharmaceutical specialties," according to a proposal made in October by the European Communities Commission. Such patent medicines account for more than four-fifths of the Community's medicine market.

The Commission asked the Council of Ministers to decide on this proposal before the end of the year. The Commission pointed out that many patent medicines are admitted to only one national market, making them unavailable to other patients in the Community.

"It cannot be tolerated that a continually expanding branch of industry should remain cut off for an unforeseeable time from the advantages of a free market within the Community," the Commission said. Neither should consumers of pharmaceuticals be deprived of the widest choice and cheapest possible source of best-quality drugs.

The Commission said it intended to open legal proceedings against member states under Article 169 of the Rome Treaty if they continued in their failure to take action in this sphere. Community institutions have been working on the problem for the past seven years, making it now possible "to find a balanced, comprehensive solution that takes account of all legitimate interests." The Commission has drawn up a timetable for the gradual realization of a common market for drugs by the beginning of 1974.

U.S. MISSION OFFERS 3 RESEARCH SCHOLARSHIPS

The United States Mission to the European Communities in Brussels is giving three scholarships for research on relations between the United States and Europe. Each scholarship is worth $2,000 for 10-12 months.

The scholarships are intended for young European postgraduate researchers, teaching assistants, young lecturers, or professors who are working on European questions in European institutes, research centers, or universities.

Interested candidates should send requests for further information to the General Secretary, European Community Institute for University Studies, 200 rue de la Loi (Bat. Berlaimont 2/80), Bruxelles 4, Belgium.

Applications should be sent in before February 28, 1970.

NUMBER OF TELEPHONES TO TRIPLE BY 1985

The number of telephones installed in the six European Community countries is likely to increase from 17.9 million in 1969 to 56 million by 1985, representing an investment expenditure of some $40 billion.

This forecast was made in a study done for the Common Market Commission by the Federation of Telecommunications Engineers of the European Community (FTEEC). Even in 1985 the network density in the Community will only equal that reached in 1967 by countries such as Switzerland and New Zealand, and greatly exceeded by the United States and Sweden.

	Telephones (millions)		Telephones per 100 inhabitants	
	1969	1985	1969	1985
Germany	7.3	21.0	12.2	31.1
Belgium	1.27	2.7	13.2	25.8
France	3.68	15.5	7.2	25.5
Italy	5.58	17.0	10.36	28.7
Luxembourg	0.07	0.15	21.8	42.5
TOTAL*	17.90	56.35	10.0	28.6

*The Netherlands does not belong to the Federation.

During the 1969-85 period, inter-city calls should increase fivefold, and international calls will develop even more quickly. Telex systems will also proliferate. However, the experts consider that, in general, the amortization period for existing telecommunications equipment will slow down development of new techniques, such as data teleprocessing and videophone.

Direct dialing, improved equipment, and investments of $40 billion between now and 1985 should cause a swift increase in both domestic and international phone calls.

EUROPE GIVES U.S. ONE YEAR MORE TO REPEAL ASP

Once again the European Community has agreed to an extension of the deadline for fulfilling a special agreement with the United States cutting tariffs on chemical products. Negotiated as a separate, supplementary agreement to the Kennedy Round of tariff negotiations, the bargain provided for further cuts in chemical tariffs and other trade concessions by Europe if the United States removed the American-selling-price (ASP) system of customs evaluation.

The decision was reached by the Community at its December 19-22 Council of Ministers meeting, in Brussels, following consultations with the other General Agreement on Tariffs and Trade (GATT) partners concerned, in Geneva on December 12. Besides the European Community and the United States, Britain and Switzerland were also party to the agreement.

The original agreement gave the United States until the end of 1968 to abolish ASP if its provisions were to come into force. A one-year extension was given at the end of 1968 and again in 1969 because the U.S. Congress had not yet abolished the system, which applies mainly to benzenoid chemicals. The delay in fulfilling the chemicals agreement would not affect the third stage of Kennedy Round tariff cuts in other sectors, which were to be made on January 1, 1970.

EUROPE'S AUTO UNIONS SEEK UNIFORM CONDITIONS

Union leaders representing automotive industry workers from 14 European countries last month agreed on a new policy of close cooperation to narrow differentials between wages paid in different countries and to protect each other when necessary during strikes.

Meeting in Paris December 3-5 at a conference, the first of its kind, organized by the International Metal Workers' Federation, the delegates expressed concern with the growing concentration of the automotive industry in a few hands and the high degree of American penetration of the market. The car workers plan to develop concerted union action on the European level to iron out present inequalities in pay and conditions and extend democracy to the shop floor.

Union leaders studied wage rates and earnings paid by automotive manufacturers to their employees in different countries. They will try to ensure that, for instance, Ford workers all over Europe earn the same in relation to their countries' cost of living levels. The object, apart from improving wages, is to ensure that international companies do not run down plants in one country and build up plants in a cheaper labor market. The unions also agreed that they would try to stop companies from transferring work from one country to another during strikes.

MONNET GROUP SETS THREE ENTRY TALK PRIORITIES

The European Community's negotiations with Britain and other candidates for membership should at first be limited to essentials, and all other questions should be dealt with after the candidates become members, according to Jean Monnet's Action Committee for the United States of Europe.

At a meeting in Bonn on December 15-16, the Committee said there were three essential problems to be solved in connection with British membership:

- British participation in the institutions of the Community. The Committee felt that Britain must have the same rights and obligations as other member states and the same share in the institutions as countries of comparable population.
- the length of the transition period for agriculture and for alignment with the common tariff
- Britain's share in the Community's agricultural financing, which should be settled between Britain and the Six rather than presented as a *fait accompli* from a formula worked out by the Six alone.

The Committee stressed the urgent need to coordinate the Community countries' economic policies and recommended further work towards the establishment of a European reserve fund, a gradual move towards economic and monetary union, and reform of the European Social Fund.

On political integration, the Monnet Committee decided to conduct a detailed review at its next meeting, in six months.

"Hope and Practicality"

The British Foreign Secretary Michael Stewart said the resolution "contains a proper mixture of good hope and practicality."

German Chancellor Willy Brandt lent support to the resolution, as did Italian, Benelux, and French political leaders; however no member of the French Government or the Gaullist party took part in the discussions.

Mr. Monnet said that the recommendations sought to define how the decisions taken at The Hague summit should be applied.

On the opening day Mr. Brandt declared that The Hague summit had opened a new perspective for the European Community. He said he had gone to The Hague determined that the Six should be ready to open negotiations with Britain by the end of the spring—June 21. The Hague meeting had set a deadline of June 30, so there was therefore no great difference.

Much of the first day's session was taken up with a report from Robert Triffin of Yale University on his plan for a European reserve fund into which European central banks would deposit part of their reserves. Such a fund could provide a means of stabilizing exchange rates pending the creation of a common European currency.

SIX AGREE ON COMMON EAST BLOC TRADE RULES

The Six agreed, on December 16, on a common import system for trade with the Soviet Union and Eastern Europe and on common rules for exports. Under this system, which went into force immediately, no member state may unilaterally re-impose quotas or trade restrictions on products appearing on the new Community "liberalization lists."

The lists specify the products now allowed to enter all six member states on a quota-free basis. For the five East European countries—Poland, Czechoslovakia, Hungary, Rumania, and Bulgaria—each list comprises about 400 products. For the Soviet Union, however, the Community's list includes only about 40 tariff positions. This is because the Federal Republic of Germany has no trade agreement with the USSR, and has liberalized only this number of Russian products. The Community's lists include only products liberalized by all six member states.

The Commission will now try to add other products to the liberalization lists. Products can only be removed from the lists by a decision of the Community as a whole, although governments can introduce short-term safeguards if their markets are seriously distorted by East Bloc imports.

Under the common rules for exports to all non-member countries, no member state may henceforth unilaterally forbid the export of any new product that is not already restricted. The Council endorsed a short list of all the products on which restrictions now exist.

JOBLESS MIGRANTS TO GET UNIFORM BENEFITS

The Council of Ministers on November 25 agreed on two new social security regulations for migrant workers in the Community. The measures will mainly benefit Italy, which provides about 80 percent of the Six's migrant labor force.

- The Six agreed on a uniform system of unemployment benefits for workers who become jobless in Community countries other than their own. If they cannot find a new job within four weeks, these workers will be entitled to move to another country or return home and continue to receive full unemployment benefits for the next three months from the country where they worked.
- Workers who leave their families behind when they migrate to another Community country will receive family allowance payments from the government of the country where they work. A temporary exception from this rule has been made for France, which pays out much higher family allowances than the other member states. However, the French agreed that a uniform Community system should be worked out before the beginning of 1973.

The ministers set mid-March as the date for the "tripartite" conference on Community labor problems. First proposed over two years ago, the conference will bring together ministers of labor, the Commission, and representatives of labor unions and management associations. The main Communist trade unions will be invited.

COOPERATIVE RESEARCH: UNITED KINGDOM ACCEPTS COMMUNITY INVITATION

Britain on November 18 accepted an invitation from the Six to begin talks on technological cooperation on a Europe-wide basis. The British Government said it was ready to start discussing details of specific projects outlined by the Six.

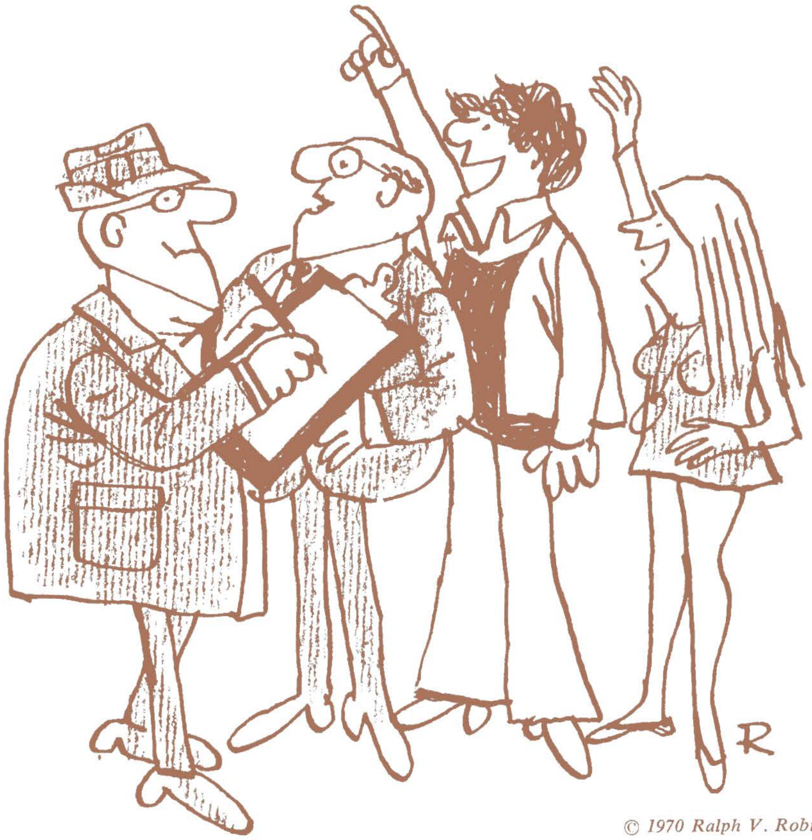
The Commission has invited nine other European countries to collaborate with the Six in fields ranging from computers to meteorology. Norway, Switzerland, Ireland, Austria, Sweden, Denmark, and Spain have also accepted the invitation. Portugal's answer is still awaited.

The invitations were accompanied by copies of the Community's "Aigrain Report" on technological cooperation. The report proposes about 30 specific projects for cooperation under seven general headings—data-processing, telecommunications, metallurgy, means of transport, oceanography, meteorology, and environmental control.

TRADE PACT WITH IRAN EXTENDED FOR ONE YEAR

The trade agreement between the European Economic Community and Iran was renewed for one year, from December 1, 1969, by an exchange of letters on November 28.

The agreement was signed on October 14, 1963. It was amended by an exchange of letters on November 8, 1967, and renewed, also by an exchange of letters, on November 26, 1968.



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TEENAGERS MORE PRO-EUROPEAN THAN THEIR PARENTS

A pro-European bias among parents is usually magnified in their teenage offspring, according to a poll conducted by Ronald Inglehart, professor of political science at the University of Michigan, Ann Arbor.

Professor Inglehart interviewed a representative sampling of 2,000 British, French, and German children between 15 and 20 years old and their parents. He asked four questions:

• If a United States of Europe were created now, should your country join?

	Percentage Favorable
GERMAN	
teenagers	92
parents	71
FRENCH	
teenagers	83
parents	65
BRITISH	
teenagers	76
parents	31

• Do you theoretically favor the creation of a European army comprising the different armies of Europe, including that of your country?

	Percentage Favorable
GERMAN	
teenagers	72
parents	54
FRENCH	
teenagers	57
parents	47
BRITISH	
teenagers	47
parents	32

• Should the government of a united Europe have the right to decide major issues if its decisions overruled your country's?

	Percentage Favorable
GERMAN	
teenagers	50
parents	37
FRENCH	
teenagers	48
parents	46
BRITISH	
teenagers	46
parents	21

• Has the Common Market so far had a favorable influence on your life in general?

	Percentage Favorable
GERMAN	
teenagers	58
parents	31
FRENCH	
teenagers	35
parents	21
BRITISH	
teenagers	27
parents	10

MOST BRITISH INDUSTRIES WOULD GAIN FROM ENTRY

Major British industries would gain from membership in the European Community, according to "The Balance Sheet of the Common Market," a pamphlet published last month by the Institute of Directors. It says that only a few sectors appear likely to suffer adverse consequences.

"Gainers" would probably be industries with a high capital to output ratio, where relative efficiency compares favorably with the average of Western Europe. These industries include: electronics, drugs, aerospace, chemicals, and electrical and mechanical engineering.

"Moderate gainers" would be industries in which Community membership would have little direct effect (for example in construction and services, where greater economic growth may be offset by higher labor costs). Industries which would make "notable gains" but which would face keener competition outside the Community and suffer from higher wage and material costs include: motor manufacturing, shipbuilding, textiles, and retailing.

"Possible losers" include: industries whose tariff protection from Community competitors would be withdrawn, such as scientific instruments; industries dependent on a high proportion of imported raw materials, which could become more expensive, such as the paper and footwear industries; industries expecting a sharp rise in total costs and which are expanding only slowly, such as the food, confectionery, and brewing industries.

Overall, the Institute of Directors expressed confidence that membership in the Community would hasten the growth of the British economy because it would form part of a larger market. Rates of growth could be expected to vary from sector to sector:

• above average growth: general and electrical engineering, oil refining, motor vehicles, aircraft

• average growth: shipbuilding, transport, communications, textiles, building materials

• below average growth: agriculture, coal mining, food processing, iron and steel,

1969 GRAIN HARVEST ESTIMATED ABOVE AVERAGE

The European Community Statistical Office has estimated the Community's 1969 grain harvest at 59 million metric tons, compared with an average of 55.8 million tons during 1964-68, and 60.3 million tons last year. However, heavy rains, especially in the north, may have impaired the quality of the harvest.

The following table shows the harvest results in millions of metric tons:

	1969 (forecast)	*1964-68 (average)*	*1968*
Wheat	31.4	30.0	32.2
Rye	3.7	4.1	4.1
Barley	15.7	13.5	15.3
Oats	8.3	8.0	8.4

FORMATION OF A EUROPEAN POLITICAL PARTY STUDIED

Members of West European Socialist and other left-wing parties have formed a European political action group which seeks to create a progressive European party. The group will submit proposals at a congress to be held in the spring of 1970.

Participants at a meeting at Bemelen, the Netherlands, on October 18-19 agreed on the need to bridge the gap between the individual and European institutions. They are also working for direct elections to the European Parliament.

PUBLICATIONS AVAILABLE

L'HARMONISATION DE LA LEGISLATION DES DENREES ALIMENTAIRES DANS LA COMMUNAUTE EUROPEENE. European Community Information Service, Brussels, 1969, 50 pages ....$ .25

Describes Community activities to harmonize legislation on foodstuffs. Discusses additives, coloring agents, preservatives, packaging, and labeling.

CONSULTATION AND ADVICE OF THE ECONOMIC AND SOCIAL COMMITTEE ON THE GENERAL SITUATION OF THE COMMUNITY. Economic and Social Committee of the European Communities, Brussels, 1969, 27 pages....free

PREMIERE ORIENTATION POUR UNE POLITIQUE ENERGETIQUE COMMUNAUTAIRE. Commission of the European Communities, Brussels, 1969, 196 pages $3.00

Reproduces the general guidelines for a Community energy policy. Includes two annexes on the actual situation of the market for energy and the fundamental problems of a Community energy policy. Discusses coal, petroleum, gas, electricity, and nuclear energy. Available in French and German.

CONVENTION D'ASSOCIATION ENTRE LA COMMUNAUTE ECONOMIQUE EUROPEENE ET LES ETATS AFRICAINS ET MALGACHE ASSOCIES A CETTE COMMUNAUTE ET DOCUMENTS ANNEXES. Commission of the European Communities, Brussels, 1969, 20 pages ....free

French text of the second Yaoundé Convention of Association between the Community and 17 African states and Madagascar signed July 29, 1969. The English text will be available in the future.

COMMERCE EXTERIEUR: PRODUITS CECA 1968. Statistical Office of the European Communities, Luxembourg, 1969, 569 pages $4.0

French/German/Dutch/Italian text. Detailed statistics of Community imports and exports of steel, iron ore, manganese, scrap metal, and coal. Data includes country of origin and country of destination as well as regional groupings.

REPORT ON THE QUESTION OF COKING COAL AND COKE FOR THE IRON AND STEEL INDUSTRY OF THE COMMUNITY. *Series Energy*-No. 2, Commission of the European Communities, Brussels, 1969, 86 pages $3.00

Discusses the coking coal and coke needs of the world's steel industry and means of meeting them, the contribution of the Community's coal mining industry to covering the requirements of the Community's steel industry, and the implications of Decision No. 1/67 which subsidized Community coking coal and coke delivered to the iron and steel industry. The situation and future for these products from the United States is analyzed. Includes a large statistical annex.

european community

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